

# Deposition Testimony of:

## **Margaret Douglas**

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Page 7:10 to 7:15

00007:10 Q. Good morning, Ms. Douglas.  
11 A. Good morning.  
12 Q. My name is Nancy Flickinger. I'm with the  
13 Department of Justice, and this is my colleague,  
14 Judy Harvey, also from the Department of Justice.  
15 We represent the United States.

Page 7:19 to 8:04

00007:19 Q. Have you ever been deposed before?  
20 A. No.  
21 Q. Okay. There are just certain protocols.  
22 One is you need to respond verbally so the court  
23 reporter can pick it up instead of nodding yes or  
24 no. You just need to actually say the statement.  
25 If you don't understand one of my  
00008:01 questions so that you're unable to answer, please  
02 just ask me to clarify. Otherwise, I'm going to  
03 assume that you understand the question.  
04 A. Okay.

Page 8:21 to 9:01

00008:21 Q. Okay. I'd like to just go through your  
22 background in reverse starting after secondary  
23 school. If you could just tell me your  
24 educational background.  
25 A. I graduated from the University of  
00009:01 Houston --

Page 9:03 to 9:12

00009:03 A. -- with a bachelor's in business  
04 administration with a focus in accounting in 1979.  
05 Q. Okay. Any subsequent graduate school  
06 education or additional courses?  
07 A. I'm a certified public accountant in the  
08 state of Texas.  
09 Q. Okay. All right. And so you graduated in  
10 1979. What employment did you have after you  
11 graduated from college?  
12 A. Anadarko Petroleum Corporation.

Page 9:16 to 10:08

00009:16 Q. Okay. Can you start with your initial  
17 position and then just walk up through the  
18 chronology of your current position, please.  
19 A. Yes. In 1979, I started in the revenue  
20 accounting department.  
21 Q. Okay.

22 A. I stayed there for one year. Then I moved  
23 to the general accounting department. I stayed  
24 there for approximately four years.  
25 Q. Okay.  
00010:01 A. Then I moved to the budgeting and planning  
02 department. I stayed there for 16 years.  
03 Q. And can you tell me your titles when you  
04 started with the revenue?  
05 A. My titles changed over the years --  
06 Q. Okay.  
07 A. -- but, generally speaking, I started as  
08 an Accountant I.

Page 10:10 to 10:11

00010:10 A. During my four years in general  
11 accounting, I became an Accountant II.

Page 10:13 to 10:16

00010:13 A. When I moved to the budgeting and planning  
14 department, I started there as a senior  
15 accountant. Sometime during that period, I became  
16 a supervisor and then a manager.

Page 10:21 to 11:07

00010:21 A. After budgeting and planning, I went to  
22 financial reporting as a manager. I stayed there  
23 for six years.  
24 Q. And that brings us up to what year?  
25 A. I'd have to add them up.  
00011:01 Q. Okay.  
02 A. 2006.  
03 Q. Okay.  
04 A. Then I became the assistant comptroller  
05 over corporate accounting.  
06 Q. So -- okay. So this is around 2006?  
07 A. Yes.

Page 11:09 to 11:09

00011:09 A. I was assistant comptroller for one year.

Page 11:11 to 12:07

00011:11 A. Then I became the comptroller of corporate  
12 accounting for one year. And then 2008, I became  
13 the vice-president and chief accounting officer.  
14 Q. All right. And is that the position that  
15 you hold today?  
16 A. My title changed in 2013 to senior  
17 vice-president and chief accounting officer.

18 Q. All right. And in your present  
19 employment, what are your responsibilities?  
20 A. Responsible for overseeing all the  
21 accounting functions at Anadarko Petroleum  
22 Corporation.  
23 Q. And so what do those include?  
24 A. Recording transactions and reporting  
25 through mostly S.E.C. filings.  
00012:01 Q. Anything else?  
02 A. When I use the term "accounting," I'm  
03 using it very broadly as to all types of  
04 accounting.  
05 Q. Okay. And so what are the different types  
06 of accounting?  
07 A. Tax accounting.

