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experience and their perspectives to try to
provide some suggestion, guidance,
recommendations back to management as to how to
deal with this inventory of volumes that looked
troublesome.

Q. As part of your role in Project
Rockford, were you ever asked whether or not
various -- certain volumes of proved reserves
should be de-booked?

A. Continuing on with that -- with that
discussion, yeah, I mean part of what I would
say is when they brought a set of circumstances
in front of me, I could apply -- I could say
well, were this in the US, this is how we would
treat it. And when they brought a set of
circumstances that was indeed complete and
conclusive, well, then my answer would have been
in the US we would have done this.

But again, that had to be put in the
context of an international setting, and others
had to assist with judgments of things I didn't
know about how international situation may be
different from my experiences in the US.

Q. Do you recall any of the specific
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OUs for which you recommended volumes of proved
reserves be de-booked?

MR. SMITH: Objection to form. Lack
of foundation.

A. The two that I remember are there
were -- and I don't remember individual field
names, just the circumstances -- there were some
circumstances in Nigeria where it appeared that
projects, once planned, were not then going to
be done, and in a situation like that in the US,
it wasn't in our plan, we weren't planning to do
it, we would have removed the volumes.

There were some situations in Oman
where the volume estimates were based on very
immature project understandings, without really
a clear and specific plan for how those volumes
would be developed and produced.

And again, if that occurred in the
US, then I would feel uncomfortable with calling
those proved reserves. They wouldn't seem to
meet the criteria.

Q. Did you do any work in connection
with Gorgon as part of the efforts in Project
Rockford?
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A. No. Not actually. I had very little contact with it.

Q. With respect to the reserves that you looked at in Nigeria, was that in connection with the SPDC OU?

A. Yes, it was.

Q. Do you recall the approximate volume of proved reserves at issue?

A. I don't remember an exact number, no.

Q. Do you recall if proved reserves were actually de-booked in connection with SPDC, at the conclusion of Project Rockford?

A. Yes, I believe they were.

Q. Do you recall the volume of --

A. No, I don't.

Q. During the course of your efforts in connection with Project Rockford, did you ever consider whether the various issues that called into question, in your mind, the viability of -- or the propriety of the reserves bookings at SPDC should have come to light in a group audit?

MR. SMITH: Objection to form.

A. Could you ask the question again,
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please?

Q. I'll rephrase the question. Sure.

While you were looking or reviewing
the proved reserves bookings at SPDC, did it
ever occur to you that some of the issues or
problems to those reserves should have come to
light in a group audit?

MR. SMITH: Objection to form. Lack
of foundation.

A. Given my relative inexperience with
the group audit structure, and how it was done,
other than the single example that I had in the
US, it was difficult for me to conclude what
should or should not have been done in that
audit structure.

Q. Were you ever asked whether the
problems with the proved reserves at SPDC should
have been picked up or caught during the group
audit?

A. I don't recall that being asked.

No.

Q. Did you ever indicate to anybody
that you thought there were issues that came
up -- withdrawn.
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Did you ever indicate to anybody

that any of the problem issues connected to the

proved reserves at SPDC should have been brought

to light in a group audit?

MR. SMITH: Objection to form.

A. I don't recall that I did. No.

Q. I would like now, sir, to direct

your attention to the page ending with Bates

number 069.

A. 069. I have it.

Q. Directing your attention to the

fourth paragraph from the bottom of the page,

beginning with the words "stricter application

of SEC guidelines."

Do you see that, sir?

A. I see it.

Q. Mr. Barendregt talks about stricter

application of the SEC guidelines and revision

of the group guidelines and the effect they had

on SNEPCO -- well, in connection with Bonga and

Erha.

Do you know what Mr. Barendregt was

referring to there when he references stricter

application of SEC guidelines?
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A. He makes reference to stricter application of SEC guidelines and consequent revision of group guidelines. Exactly what he was referring to, what sections or what change, I don't know.

Q. If I could ask you now, sir, to turn to page 071.

A. 071, okay. All right.

Q. A little bit from the top of the page you'll see number 7, Reasonable Certainty of Development. Do you see that, sir?

A. I see it.

Q. Mr. Barendregt writes, "During 2001 the SEC re-clarified their interpretation of the FASB rules regarding the booking of proved reserves" -- references -- or "(Refs 4.5)."

Do you know what Mr. Barendregt is referring to when he talks about the re-clarification of the interpretation of FASB rules?

A. I'm not sure I know exactly what he was referring to, but given the date of 2001, and our discussions yesterday about the March 2001 guidance that the SEC has made available, I
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think it's logical to speculate that that's what he meant.

Q. Are you referencing the -- we looked at yesterday an exhibit that was the proposed, or draft --

A. Yes. Finalized with a March 2001 version that expanded the draft we saw yesterday, and that's what the official guidance was, that was prepared. Now, whether that's exactly what he meant here or if he meant something else, I don't know.

Q. The next sentence in that paragraph reads: "One of the stipulations was that proved reserves could only be booked for projects whose development was not subject to 'reasonable doubt.'"

A. I see that.

Q. Okay. Based on your understanding of the SEC rules, could proved reserves have ever have been booked for projects that were subject to a reasonable doubt?

