

Part 4

11:15:58 1

RODNEY SIDLE

11:15:58 2

MR. SMITH: Objection to the form

11:15:59 3

and foundation.

11:16:01 4

A. As I came to find out later, the

11:16:05 5

reason they responded the way they did was

11:16:08 6

because all of their reserves were determined

11:16:12 7

based on performance data. The proved area

11:16:15 8

concept relates to reserve determination using

11:16:19 9

volumetric methods. So actually what they

11:16:22 10

should have said, though they were correct in

11:16:24 11

saying it wasn't applying to them, it didn't

11:16:27 12

apply in the country, it was it didn't apply to

11:16:30 13

the method that they were using, which was an

11:16:31 14

SEC compliant method.

11:16:33 15

Q. Now, with respect to the other 20

11:16:40 16

OUS that did not understand the fundamental SEC

11:16:45 17

proved area concept, is the proved area concept

11:16:47 18

related to the booking of proved reserves?

11:16:50 19

MR. SMITH: Objection to form. You

11:16:51 20

mischaracterized the document.

11:16:51 21

MR. MacFALL: Withdrawn. Let me ask

11:16:52 22

you this.

11:16:53 23

BY MR. MacFALL:

11:16:58 24

Q. Is the proved area concept part of

25

the SEC rules concerning proved reserves?

11:17:02 1
11:17:09 2
11:17:10 3
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11:17:20 5
11:17:24 6
11:17:28 7
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11:17:36 9
11:17:41 10
11:17:44 11
11:17:46 12
11:17:51 13
11:17:53 14
11:17:57 15
11:17:59 16
11:18:00 17
11:18:09 18
11:18:13 19
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RODNEY SIDLE

A. It is part of the rules. Yes.

Q. Is an understanding of the proved area concept necessary for the booking of proved reserves?

A. There are multiple SEC compliant ways to calculate reserves. When a volumetric method is being used, the proved area concept is important. If other methods, like performance methods, are being used, then proved area is not a part of that determination method.

Q. With respect to the 20 OUs that you referenced in this e-mail, do you recall if they used the volumetric method?

A. I don't recall the details of which OUs or exactly what comments they made that led me to this statement.

Q. Did you ever come to learn of any OU besides Abu Dhabi that used the performance metric as opposed to volumetric method?

A. Oh, yes, most of them did. In any mature field you would typically, and in fact you're instructed to typically use a performance-based method.

Q. Did those OUs book proved reserves

11:18:27 1

RODNEY SIDLE

11:18:29 2

based on that method?

11:18:29 3

A. Yes.

11:18:31 4

Q. Can you identify any of them?

11:18:39 5

A. Well, any of our older OUs. Brunei

11:18:42 6

would be one. Oman would be another. I mean

11:18:44 7

most of our OUs had been around for quite some

11:18:48 8

time, and had mature fields, and in a mature

11:18:51 9

field it's appropriate to use performance-based

11:18:51 10

methods.

11:18:55 11

Q. Let me ask you: Do you recall if

11:19:01 12

SPDC used volumetric or performance-based

11:19:09 13

methods?

11:19:13 14

MR. SMITH: Objection to form.

11:19:16 15

A. At the time of this document I would

11:19:17 16

not have had that knowledge.

11:19:18 17

Q. Did there come a time when you

11:19:22 18

learned whether or not SPDC used volumetric as

11:19:25 19

opposed to performance-based metrics to book

11:19:26 20

proved reserves?

11:19:31 21

MR. SMITH: Objection to form. I'm

11:19:34 22

just not sure it's an either/or

11:19:35 23

proposition. That's why I'm objecting.

11:19:36 24

MR. MacFALL: That's fine. Why

25

don't we clarify that.

11:19:37 1

RODNEY SIDLE

11:19:38 2

BY MR. MacFALL:

11:19:40 3

Q. Is it an either/or proposition?

11:19:41 4

A. It is certainly not.

11:19:42 5

Q. Can you use both?

11:19:44 6

A. Yes, you can use both and indeed are

11:19:46 7

encouraged to consider both in appropriate

11:19:49 8

considerations. You could use -- one is

11:19:53 9

adequate. You're always encouraged to use

11:19:57 10

multiple methods. For very new fields which are

11:20:00 11

in the process of being developed, where you

11:20:04 12

have very little performance issue, you would

11:20:06 13

typically use volumetric data. In very mature

11:20:09 14

fields, where the best data you have to

11:20:12 15

characterize the reserve is how the field has

11:20:17 16

actually performed rather than the volumetric

11:20:20 17

data, which is inherently a bit less precise,

11:20:24 18

you would be using performance data.