Page 12:09 to 13:02

00012:09 A. Support for our accounting systems. We  
10 have operational accounting and we have corporate  
11 accounting.  
12 Q. And what's the difference between  
13 operational accounting and corporate accounting?  
14 A. Corporate accounting is financial  
15 reporting, financial accounting, policy and  
16 research. Operational accounting will deal with  
17 recording revenues and expenses.  
18 Q. So there -- there's a policy component to  
19 what you do?  
20 A. There is a policy and research department  
21 within the accounting organization.  
22 Q. Uh-huh. And you -- they report to you?  
23 A. Yes.  
24 Q. All right. And on the operational side,  
25 recording revenues and expenses, what -- what do  
00013:01 your responsibilities involve in that regard?  
02 A. My -- my role is an oversight role --

Page 13:04 to 13:06

00013:04 A. -- making sure we have the right type of  
05 people in the right roles with the right  
06 qualifications.

Page 13:08 to 13:13

00013:08 So your work does include tax, some  
09 aspects of tax accounting, correct?  
10 A. Yes.  
11 Q. Do you have responsibility for insurance  
12 and insurance payments?  
13 A. No.

Page 13:20 to 14:25

00013:20 Q. Both. So the account people at Anadarko  
21 with accounting responsibilities, you have some  
22 supervisory responsibility for them?  
23 A. Yes. I'm not sure I understand the  
24 question specifically. But I have five people who  
25 report directly to me.

00014:01 Q. Okay.  
02 A. And then there are 520 accountants that  
03 work for Anadarko that report to me indirectly.  
04 Q. So your immediate staff, say, would be  
05 five?  
06 A. Yes.  
07 Q. And then the accounting function has 520  
08 employees kind of spread throughout --  
09 A. Yes.  
10 Q. -- the organization?  
11 Okay. Is there an accounting policy  
12 manual at Anadarko that are written?  
13 A. There are accounting policy documents, but  
14 there is not a manual.  
15 Q. Okay. And who creates these documents and  
16 maintains them?  
17 A. The director of the policy and research  
18 group oversees the drafting. We have quite a few  
19 people who will review the policies to make sure  
20 that they're accurate and complete. And then I  
21 generally sign them.  
22 Q. All right. Okay. To whom do you report?  
23 A. To the CFO.  
24 Q. And the CFO's name is?  
25 A. Bob Gwin.

Page 15:02 to 15:10

00015:02 What is your relationship to the  
03 Treasury Department at Anadarko?  
04 A. We're peers.  
05 Q. Peers? And do you coordinate with  
06 treasury in your work sometimes?  
07 A. Yes.  
08 Q. All right. And what is your relationship  
09 to Mr. Walker, the CEO?  
10 A. He's my boss's boss.

Page 15:16 to 16:05

00015:16 Q. Okay. If you could turn to Tab 1, which  
17 is the notice of deposition. And it's been  
18 previously marked as Exhibit 11804. This is the  
19 United States notice of deposition to Anadarko.  
20 Have you seen this document before?  
21 A. Yes.  
22 Q. Okay. And I would also point you to Tab

23 2, which is Exhibit 12385, which is Anadarko  
24 Petroleum Corporation's objections and responses  
25 to the United States' deposition notice in which  
00016:01 you're designated to address certain topics. So I  
02 just want to review with you which topics -- make  
03 sure we're on the same page as to what you've been  
04 designated to address.  
05 If you turn to Topic 2.

Page 16:10 to 17:14

00016:10 Q. (BY MS. FLICKINGER) Okay. Do you  
11 understand that you've been designated to address  
12 Topic 2a, the data, metrics and other information  
13 bearing on the financial per- -- performance and  
14 status of APC as publicly reported?  
15 A. I will refer to the document behind Tab  
16 No. 2 on Page 7, and I am here to testify  
17 regarding the 10-Ks and 10-Qs for the period from  
18 2010 to present that Anadarko produces.  
19 Q. Okay. And my understanding is you've also  
20 been designated to address Topic 2b. And the  
21 United States formulation is, "Any of APC's  
22 contingent liabilities that, alone or combined,  
23 could have a significant impact on APC's financial  
24 performance or status."

