Part 4
RODNEY SIDLE

MR. SMITH: Objection to the form and foundation.

A. As I came to find out later, the reason they responded the way they did was because all of their reserves were determined based on performance data. The proved area concept relates to reserve determination using volumetric methods. So actually what they should have said, though they were correct in saying it wasn't applying to them, it didn't apply in the country, it was it didn't apply to the method that they were using, which was an SEC compliant method.

Q. Now, with respect to the other 20 OUs that did not understand the fundamental SEC proved area concept, is the proved area concept related to the booking of proved reserves?

MR. SMITH: Objection to form. You mischaracterized the document.

MR. MacFALL: Withdrawn. Let me ask you this.

BY MR. MacFALL:

Q. Is the proved area concept part of the SEC rules concerning proved reserves?
Q. Did those OUs book proved reserves?

A. Yes, those are the OUs for reserves.

Q. The OUs are the reserves?

A. Yes, those are the OUs for reserves.

Q. And what I'm trying to do is understand the concept of a performance-based method.

A. The performance-based method is a method used to calculate reserves. It is important to note that other methods, like performance-based methods, are being used, hence the need for a part of that determination.

Q. The performance-based method is a method used to calculate reserves. Is it correct that the performance-based method is being used for the calculation of reserves in this case?

A. Yes, it is correct that the performance-based method is being used for the calculation of reserves in this case.
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based on that method?

A. Yes.

Q. Can you identify any of them?

A. Well, any of our older OUs. Brunei would be one. Oman would be another. I mean most of our OUs had been around for quite some time, and had mature fields, and in a mature field it's appropriate to use performance-based methods.

Q. Let me ask you: Do you recall if SPDC used volumetric or performance-based methods?

MR. SMITH: Objection to form.

A. At the time of this document I would not have had that knowledge.

Q. Did there come a time when you learned whether or not SPDC used volumetric as opposed to performance-based metrics to book proved reserves?

MR. SMITH: Objection to form. I'm just not sure it's an either/or proposition. That's why I'm objecting.

MR. MACFALL: That's fine. Why don't we clarify that.
BY MR. MacFALL:

Q. Is it an either/or proposition?
A. It is certainly not.
Q. Can you use both?
A. Yes, you can use both and indeed are encouraged to consider both in appropriate considerations. You could use -- one is adequate. You're always encouraged to use multiple methods. For very new fields which are in the process of being developed, where you have very little performance issue, you would typically use volumetric data. In very mature fields, where the best data you have to characterize the reserve is how the field has actually performed rather than the volumetric data, which is inherently a bit less precise, you would be using performance data.

So any business that had been around long enough to have mature fields, and was continuing investments for discovery so they also had new fields, would have some blend of both. It was all new, it would primarily be volumetric. If it was all old fields, it would primarily be performance.
Q. Thank you for that clarification. And let me ask you this: And besides Abu Dhabi, were you aware of any OUs that only used the performance -- only used performance data for the booking of proved reserves?
A. Not at that time, no.
Q. Thank you.

MR. SMITH: We've been going about an hour and fifteen. Do you want to take a quick break, if you're done with this document?

MR. MacFALL: That makes sense.

Thank you.

VIDEOGRAPHER: The time is 11:20 a.m. Off the record.

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(Recess.)

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VIDEOGRAPHER: The time is now 11:38 a.m. We're back on the record.

BY MR. MacFALL:

Q. Mr. Sidle, I'm sorry. I wasn't quite done with Exhibit 12. I just have a couple of fairly quick follow-ups.
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Again, directing your attention to
the second page of that document, sir, the
second paragraph on that page, the sentence we
were looking at before actually continues on,
and indicates that several OUs provide no
training to staff on proper reserve booking
practices, including new guideline changes. Do
you see that, sir?

A. I do.

Q. Do you recall which of the OUs you
were referring to in that sentence?

A. No, I don't.

Q. Do you recall the approximate
number?

A. No.

Q. Just one other question, and I
believe it's indicated on the first page of the
document. You forwarded your April 4 e-mail on
that same date to John Pay. Correct?