11:20:27 19

So any business that had been around

11:20:31 20

long enough to have mature fields, and was

11:20:33 21

continuing investments for discovery so they

11:20:36 22

also had new fields, would have some blend of

11:20:39 23

both. It was all new, it would primarily be

11:20:42 24

volumetric. If it was all old fields, it would

25

primarily be performance.

11:20:43 1

RODNEY SIDLE

11:20:46 2

Q. Thank you for that clarification.

11:20:49 3

And let me ask you this: And besides Abu Dhabi,

11:20:52 4

were you aware of any OUs that only used the

11:20:55 5

performance -- only used performance data for

11:21:09 6

the booking of proved reserves?

11:21:11 7

A. Not at that time, no.

11:21:20 8

Q. Thank you.

11:21:21 9

MR. SMITH: We've been going about

11:21:23 10

an hour and fifteen. Do you want to take a

11:21:25 11

quick break, if you're done with this

11:21:25 12

document?

11:21:26 13

MR. MacFALL: That makes sense.

11:21:26 14

Thank you.

11:21:28 15

VIDEOGRAPHER: The time is

11:21:29 16

11:20 a.m. Off the record.

17

11:39:04 18

(Recess.)

11:39:04 19

11:39:10 20

VIDEOGRAPHER: The time is now

11:39:11 21

11:38 a.m. We're back on the record.

11:39:12 22

BY MR. MacFALL:

11:39:13 23

Q. Mr. Sidle, I'm sorry. I wasn't

11:39:15 24

quite done with Exhibit 12. I just have a

25

couple of fairly quick follow-ups.

11:39:20 1

RODNEY SIDLE

11:39:21 2

Again, directing your attention to

11:39:28 3

the second page of that document, sir, the

11:39:33 4

second paragraph on that page, the sentence we

11:39:36 5

were looking at before actually continues on,

11:39:39 6

and indicates that several OUs provide no

11:39:42 7

training to staff on proper reserve booking

11:39:47 8

practices, including new guideline changes. Do

11:39:48 9

you see that, sir?

11:39:48 10

A. I do.

11:39:53 11

Q. Do you recall which of the OUs you

11:39:56 12

were referring to in that sentence?

11:39:57 13

A. No, I don't.

11:39:59 14

Q. Do you recall the approximate

11:39:59 15

number?

11:40:02 16

A. No.

11:40:04 17

Q. Just one other question, and I

11:40:05 18

believe it's indicated on the first page of the

11:40:12 19

document. You forwarded your April 4 e-mail on

11:40:14 20

that same date to John Pay. Correct?

11:40:15 21

A. Yes, I did.

11:40:19 22

Q. Why did you forward that e-mail to

11:40:19 23

Mr. Pay?

11:40:23 24

A. At that time John was not a member

25

of the reservoir engineering functional lead

11:40:28 1

RODNEY SIDLE

11:40:31 2

team within T&OE, and so he didn't naturally get

11:40:34 3

a copy of this as it was distributed among the

11:40:38 4

T&OE functional lead team within reservoir

11:40:41 5

engineering, nor, obviously, was he part of

11:40:44 6

SEPCO, the team that I distributed to in the

11:40:47 7

first e-mail, so I wanted to make sure that he

11:40:49 8

was aware that this document was being

11:40:52 9

circulated within the T&OE reservoir engineering

11:40:55 10

functional group that worked on reserves so that

11:40:58 11

he could add comments if he wished.

11:41:01 12

Q. Did Mr. Pay hold the position of

11:41:02 13

group reserves coordinator at that time; do you

11:41:02 14

recall?

11:41:03 15

A. Yes, he did.

11:41:44 16

Q. Thank you.

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18

(Sidle Exhibit 13, e-mail dated

19

June 22, 2003, and attachment, Bates number

20

DB 02027 through DB 02033, was marked for

11:41:45 21

identification.)