25 And then the topic continues on. Do  
00017:01 you understand you're designated to address that  
02 topic?

03 A. I'm designated to testify regarding the  
04 charts of the contingent liabilities that counsel  
05 for the United States that Anadarko have agreed  
06 will be produced by Anadarko as a compromise to  
07 the United States' request for production No. 7 to  
08 APC.

09 MS. FLICKINGER: Okay. So, again, as  
10 we had with Mr. Gwin, we have -- we don't have a  
11 meeting of the minds on the scope of the topics.  
12 I don't think it was an issue with -- in the prior  
13 Anadarko deposition. So I just want to state for  
14 the record we don't have a meeting of the minds.

Page 17:22 to 18:19

00017:22 Q. (BY MS. FLICKINGER) Topic 2e is the next  
23 for which you've been designated, "The  
24 contribution of exploration, production and  
25 related operations both as a global segment and in  
00018:01 the Gulf of Mexico to APC's profitability."

02 Do you understand that you're  
03 designated to address that topic on behalf of  
04 Anadarko?

05 A. I'm here to testify regarding general  
06 information regarding the contribution of  
07 Anadarko's global and Gulf of Mexico operations to

08 Anadarko's profitability.  
 09 Q. All right. And finally in Topic No. 4,  
 10 you have been designated to address as, I  
 11 understand it, Topic No. 4b and c.  
 12 4 is in general, "Any expenditure(s)  
 13 made by any APC entity since 2010 in connection  
 14 with the Incident, Response or any other  
 15 mitigation activities that APC contends should  
 16 diminish its obligation to pay a civil penalty."  
 17 Subpart b is, "Whether and to what  
 18 extent the expenditure was expensed or  
 19 capitalized..."

Page 18:22 to 19:12

00018:22 And c, Any other tax credits or  
 23 incentives Anadarko gained for the expenditure.  
 24 Do you understand that you're  
 25 designated for those topics as well?  
 00019:01 A. Yes.  
 02 Q. Okay. Ms. Douglas, what did you do to  
 03 prepare for this deposition?  
 04 A. I met with counsel.  
 05 Q. What did you do -- oh, you met with  
 06 counsel. All right. And how many times did you  
 07 meet with counsel?  
 08 A. Three.  
 09 Q. Three. And how long for each session?  
 10 A. The time varied from one session to the  
 11 next. In total, we met for approximately 15 to 20  
 12 hours.

Page 19:18 to 19:23

00019:18 Q. Okay. Did you review any documents to  
 19 prepare for your deposition today?  
 20 A. Yes.  
 21 Q. Which documents did you review?  
 22 A. I can't list them all, mostly 10-Ks and  
 23 10-Qs.

Page 20:23 to 21:03

00020:23 Q. Do you have an understanding as to whether  
 24 or not you may be called to testify at trial?  
 25 A. Yes.  
 00021:01 Q. What is your understanding?  
 02 A. That I might be called to testify at  
 03 trial.

Page 21:07 to 25:06

00021:07 Q. My understanding through counsel is that

08 you will not be called to trial.  
09 A. Then I am incorrect.  
10 MS. FLICKINGER: Okay. Is that a  
11 correct statement, Ky?  
12 MS. KIRBY: That is correct.  
13 MS. FLICKINGER: All right. And how  
14 about with Mr. Gwin? My understanding is you do  
15 not intend to call him to trial; is that also  
16 correct?  
17 MS. KIRBY: That also is correct.  
18 MS. FLICKINGER: Okay. Thank you.  
19 Q. (BY MS. FLICKINGER) All right. Well,  
20 let's go ahead and just mark the public reports  
21 which are in Volume 1. Some of these we marked in  
22 the deposition of Mr. Gwin. If you could just put  
23 a sticker on Tab No. 4, which is the Form 10-K for  
24 the fiscal year-ended December 31, 2010, for  
25 Anadarko, and Tab No. 5 -- so Tab No. 4 will be  
00022:01 what number?  
02 A. 12793.  
03 (Marked Exhibit No. 12793.)  
04 Q. (BY MS. FLICKINGER) Tab No. 5 then will  
05 be 12794. And that's the Form 10-K for the  
06 year-ended December 31, 2011.  
07 (Marked Exhibit No. 12794.)  
08 Q. (BY MS. FLICKINGER) Tab 4, the Bates  
09 number for the 2010 annual report is  
10 ANA-MDL3\_0011884.  
11 The Form 10-K for 2011 Tab 5 is  
12 ANA-MDL3\_0002511.  
13 And Tab 6 is the 10-K for Form 2012  
14 and that will be 12795.  
15 (Marked Exhibit No. 12795.)  
16 Q. (BY MS. FLICKINGER) And the Bates number  
17 for that is ANA-MDL3\_0002739.  
18 And, Ms. Douglas, just so that you  
19 know, behind Tab 7 is the 10-K for December 31,  
20 2013. That's been previously marked as Exhibit  
21 12386.  
22 And then the final one is Tab 8, and  
23 that's Form 10-Q for the first quarter of 2014,  
24 and that's exhibit 12387 that's been previously  
25 marked.  
00023:01 So you mentioned earlier that you  
02 have some responsibility for the preparation of  
03 S.E.C. reporting, correct?  
04 A. Yes.  
05 Q. And what is your responsibility in that  
06 regard?  
07 A. To ensure that the documents are complete  
08 and materially accurate.  
09 Q. Okay. And these are reports that are made  
10 in the regular course of business?  
11 A. Yes.  
12 Q. And are made pursuant to an obligation  
13 imposed by law?