MR. SMITH: Objection to form.

A. Well, certainly it's clear from the SEC rules, especially from my understanding of
RODNEY SIDLE

how they were applied within SEPCO, which is the
basis of my knowledge at that time, that
reasonable certainty was required. Exactly what
Anton means here by "reasonable doubt," he
doesn't define. So whether reasonable doubt is
enough to mean you're not reasonably certain, or
there's some doubt and you can still be
reasonably certain, is unclear. I'm not sure I
know exactly what he's meaning by the statement.

Q. If I could now direct your attention
to page 073 of that document, sir.

A. 073. All right. I have that.

Q. Number 11, it's toward the top of
the page, the second numeral down, reads Group
Guidelines - first time booking of new fields.

Do you see that, sir?

A. Yes, I do.

Q. If you look at that first paragraph,
and if you would just read that to yourself,
you'll see that Mr. Barendregt indicates that
all major projects of VAR 3 would need to be
passed before a -- before proved reserves could
be booked, and references FID in connection with
new gas markets.
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My question -- well, let me know
when you're done reading that paragraph. I'm
sorry.

(Witness reviewing document.)

A. Okay. I've read the paragraph.

Q. Actually. The first sentence in the
next paragraph, if you could read that also,
where he opines on the VAR 3 review.

(Witness reviewing document.)

A. I've read it.

Q. Yesterday we talked a little about
the evolution of the standards under the group
guidelines. At some point you indicated that
you thought it was VAR 3 and then moved to
VAR 4.

But we had some trouble in terms of
the timing, I guess. Does this help refresh
your recollection as to when a VAR 3 was
appropriate as a milestone for the booking of
proved reserves?

A. The date of this document, I
believe, was early '03, so it would be looking
back at reviews done in '02. From that I would
conclude that the VAR 3 standard was in place
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with the 2002 guideline document, and that
subsequent changes to higher levels of VAR came
later.

Q. If you go back to the document, the
third paragraph under 11, Mr. Barendregt
recommends passage of -- I'm sorry -- yeah,
passage of FID, or another strong public
commitment by the OU concerning development as a
milestone.

My question is: Do you recall,
prior to 2004, whether or not the group
guidelines ever required passing of FID as a
milestone before proved reserves could be
booked?

A. Well, we know they didn't have it in
2002, so prior to 2004, it would only mean 2003,
and I would have to go look at the guidelines in
2003 and see whether it occurred there or later.

Q. Throughout this period SEPCO
required FID as a milestone prior to the booking
of proved reserves on major projects. Correct?

A. That's what we discussed yesterday.

That is correct.

Q. Do you know why it was that SEPCO
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utilized FID as a milestone for major projects in connection with proved reserves bookings?

A. Yes, I do. Yes, I do. Our experiences in developing the deepwater Gulf of Mexico were such that the projects were extremely costly, literally a billion or billions of dollars, and at the time that SEPCO was entering into the developments in the deepwater portion of the Gulf of Mexico, crude oil prices and natural gas prices were at a particularly weak state. So the economics of those ventures were challenged, given the cost that it -- that it would require.

Because of that, there was considerable uncertainty with the new projects, whether or not they really would be funded by the corporation, because of the questions of profitability. And so the leadership at the time said well, we can't be certain that these very costly projects with challenged economics will be approved, just because we think there are good technical opportunities, we must wait until we're certain the corporation is going to approve this massive expenditure before we say
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there is reasonable certainty and we go ahead.
And it was that experience in the
deepwater Gulf of Mexico that led to the rule
for very major projects, we need FID.

Q. Did SEPCO ever change that standard?
A. For the very large projects like TLP
deepwater development, no, they never did. We
recognize that there were smaller projects that
were more routine, where that particular level
of uncertainty wasn't the same, and so for
smaller projects, then, we still required
reasonable certainty, but we didn't necessarily
require FID.

Q. Thank you.

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(Sidle Exhibit 12, series of
e-mails with attached booklet, EP Global
Processes - Hydrocarbon Resource Volume
Management, April 2003, was marked for
identification.)

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BY MR. MacFALL:

Q. Mr. Sidle, you've just been handed a
document that has been marked for identification
as Sidle Exhibit 12. I would like you to take a
look at it, sir, and tell me if you recognize
it.

(Witness reviewing document.)

Q. Do you recognize these series of
e-mails -- or this series of e-mails, sir?

A. Yes, I do.

Q. And for the record, the document is
an e-mail string with the last of which is an
e-mail from Mr. Sidle to John Pay dated April 4,
2003. The subject is Organization Option:
Reserves Manager.

Mr. Sidle, I would like specifically
to direct your attention to the second e-mail
that appears on the first page of the document,
which is an e-mail from you dated April 4, 2003
to Gaurdie Banister, John Haines, Aidan McKay,
Bob Jefferis, Rob Ryan and Charlie Williams. Do
you have that, sir?

A. I do.

Q. First, could you identify Mr., or
Ms. Banister?

A. Mr. Banister --
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Q. Thank you.
A. -- at that time was the engineering -- the technical leader of the SEPCO organization.