11:41:47 22

11:41:47 23

BY MR. MacFALL:

11:41:49 24

Q. Mr. Sidle, you've just been handed a

25

document marked for identification as Sidle

11:41:51 1

RODNEY SIDLE

11:41:53 2

Exhibit 13. I would ask you to take a look at

11:42:04 3

it, sir, and tell me if you recognize it.

11:44:22 4

(Witness reviewing document.)

11:44:23 5

A. I've looked at it.

11:44:25 6

Q. Do you recall having seen this

11:44:26 7

document before, sir?

11:44:27 8

A. Yes, I do.

11:44:30 9

Q. For the record, the document is an

11:44:34 10

e-mail with attachment. The e-mail is dated

11:44:38 11

June 22, 2003 from Mr. Barendregt to Mr. Pay and

11:44:43 12

yourself. The subject is Comparison SEC versus

11:44:45 13

Group Guidelines.

11:44:46 14

Directing your attention to the

11:44:49 15

first sentence of the first paragraph,

11:44:54 16

Mr. Barendregt writes of recent excitements. Do

11:44:58 17

you know what he's referring to there?

11:44:59 18

A. No, I don't.

11:45:05 19

Q. Did you ever discuss with him why he

11:45:08 20

prepared this document comparing the SEC

11:45:12 21

requirements and the group guidelines?

11:45:18 22

A. I don't recall that I did, no.

11:45:20 23

Q. Do you recall if you had any

11:45:23 24

discussions with Mr. Barendregt about the

25

attachment, the actual chart that he prepared

11:45:26 1

RODNEY SIDLE

11:45:28 2

comparing the SEC requirements and the group

11:45:29 3

guidelines?

11:45:38 4

A. I know I provided comments on

11:45:43 5

this -- a table like this at one time. I don't

11:45:45 6

remember if it was this one or its predecessor.

11:45:46 7

Or it may be both.

11:45:50 8

Q. Did you have a discussion with

11:45:56 9

Mr. Barendregt about the predecessor table that

11:45:56 10

you might have worked on?

11:45:58 11

A. I'm sorry. Could you repeat it?

11:46:01 12

Q. I'll rephrase it.

11:46:02 13

Do you recall that there was a prior

11:46:05 14

version of this document, or a table like this

11:46:09 15

that was issued or circulated to you prior to

11:46:10 16

June of 2003?

11:46:12 17

A. Yes. I remember a prior version of

11:46:12 18

this, yeah.

11:46:14 19

Q. Do you remember talking to

11:46:16 20

Mr. Barendregt about that earlier version of the

11:46:17 21

document?

11:46:19 22

A. Again, I remember commenting on that

11:46:22 23

form of a document, and I don't remember if it

11:46:25 24

was the earlier one, this one, or both of them.

25

But I did comment in a form like this, of a

11:46:29 1

RODNEY SIDLE

11:46:30 2

comparison. Yes.

11:46:33 3

Q. Did you have discussions with

11:46:35 4

Mr. Barendregt, if not about this particular

11:46:38 5

document then about the earlier version, with

11:46:40 6

regard to why it was that he was preparing that

11:46:47 7

document?

11:46:49 8

A. No. Not specifically. No. Not

11:46:50 9

that I recall.

11:47:00 10

Q. I would like now to direct your

11:47:03 11

attention to the third full paragraph on the

11:47:05 12

first page of the document, beginning with the

11:47:07 13

words "I have highlighted."

11:47:08 14

Do you see that, sir?

11:47:09 15

A. I see that, yeah.

11:47:12 16

Q. Mr. Barendregt references

11:47:16 17

specifically that he's highlighted where it

11:47:21 18

would seem that the group guidelines may perhaps

11:47:23 19

not be in full alignment with the SEC

11:47:25 20

interpretations.

11:47:29 21

Do you recall discussing with

11:47:33 22

Mr. Barendregt that any part of the group

11:47:38 23

guidelines did not comply or misaligned with the

11:47:39 24

SEC requirements?

25

MR. SMITH: At or around this time?

11:47:41 1

RODNEY SIDLE

11:47:47 2

MR. MacFALL: At or about this time.