14 A. Yes.  
 15 Q. Okay. And it's the regular prac- --  
 16 practice of Anadarko to prepare these public  
 17 reports, correct?  
 18 A. Yes.  
 19 Q. All right. And they're accurate --  
 20 they're -- they're accurate and reliable to the  
 21 extent required by the applicable regulations,  
 22 correct?  
 23 A. Yes.  
 24 Q. All right. As you sit here today, do you  
 25 have any corrections that you would like to make  
 00024:01 to any of these public reports?  
 02 A. No.  
 03 Q. Okay. And are you aware of any  
 04 inaccuracies that you want to point out?  
 05 A. No.  
 06 Q. All right. The financial statements that  
 07 are contained in these, is what the most reliable  
 08 set of data or -- or were at the time they were  
 09 compiled that you're aware of?  
 10 A. Yes.  
 11 Q. All right. Okay. Let's turn to Tab 7 and  
 12 we'll talk about the -- I want to talk about the  
 13 SMOG analysis. Are you familiar with the SMOG  
 14 reporting --  
 15 A. Yes.  
 16 Q. -- in these? Okay. Can you tell me what  
 17 it is?  
 18 A. Standardized measure of oil and gas  
 19 activities proved reserves. That's not quite  
 20 accurate but that's close.  
 21 Q. Okay. And how is that calculation  
 22 performed?  
 23 A. It's the -- it's the proved reserves for  
 24 Anadarko at specific prices and costs and  
 25 expenditures as a forward look over the life of  
 00025:01 those reserves discounted back at 10 percent.  
 02 Q. Okay. And is it comparable, say, to maybe  
 03 a liquidation value --  
 04 A. No.  
 05 Q. -- of those reserves?  
 06 A. No.

Page 25:08 to 25:20

00025:08 And why -- why do you say it isn't  
 09 comparable to a liquidation value of those  
 10 reserves?  
 11 A. I don't believe it's a reflection of the  
 12 fair value of the reserves.  
 13 Q. Okay. Who prepares the SMOGs analysis  
 14 within your organization?  
 15 A. The SMOG reporting is actually prepared by  
 16 reservoir engineers. People in the accounting

17 department review the data.  
18 Q. Okay. And what is your understanding of  
19 why the SMOG -- the S.E.C. requires the SMOG  
20 analysis?