A. Yes, I did.

Q. Why did you forward that e-mail to
Mr. Pay?

A. At that time John was not a member
of the reservoir engineering functional lead
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team within T&OE, and so he didn't naturally get
a copy of this as it was distributed among the
T&OE functional lead team within reservoir
engineering, nor, obviously, was he part of
SEPCO, the team that I distributed to in the
first e-mail, so I wanted to make sure that he
was aware that this document was being
circulated within the T&OE reservoir engineering
functional group that worked on reserves so that
he could add comments if he wished.

Q. Did Mr. Pay hold the position of
group reserves coordinator at that time; do you
recall?

A. Yes, he did.

Q. Thank you.

(Sidle Exhibit 13, e-mail dated
June 22, 2003, and attachment, Bates number
DB 02027 through DB 02033, was marked for
identification.)

BY MR. MacFALL:

Q. Mr. Siddle, you've just been handed a
document marked for identification as Siddle

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Exhibit 13. I would ask you to take a look at it, sir, and tell me if you recognize it.

(Witness reviewing document.)

A. I've looked at it.

Q. Do you recall having seen this document before, sir?

A. Yes, I do.

Q. For the record, the document is an e-mail with attachment. The e-mail is dated June 22, 2003 from Mr. Barendregt to Mr. Pay and yourself. The subject is Comparison SEC versus Group Guidelines.

Directing your attention to the first sentence of the first paragraph, Mr. Barendregt writes of recent excitement. Do you know what he's referring to there?

A. No, I don't.

Q. Did you ever discuss with him why he prepared this document comparing the SEC requirements and the group guidelines?

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

Q. Do you recall if you had any discussions with Mr. Barendregt about the attachment, the actual chart that he prepared
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comparing the SEC requirements and the group

guidelines?

A. I know I provided comments on

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

remember if it was this one or its predecessor.

Or it may be both.

Q. Did you have a discussion with

Mr. Barendregt about the predecessor table that

you might have worked on?

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

Q. I'll rephrase it.

Do you recall that there was a prior

version of this document, or a table like this

that was issued or circulated to you prior to

June of 2003?

A. Yes. I remember a prior version of

this, yeah.

Q. Do you remember talking to

Mr. Barendregt about that earlier version of the

document?

A. Again, I remember commenting on that

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

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

But I did comment in a form like this, of a
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comparison. Yes.

Q. Did you have discussions with

Mr. Barendregt, if not about this particular
document then about the earlier version, with
regard to why it was that he was preparing that
document?

A. No. Not specifically. No. Not

that I recall.

Q. I would like now to direct your
attention to the third full paragraph on the
first page of the document, beginning with the
words "I have highlighted."

Do you see that, sir?

A. I see that, yeah.

Q. Mr. Barendregt references

specifically that he's highlighted where it
would seem that the group guidelines may perhaps
not be in full alignment with the SEC
interpretations.

Do you recall discussing with

Mr. Barendregt that any part of the group
guidelines did not comply or misaligned with the
SEC requirements?

MR. SMITH: At or around this time?
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MR. MacFALL: At or about this time.

(Witness reviewing document.)

A. I recall general discussions around that. I don't recall specific details.

Q. In that paragraph Mr. Barendregt goes on to identify four subjects which he believes might be the subject of possible nonalignment. The first one is production testing.

Do you recall ever discussing that with Mr. Barendregt, in terms of the SEC requirements and the group guidelines perhaps being different?

A. I believe I did discuss that one, because that one had a specific -- was a specific item of interest to SEPCO.

Q. Did you discuss that with Mr. Barendregt or someone else?

A. I believe I discussed it with Mr. Barendregt. I may have discussed it with others.

Q. Do you recall who those others might have been?

A. No.
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Q. Okay. Do you recall what it was that you discussed about production testing and the group guidelines with Mr. Barendregt?

A. Yes. Yes, I do. One of the practices that SEPCO had, as well as, frankly, all of industry, in the Gulf of Mexico, especially the deepwater Gulf of Mexico, was that new fields and new reservoirs were discovered, appraised, and then projects installed without a full flow to surface production test, and yet we felt reasonable certainty was achieved with the data we had in hand and booked reserves for that.

Q. Did you ever discuss production testing in the context of the group guidelines, outside of the SEPCO context, with Mr. Barendregt?

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

Q. The next subject identified by Mr. Barendregt in this document is LKH, and I believe that's lowest known hydrocarbons. Correct?

A. Yes, it is.

Q. Do you recall if you ever had
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discussions with anyone concerning LKH as a possible subject of nonalignment between the SEC requirements and the group guidelines?