11:47:57 3

(Witness reviewing document.)

11:47:59 4

A. I recall general discussions around

11:48:02 5

that. I don't recall specific details.

11:48:07 6

Q. In that paragraph Mr. Barendregt

11:48:12 7

goes on to identify four subjects which he

11:48:17 8

believes might be the subject of possible

11:48:21 9

nonalignment. The first one is production

11:48:22 10

testing.

11:48:23 11

Do you recall ever discussing that

11:48:27 12

with Mr. Barendregt, in terms of the SEC

11:48:30 13

requirements and the group guidelines perhaps

11:48:35 14

being different?

11:48:37 15

A. I believe I did discuss that one,

11:48:40 16

because that one had a specific -- was a

11:48:43 17

specific item of interest to SEPCO.

11:48:47 18

Q. Did you discuss that with

11:48:48 19

Mr. Barendregt or someone else?

11:49:08 20

A. I believe I discussed it with

11:49:10 21

Mr. Barendregt. I may have discussed it with

11:49:11 22

others.

11:49:18 23

Q. Do you recall who those others might

11:49:18 24

have been?

25

A. No.

11:49:18 1

RODNEY SIDLE

11:49:19 2

Q. Okay. Do you recall what it was

11:49:21 3

that you discussed about production testing and

11:49:23 4

the group guidelines with Mr. Barendregt?

11:49:27 5

A. Yes. Yes, I do. One of the

11:49:32 6

practices that SEPCO had, as well as, frankly,

11:49:36 7

all of industry, in the Gulf of Mexico,

11:49:40 8

especially the deepwater Gulf of Mexico, was

11:49:45 9

that new fields and new reservoirs were

11:49:49 10

discovered, appraised, and then projects

11:49:56 11

installed without a full flow to surface

11:49:59 12

production test, and yet we felt reasonable

11:50:01 13

certainty was achieved with the data we had in

11:50:07 14

hand and booked reserves for that.

11:50:10 15

Q. Did you ever discuss production

11:50:15 16

testing in the context of the group guidelines,

11:50:18 17

outside of the SEPCO context, with

11:50:18 18

Mr. Barendregt?

11:50:21 19

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

11:50:25 20

Q. The next subject identified by

11:50:29 21

Mr. Barendregt in this document is LKH, and I

11:50:31 22

believe that's lowest known hydrocarbons.

11:50:31 23

Correct?

11:50:32 24

A. Yes, it is.

25

Q. Do you recall if you ever had

11:50:33 1

RODNEY SIDLE

11:50:38 2

discussions with anyone concerning LKH as a

11:50:41 3

possible subject of nonalignment between the SEC

11:50:44 4

requirements and the group guidelines?

11:50:46 5

A. Yes. Yes, I did.

11:50:48 6

Q. Could you please tell me who it was

11:50:49 7

that you discussed it with?

11:50:51 8

A. Yes. I recall talking with Anton

11:50:53 9

about it, because he was interested in the

11:50:57 10

seismic method that SEPCO had developed and

11:50:57 11

used.

11:51:04 12

Q. Did you understand that use of the

11:51:10 13

seismic method at that point to be in compliance

11:51:14 14

with the SEC requirements concerning LKH?

11:51:16 15

MR. SMITH: This is June of '03?

11:51:17 16

MR. MacFALL: Yes.

11:51:21 17

A. Yes. In June of '03, which is prior

11:51:23 18

to John Pay and I meeting with the SEC in their

11:51:26 19

offices that we discussed yesterday, I believe

11:51:29 20

it to be in compliance, because it was

11:51:33 21

demonstratively reasonably certain.

11:51:41 22

Q. Do you know why Mr. Barendregt

11:51:45 23

identified LKH as a subject of possible

11:51:47 24

nonalignment between the group guidelines and

25

the SEC requirements?

11:51:49 1

RODNEY SIDLE

11:52:21 2

A. I believe that would be because

11:52:24 3

there are differences between the SEC language

11:52:25 4

and the language that was in the group

11:52:30 5

guidelines, and the seismic example is one of

11:52:30 6

those.