Page 25:24 to 28:12

00025:24 A. But I believe it is to put oil and gas  
25 companies on equal footing so an investor can  
00026:01 compare a value of the oil and gas reserves, not  
02 necessarily the fair value.  
03 Q. Okay. Could -- let's turn to Page 93,  
04 which -- if I've done this right, should be the  
05 balance sheet. Okay. Does the balance sheet  
06 that's part of the public reporting, are the  
07 hydrocarbons in Anadarko's reserves that are in  
08 the ground, are they reflected on the balance  
09 sheet?  
10 A. Only in the cost that it -- the cost of  
11 actually exploring and drilling --  
12 Q. Okay.  
13 A. -- the construction.  
14 Q. All right. But the value of the  
15 hydrocarbons in the ground is not fully reflected  
16 on the balance sheet, correct?  
17 A. That's correct.  
18 Q. So is the SMOG one way -- even though it's  
19 not on the balance sheet and it's not in the  
20 financial statements, is the SMOG one way to have  
21 some information for investors so they can include  
22 that in their analysis of the Anadarko financials?  
23 A. I would be speculating on how investors  
24 use that data.  
25 Q. Okay.  
00027:01 A. So it's difficult for me to say that. It  
02 is a value of our proved reserves.  
03 Q. All right. Now, I think you were saying  
04 earlier that it -- it isn't the fair market value  
05 of the reserves. So can you elaborate on that  
06 somewhat?  
07 A. The pricing that is used to calculate the  
08 SMOG data is a 12-month average for the prior 12  
09 months. It also assumes current economic  
10 conditions and it's discounted at a rate of 10  
11 percent. None of those things are necessarily a  
12 reflection of fair value.  
13 Q. Okay. Does Anadarko have its own way of  
14 valuing its reserves?  
15 A. Yes.  
16 Q. Okay. And how does it value its own  
17 reserves? What methodology does Anadarko use to  
18 value its reserves?  
19 A. That's not within my area of  
20 responsibility.  
21 Q. Okay. For example, when Mr. Gwin was

22 telling us that Anadarko sometimes will monetize  
 23 an interest in a particular project or a well,  
 24 correct?  
 25 A. Anadarko has monetized --  
 00028:01 Q. Right.  
 02 A. -- interest in wells, yes.  
 03 Q. And is some valuation necessary in order  
 04 to know the fair market value of the interest  
 05 that's being monetized?  
 06 A. I would assume so. But I'm not part of  
 07 that cal- -- I'm not part of that area.  
 08 Q. Okay. And who performs that calculation?  
 09 A. It can vary, depending on the nature of  
 10 the asset that's being monetized.  
 11 Q. All right. So give me some examples.  
 12 A. We have a strategic planning department.

Page 28:14 to 29:25

00028:14 A. We have a department that looks at various  
 15 transactions, corporate development.  
 16 Q. Okay. And -- and do they all use similar  
 17 methodologies?  
 18 A. I'm not part of that process so I really  
 19 can't testify to that.  
 20 Q. You don't know. Okay.  
 21 Are you aware of what the current  
 22 value of Anadarko reserves are globally using  
 23 Anadarko's methodology and not the SMOG?  
 24 A. No.  
 25 Q. Okay. Is one issue with the SMOG that  
 00029:01 it has a definition of proved reserves that might  
 02 exclude other potential -- potentially productive  
 03 reserves?  
 04 A. Can you rephrase that?  
 05 Q. Are you familiar with the definition of  
 06 "proved reserves" --  
 07 A. Yes.  
 08 Q. -- in the SMOG?  
 09 A. Yes.  
 10 Q. And does that include all of Anadarko's  
 11 oil and gas reserves in your view?  
 12 A. No.  
 13 Q. What does it not include?  
 14 A. It does not include probable or possible  
 15 reserves.  
 16 Q. Does Anadarko include those in its own  
 17 calculation of the fair market value of its  
 18 reserves?  
 19 A. I would assume so, but I'm not part of  
 20 that valuation so I can't say for sure.  
 21 Q. Okay. Apart from the SMOG, is there any  
 22 publicly available figure that would provide the  
 23 value of Anadarko's hydrocarbons in the ground in  
 24 its reserves apart from the SMOG?

25 A. Not that I'm aware of.

Page 30:14 to 30:25

00030:14 Q. Do you know, as you sit here today, what  
 15 the market capitalization of Anadarko's shares is?  
 16 A. Not off the top of my head.  
 17 Q. Okay. Is it higher than the book value?  
 18 A. Yes.  
 19 Q. Okay. And that's -- that we can look up,  
 20 right?  
 21 A. Yes.  
 22 Q. All right. Has Anadarko ever gotten an  
 23 independent valuation of its reserves, say, from a  
 24 third party, do you know?  
 25 A. Not that I'm aware of.