Q. Mr. Haines?
A. John Haines was the focal point for the members of SEPCO that participated in the T&OE discipline leads that were part of -- the T&OE organization had dashed lines, if you will, relationships to functional leads in each of -- in the OUs. Within SEPCO John Haines was the focal point within SEPCO functional leads who related to an T&OE functional lead.

Q. How about Mr. McKay?
A. Both Aidan and Bob Jefferis were development managers within SEPCO.

Q. Mr. Ryan?
A. Rob Ryan was the business support manager within SEPCO.

Q. And finally, Mr. Williams?
A. Charlie Williams was my supervisor at the time.

Q. What position did Mr. Williams hold?
A. Let's see. What was his title?
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(Pause.) Charlie was the manager of a group that provided technical services to SEPCO -- boy, I can't remember the name of it -- but I was part of that group. The reserves manager reported to Charlie, who had a collection of other folks that did technical administrative sorts of things to support the business.

Q. I would like to direct your attention to the first full paragraph in that second e-mail. You describe a diagram containing an organizational structure with regard to HC resources. Does HC stand for hydrocarbon?

A. Yes, it does.

Q. You describe the various reporting under that diagram, and you conclude with the sentence, "This has been fine when all we want is reporting of volumes."

What is it that you meant to convey in that sentence, sir?

A. What this conveyed was my observation that the staffing level and people assigned to reserves, instruction, training,
determination, review, capture, reporting -- all
of that was limited to such a few number of
people that the only effective thing you could
do was just capture and report the data; that
the other functions of training, consulting,
elements like that, the precursors to the
capture of data, accurate data, didn't really
have people assigned sufficient to fully engage
in those responsibilities.

Q. Was one of the responsibilities also
the assessment of the proved reserves proposed
for booking?

A. It was a part of that overall
process in that it looked at the example that I
was familiar with, the role that I had within
SEPCO, as a model, saying that there is work
that can be done at the local OU level to
provide kind of a first order screening, if you
will, that could be used in addition to a
corporate -- a global audit function, to just
provide additional assurance that we had people
looking at things and getting it right.

Q. In the next paragraph you write:

"However, there is evidence to suggest we may
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need to change our approach."
I'm sorry. I'm still on the first
page, sir.
A. Oh.
Q. It's the next paragraph in that same
e-mail.
A. Mine's on the next page.
Q. Oh, I'm sorry. I apologize. We
have slightly different versions of that same
document. Okay. Well, the second paragraph
which appears on the second page of the document
in front of you states, "However" -- well, I've
already read it.
By that sentence, did you mean that
the approach described in the preceding
paragraph was the one that was currently in
place within the group?
A. What that approach in that sentence
refers to is the statement in the prior
paragraph that talks about current
organizational structure where you have John Pay
with links to OU staff, some of which are only
part-time resource coordinators. That was the
current structure, and that was the approach
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that I was referring to.

Q. You then write, "Consider RRR for 2002 impacted by major reserve reduction for volumes booked incorrectly (outside Group and SEC guidelines)," and then it continues.

Do you recall what reserve reduction you were referring to in that sentence?

A. I don't remember specific ones.

This was written in the early part of 2003, about the time that our annual results were being made public for 2002, so I'm sure this refers back to the disclosed values from 2002.

Q. Do you recall what the RRR impact was that you reference here?

A. I don't recall a numeric value, no.

Q. Do you remember if it was an adverse impact?

A. Yes. I believe it was an adverse impact.

Q. I would like now to direct -- that was the first bullet point that appeared under the sentence "However."

I would like now to direct your attention to the third paragraph, you'll see a
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star there, "A recent survey."

A. Yes.

Q. You wrote: "A recent survey of 20

larger OUs on reserve reporting processes shows

some OUs do not understand the fundamental SEC

'proved area' concept (and one OU believes it
does not apply to them)"

And then the sentence continues.

Now, with respect to that first

part, what survey were you referencing in that

sentence?

A. Okay. It was one that I did, as the

focal point for the reserves subgroup of the

T&OE reserves functional leads, we broke down

into subgroups to address a variety of topics,
one being reserves, and I was the chairman of

that subgroup -- we developed a list of, I don't

remember how many, of 20, 30 questions, just on

situations, practices, elements of reserves
determination, data capture reporting review,

all of those sorts of things, and then several

of us called the larger OUs, the people who were

the reserves focal points in those, and asked

those questions to get their responses.
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Our intent was simply to compare
where people were in terms of their depth of
understanding, good practices, bad practices,
things that we could learn. We had to survey
the land -- the landscape for what people need
to be educated about before you decide how to
train them.

So that was an attempt to get
information on a variety of things, and one of
the questions related to an understanding of
proved area.

Q. Do you recall the OUs -- the
specific OUs that did not understand the SEC
proved area concept?
A. I don't remember the specific ones,
except the one that said it did not apply to
them, because I didn't understand that response
at that time, but later I came to understand it.

Q. Could you identify the one OU that
indicated that it believed it did not apply to
them?
A. That was Abu Dhabi.

Q. Did the proved area concept in fact
apply to Abu Dhabi?