11:52:36 7

Q. Without going through the chart,

11:52:39 8

because it's fairly lengthy, do you recall if

11:52:44 9

you ever discussed that with -- the language

11:52:47 10

differences, I'm sorry -- discussed the language

11:52:48 11

differences between the group guidelines and the

11:52:50 12

SEC rule with Mr. Barendregt?

11:52:53 13

MR. SMITH: I object to the form of

11:52:55 14

the question. If you need to refer to the

11:52:56 15

chart to answer the question, you should

11:52:57 16

feel free to do so.

11:52:58 17

MR. MacFALL: Absolutely.

11:52:59 18

MR. SMITH: I'm sorry. I just

11:53:01 19

didn't want him to misunderstand.

11:53:02 20

MR. MacFALL: I'm sorry. That's

11:53:02 21

fine.

11:53:03 22

A. Could you ask the question again,

11:53:04 23

please?

11:53:06 24

Q. Sure. Do you recall ever discussing

25

the language differences between the group

11:53:08 1

RODNEY SIDLE

11:53:10 2

guidelines and the SEC requirements, that you

11:53:14 3

just mentioned, with Mr. Barendregt? Regarding

11:53:15 4

LKH. I'm sorry.

11:53:18 5

A. LKH, okay. Very good. Yes. Yes.

11:53:24 6

Again, we spoke about SEPCO's belief that the

11:53:28 7

use of seismic, as we qualified it, fit the

11:53:33 8

requirements of reasonable certainty, and

11:53:33 9

therefore the belief that the SEC would find

11:53:42 10

that acceptable.

11:53:42 11

Q. Outside of the SEPCO context again,

11:53:42 12

do you recall any conversations with

11:53:43 13

Mr. Barendregt concerning LKH and possible

11:53:45 14

nonalignment between the group guidelines and

11:53:46 15

the SEC requirements?

11:53:48 16

A. Not outside of that topic. No.

11:53:52 17

Q. Mr. Barendregt also specifies

11:53:58 18

lateral continuity of production as a subject of

11:54:00 19

possible nonalignment between the group

11:54:02 20

guidelines and the SEC requirements.

11:54:04 21

Do you recall if you ever discussed

11:54:06 22

that topic with him?

11:54:08 23

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

11:54:10 24

Q. And the last one is improved

25

recovery pilots. Do you recall discussing that

11:54:13 1

RODNEY SIDLE

11:54:18 2

with Mr. Barendregt?

11:54:25 3

A. I don't recall discussing that one.

11:54:35 4

No.

11:54:37 5

Q. Skipping the next sentence and going

11:54:39 6

to the sentence that begins "They all concern

11:54:41 7

areas," in that same paragraph. Do you see

11:54:41 8

that, sir?

11:54:43 9

A. I'm sorry. Could you repeat that,

11:54:43 10

please?

11:54:45 11

Q. Sure. In the third paragraph, I

11:54:47 12

guess it's the next-to-last sentence, beginning

11:54:49 13

with the words "They all concern."

11:54:49 14

Do you see that?

11:54:50 15

A. I see that.

11:54:52 16

Q. Mr. Barendregt wrote, "They all

11:54:55 17

concern areas where strict adherence to the SEC

11:54:58 18

interpretations would lead to unrealistically

11:55:02 19

low reserves."

11:55:03 20

Do you recall discussing that with

11:55:04 21

Mr. Barendregt at any point?

11:55:04 22

A. No, I don't.

11:55:10 23

Q. Did you have any understanding as to

11:55:15 24

whether or not the group was not strictly

25

adhering to the SEC, as he puts it,

11:55:19 1
11:55:22 2
11:55:24 3
11:55:25 4
11:55:26 5
11:55:33 6
11:55:34 7
11:55:37 8
11:55:37 9
11:55:43 10
11:55:45 11
11:55:46 12
11:55:49 13
11:55:52 14
11:55:59 15
11:56:18 16
11:56:21 17
11:56:29 18
11:56:32 19
11:56:40 20
11:56:45 21
11:56:53 22
11:56:57 23
11:56:59 24
25

RODNEY SIDLE

interpretations in connection with those areas
and the booking of proved reserves?

MR. SMITH: At this time?

MR. MacFALL: At this time.

A. Again, my dataset was SEPCO, and I
believe SEPCO was adhering to the SEC
requirements. Outside of that, I didn't have
data.