Page 31:02 to 32:25

00031:02 Let's stay in Tab 7, and I want to  
 03 turn to another topic now which is Anadarko  
 04 settlement with BP. If you could turn to Page 36.  
 05 And on the second full paragraph, you can take a  
 06 minute and just look at that summary, but on the  
 07 second full paragraph in describing some of the  
 08 aspects of the settlement, and this is in a  
 09 general discussion of risks, I think.  
 10 It says, "Any failure or inability on  
 11 the part of BP to satisfy its indemnification  
 12 obligations under the Settlement Agreement, or on  
 13 the part of BPCNA or BP p.l.c. to satisfy their  
 14 respective guarantee obligations, could subject us  
 15 to significant monetary liability beyond the terms  
 16 of the Settlement Agreement..."  
 17 So, first of all, are -- are you  
 18 familiar with the terms of Anadarko's settlement  
 19 with BP --  
 20 A. In general.  
 21 Q. -- 2011? In general. Okay.  
 22 What do you -- what do you recall  
 23 about the major terms of that settlement?  
 24 A. That Anadarko and BP released each other  
 25 from various claims.

00032:01 Q. Uh-huh.  
 02 A. Anadarko gave a cash payment of \$4 billion  
 03 to BP in addition to the lease that held the  
 04 Macondo Well.  
 05 Q. Okay. And those are the main terms that  
 06 you recall?  
 07 A. As far as I know, yes.  
 08 Q. All right. Do you recall that Anadarko is  
 09 indemnified by BP for natural resource damage  
 10 costs and other kinds of claims under OPA?  
 11 A. Yes.  
 12 Q. Okay. And do you recall that Anadarko

13 requested and received from BP guarantees from BP  
14 Corporation North America?  
15 A. Yes.  
16 Q. And from BP PLC?  
17 A. Yes.  
18 Q. Okay. And were you part of those  
19 discussions at all?  
20 A. No.  
21 Q. Okay. In terms of the indemnification,  
22 has -- has BP failed to make any of its  
23 indemnification payments?  
24 A. I don't believe there has been any  
25 indemnification payments.

Page 33:10 to 33:22

00033:10 Q. Are you aware of any payments by BP to  
11 third parties --  
12 A. I --  
13 Q. -- to cover claims that were asserted  
14 against Anadarko?  
15 A. I have no knowledge whether BP made  
16 payments or not.  
17 Q. Okay. Is this outside the scope of your  
18 responsibilities?  
19 A. Yes.  
20 Q. Okay. And who would be responsible for  
21 that?  
22 A. I don't know.

Page 34:07 to 35:21

00034:07 Q. Okay. Has anybody expressed any concern  
08 to you that BP is not covering its indemnification  
09 obligations?  
10 A. No.  
11 Q. All right. And you have no information  
12 that there's been any problem in that regard?  
13 A. No.  
14 Q. If you could turn to Tab 10. Have you  
15 seen this document before, Ms. Douglas?  
16 A. No.  
17 Q. All right. Let's mark it 12796 with the  
18 next exhibit sticker, which is 12796.  
19 (Marked Exhibit No. 12796.)  
20 Q. (BY MS. FLICKINGER) So this exhibit  
21 actually includes two documents. The first one is  
22 entitled "Information Document Request" from  
23 Internal Revenue Service, Bates No.  
24 ANA-MDL3\_0017784. And it's related to a document  
25 behind it which is ANA-MDL3\_0017785.  
00035:01 Okay. Who -- who would handle this  
02 kind of inquiry from the I.R.S.?  
03 A. Director of tax.  
04 Q. Director of tax. Okay. And does the

05 director of tax report to you or is that a  
06 separate department?

07 A. They report to me.

08 Q. They report to you. All right. If I  
09 could direct your attention -- so do you have any  
10 memory of this inquiry from the I.R.S.?

11 A. No.

12 Q. Okay. If I could direct your attention to  
13 the second document, which is the Anadarko  
14 response to the inquiry, and turn to the last  
15 page. It talks about direct tax consequences. So  
16 this document was in your custodial files, I  
17 believe. You could take a minute and look at  
18 this.

19 But my question will be, how was the  
20 4 billion settlement between Anadarko and BPXP  
21 treated in terms of tax consequences?