A. Yes. Yes, I did.

Q. Could you please tell me who it was that you discussed it with?

A. Yes. I recall talking with Anton about it, because he was interested in the seismic method that SEPCO had developed and used.

Q. Did you understand that use of the seismic method at that point to be in compliance with the SEC requirements concerning LKH?

MR. SMITH: This is June of '03?

MR. MacFALL: Yes.

A. Yes. In June of '03, which is prior to John Pay and I meeting with the SEC in their offices that we discussed yesterday, I believe it to be in compliance, because it was demonstratively reasonably certain.

Q. Do you know why Mr. Barendregt identified LKH as a subject of possible nonalignment between the group guidelines and the SEC requirements?
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A. I believe that would be because there are differences between the SEC language and the language that was in the group guidelines, and the seismic example is one of those.

Q. Without going through the chart, because it's fairly lengthy, do you recall if you ever discussed that with -- the language differences, I'm sorry -- discussed the language differences between the group guidelines and the SEC rule with Mr. Barendregt?

MR. SMITH: I object to the form of the question. If you need to refer to the chart to answer the question, you should feel free to do so.

MR. MacFALL: Absolutely.

MR. SMITH: I'm sorry. I just didn't want him to misunderstand.

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

A. Could you ask the question again, please?

Q. Sure. Do you recall ever discussing the language differences between the group
RODNEY SIDLE

guidelines and the SEC requirements, that you
just mentioned, with Mr. Barendregt? Regarding
LKH. I'm sorry.
A. LKH, okay. Very good. Yes. Yes.
Again, we spoke about SEPCO's belief that the
use of seismic, as we qualified it, fit the
requirements of reasonable certainty, and
therefore the belief that the SEC would find
that acceptable.

Q. Outside of the SEPCO context again,
do you recall any conversations with
Mr. Barendregt concerning LKH and possible
nonalignment between the group guidelines and
the SEC requirements?
A. Not outside of that topic. No.
Q. Mr. Barendregt also specifies
lateral continuity of production as a subject of
possible nonalignment between the group
guidelines and the SEC requirements.
Do you recall if you ever discussed
that topic with him?
A. I don't recall that one. No.
Q. And the last one is improved
recovery pilots. Do you recall discussing that
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with Mr. Barendregt?

A. I don't recall discussing that one.

No.

Q. Skipping the next sentence and going
to the sentence that begins "They all concern
areas," in that same paragraph. Do you see
that, sir?

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

Q. Sure. In the third paragraph, I
guess it's the next-to-last sentence, beginning
with the words "They all concern."

Do you see that?

A. I see that.

Q. Mr. Barendregt wrote, "They all
concern areas where strict adherence to the SEC
interpretations would lead to unrealistically
low reserves."

Do you recall discussing that with
Mr. Barendregt at any point?

A. No, I don't.

Q. Did you have any understanding as to
whether or not the group was not strictly
adhering to the SEC, as he puts it,
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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.
Q. Did there come a time when you did
take such action?
A. As I explained in my Rockford
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participation, I was part of a team and I
offered my observations relative to a SEPCO
element, to certain international situations,
which I then had the opportunity to see data
related to.

Q. Thank you.

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(Sidle Exhibit 14, e-mail dated
December 20, 2003, two pages, 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 14. Do you recognize this
document, sir?

(Witness reviewing document.)

A. Yes, I do.

Q. For the record, Exhibit 14 is an
e-mail from you to Mr. Pay and Mr. Barentregt
dated December 20, 2003. Subject: Rockford
thoughts while flying.

I take it from that subject line
that this was after Project Rockford had started
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
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response that there are no documents. But I
know I never saw them.

Q. Do you recall if you ever discussed
that topic, separate and apart from the e-mail,
with either Mr. Pay or Mr. Barendregt?

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

Q. And just so I'm clear, because I
think the question was a little vague. Did you
ever discuss with them the external auditor
validation of the group's guidelines, separate
and apart from the existence of any documents
memorializing such validation?

A. The only reference to a discussion
of external auditor validation of the group
guidelines was -- that I recall -- was the
comment that's in this e-mail.

Q. Did you ever have discussions
regarding that topic with anyone, besides
Mr. Pay and Mr. Barendregt?

A. Not that I recall. No.

Q. Thank you.

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