Q. Did you ever ask Mr. Barendregt why
he said that?

A. No, I did not.

Q. Did you ever talk to anybody else
about that?

A. I don't recall that I did, no.

Q. In or about June of 2003, subsequent
to the receipt of this e-mail, did you undertake
any actions to assess whether or not the group
was adhering to the SEC requirements concerning
the booking of proved reserves?

MR. SMITH: Objection to form.

A. Not in June of 2003. No.

Q. Did there come a time when you did
take such action?

A. As I explained in my Rockford

11:57:01 1

RODNEY SIDLE

11:57:03 2

participation, I was part of a team and I

11:57:07 3

offered my observations relative to a SEPCO

11:57:10 4

example, to certain international situations,

11:57:13 5

which I then had the opportunity to see data

11:57:13 6

related to.

11:57:53 7

Q. Thank you.

8

9

(Sidle Exhibit 14, e-mail dated

10

December 20, 2003, two pages, was marked

11:57:55 11

for identification.)

11:57:55 12

11:57:55 13

BY MR. MacFALL:

11:57:58 14

Q. Mr. Sidle, you've just been handed a

11:57:59 15

document that has been marked for identification

11:58:03 16

as Sidle Exhibit 14. Do you recognize this

11:58:21 17

document, sir?

11:58:22 18

(Witness reviewing document.)

11:59:18 19

A. Yes, I do.

11:59:23 20

Q. For the record, Exhibit 14 is an

11:59:26 21

e-mail from you to Mr. Pay and Mr. Barendregt

11:59:32 22

dated December 20, 2003. Subject: Rockford

11:59:34 23

thoughts while flying.

11:59:36 24

I take it from that subject line

25

that this was after Project Rockford had started

11:59:38 1
11:59:40 2
11:59:40 3
11:59:42 4
11:59:48 5
11:59:50 6
11:59:53 7
11:59:58 8
12:00:00 9
12:00:02 10
12:00:09 11
12:00:12 12
12:00:16 13
12:00:19 14
12:00:21 15
12:00:23 16
12:00:29 17
12:00:31 18
12:00:32 19
12:00:34 20
12:00:59 21
12:00:59 22
12:01:05 23
12:01:07 24
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RODNEY SIDLE

and during the course of your involvement. Is that correct?

A. Yes. This occurred on my plane ride back to Houston. Aren't laptops wonderful.

Q. I would like specifically, sir, to direct your attention to the second bullet point that appears after the sentence that starts with "Although."

In that bullet point you specifically discuss group guidelines, interpretations of SEC definitions, and the acceptance of those interpretations by the external auditors, as fulfilling SEC requirements.

You then pose a question with respect to whether or not the external auditors validated it and whether or not there are documents concerning that validation.

My question is: Do you recall if you received a response to that query?

(Witness reviewing document.)

A. I recall that I never saw such documents. I don't recall whether that was because there was no response, or I got a

12:01:09 1

RODNEY SIDLE

12:01:12 2

response that there are no documents. But I

12:01:13 3

know I never saw them.

12:01:16 4

Q. Do you recall if you ever discussed

12:01:18 5

that topic, separate and apart from the e-mail,

12:01:21 6

with either Mr. Pay or Mr. Barendregt?

12:01:30 7

A. Separate from the e-mail. Separate

12:01:31 8

from this e-mail, no, I don't recall.

12:01:34 9

Q. And just so I'm clear, because I

12:01:39 10

think the question was a little vague. Did you

12:01:42 11

ever discuss with them the external auditor

12:01:45 12

validation of the group's guidelines, separate

12:01:48 13

and apart from the existence of any documents

12:01:50 14

memorializing such validation?

12:01:53 15

A. The only reference to a discussion

12:01:58 16

of external auditor validation of the group

12:02:01 17

guidelines was -- that I recall -- was the

12:02:04 18

comment that's in this e-mail.

12:02:07 19

Q. Did you ever have discussions

12:02:10 20

regarding that topic with anyone, besides

12:02:11 21

Mr. Pay and Mr. Barendregt?

12:02:12 22

A. Not that I recall. No.

12:02:45 23

Q. Thank you.

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(Sidle Exhibit 15, series of