Page 36:03 to 37:05

00036:03 Q. Okay. So why don't you just tell me your  
04 memory of how it was treated?

05 A. The \$4 billion payment to BP?

06 Q. Yes.

07 A. It was deducted for tax purposes.

08 Q. Deducted. And does that mean expensed?

09 A. Yes.

10 Q. Okay. This document talks about net  
11 operating losses. So do you have a memory of  
12 there being a net operating loss that was carried  
13 back?

14 A. Yes.

15 Q. Okay. So if -- if you expense the 4  
16 billion, what does that relate to in terms of the  
17 amount of the tax reduction?

18 A. I don't have the calculation of that off  
19 the top of my head.

20 Q. Okay. Would it be -- so 4 billion, would  
21 it be roughly 35 percent of that?

22 A. It should be.

23 Q. Okay. And so that would be like 1.4  
24 billion. Does that sound correct?

25 A. Approximately, yes.

00037:01 Q. Okay. Do you know how large the net -- do  
02 you know -- can you explain to me what a net  
03 operating loss is?

04 A. Net operating loss is when your expenses  
05 are greater than your income.

Page 37:12 to 38:23

00037:12 Q. Do you know how -- well, here it says in  
13 the document under "Other Tax Consequences," that  
14 the deductions are expected to create a net  
15 operating loss for Anadarko's taxable year ending

16 12-31-2011.  
 17 Is that consistent with your memory  
 18 for that year?  
 19 A. Yes.  
 20 Q. And it's not a memory exam, but do you  
 21 recall how big the operating loss was for that  
 22 year?  
 23 A. No.  
 24 Q. All right. Would we be able to see it  
 25 from the financial statements in the 2011 report?  
 00038:01 A. I -- I would have to look at them.  
 02 Q. Okay. This -- this document here, the  
 03 exhibit that we're looking at continues on,  
 04 Anadarko expects to carry approximately 1.1  
 05 billion of such net operating loss back to 2010  
 06 and then the balance forward under a different  
 07 provision.  
 08 Is that consistent with your memory  
 09 that it took 1.1 billion of the net operating loss  
 10 and carried it back?  
 11 A. I don't have that number in my memory.  
 12 Q. All right. Okay. Is this an accurate  
 13 statement to the best of your knowledge?  
 14 A. I have no reason to think that it is not.  
 15 Q. All right. And -- and you're not able, as  
 16 you sit here today, to tell me how much was  
 17 carried forward?  
 18 A. No.  
 19 Q. Okay. All right. If you can turn to Tab  
 20 11. I will mark this as Exhibit 12797. And this  
 21 is a spreadsheet we found so we decided not to  
 22 bring it in as a disk. We printed it out. But my  
 23 question's --

Page 39:03 to 39:18

00039:03 (Marked Exhibit No. 12797.)  
 04 Q. (BY MS. FLICKINGER) Have you seen this  
 05 document or ones like it before? While you're  
 06 looking at it, the -- this is a spreadsheet with  
 07 multiple tabs, and Exhibit 12797, the Bates number  
 08 is ANA-MDL3\_0016881. And the first page is  
 09 entitled Assumptions Applicable to July 21, 2011  
 10 Projections.  
 11 A. Can you re- -- can you repeat the  
 12 question?  
 13 Q. Have you seen this document?  
 14 A. Not that I recall.  
 15 Q. Or similar spreadsheet? It's from your  
 16 custodial files?  
 17 A. This particular document doesn't look  
 18 familiar to me.

Page 39:24 to 40:12

00039:24 to what this is. If you turn to the next tab,  
 25 which is multi-colored, this one, you should have.  
 00040:01 Yeah, just peel -- just peel the first page back.  
 02 A. Oh.  
 03 Q. Yeah. And at the top, it says, "Accrual  
 04 Estimate For The Quarter Ending June 30, 2011,  
 05 Working DRAFT."  
 06 And then in the bottom, it says,  
 07 "PREPARED AT THE REQUEST OF COUNSEL," requesting  
 08 for confidential treatment.  
 09 Was this prepared, do you know, in  
 10 connection with possible settlement discussions  
 11 with BP?  
 12 A. No.

Page 40:16 to 40:23

00040:16 Q. Okay. Could you tell me what that is?  
 17 A. I believe we were trying to estimate the  
 18 range of loss so that we could make disclosure in  
 19 our 10-Ks and 10-Qs.  
 20 Q. Okay. And is this something that Anadarko  
 21 maintained and then would update each time a  
 22 disclosure was due?  
 23 A. Yes.

Page 41:05 to 42:22

00041:05 Q. Okay. If you could turn to Tab 12 and  
 06 we'll mark this document.  
 07 (Marked Exhibit No. 12798.)  
 08 Q. (BY MS. FLICKINGER) We'll mark it as  
 09 Exhibit 12798. Again -- and the database that  
 10 shows up is two documents, but the first Bates  
 11 number is ANA-MDL3\_0018157, and this is a December  
 12 12th, 2011, letter from counsel for Anadarko to  
 13 the S.E.C. apparently responding to an inquiry.  
 14 And I really just have very limited questions.  
 15 Exhibit A to the letter, which is  
 16 ANA-MDL3\_0018159, is a chronology of events  
 17 leading to settlement with BP of the dispute  
 18 related to the DEEPWATER HORIZON event.  
 19 Do you see that?  
 20 A. Yes.  
 21 Q. Okay. And were you involved in the  
 22 settlement discussions in any way?  
 23 A. No.  
 24 Q. Okay. So do you have any reason to think  
 25 this chronology is not accurate?  
 00042:01 A. No.  
 02 Q. But you're not able from personal  
 03 knowledge to say whether it is or not?  
 04 A. Is your question with reference to BP's --  
 05 BP's settlement discussions?  
 06 Q. Yes.



07 A. No, I don't know. I have no reason to  
 08 believe this is inaccurate.  
 09 Q. Okay. If you could turn to Page 2 of that  
 10 chronology. And turn to the entry dated October  
 11 14, 2010. And it says, among other things, that  
 12 James Hackett -- who is James Hackett?  
 13 A. He was Anadarko CEO at the time.  
 14 Q. At the time. -- raises a concept of oil  
 15 and gas property trades between Anadarko and BP as  
 16 a potential way to resolve the dispute between  
 17 Anadarko and BP related to the DEEPWATER HORIZON  
 18 event.  
 19 Did you have any awareness that  
 20 Anadarko's initial settlement position was to try  
 21 to resolve the claims by doing oil and gas  
 22 property trades?

Page 43:03 to 43:07

00043:03 A. I was not part of any of those  
 04 discussions.  
 05 Q. Okay. So you have no reason to think  
 06 that's not an accurate statement?  
 07 A. That's correct.

Page 43:23 to 44:02

00043:23 Q. Okay. Were you aware that there's a  
 24 deadline for filing expert reports --  
 25 A. No.  
 00044:01 Q. -- in the litigation?  
 02 A. Not that I recall.

Page 44:14 to 45:08

00044:14 Q. Okay. Did you review any drafts of this  
 15 response to the I.R.S.? Do you recall?  
 16 A. Can you tell me what response the I.R.S.  
 17 we're referring to?  
 18 Q. I'm sorry, the response to the S.E.C.,  
 19 sorry.  
 20 A. I don't recall. It's -- I don't recall  
 21 specifically if I reviewed this particular  
 22 response.  
 23 Q. Okay. So you don't have a memory?  
 24 A. Of this specific response, I was aware of  
 25 the fact that it was going -- ongoing. But I  
 00045:01 don't recall if I actually reviewed this appendix  
 02 or not.  
 03 Q. Okay. Were there multiple communications?  
 04 You might have reviewed it because it was in your  
 05 custodial files, correct?  
 06 A. I might have reviewed it while it was  
 07 being drafted to see if there was anything in here

08 that pertained to the accounting department.

Page 45:13 to 45:15

00045:13 Q. Okay. And how is this matter eventually  
14 resolved, do you know?  
15 A. Successfully.

Page 45:17 to 45:17

00045:17 A. Which means the S.E.C. had no --

Page 45:19 to 46:01

00045:19 A. -- issues with how Anadarko handled --  
20 Q. All right. Let's turn to Topic 2b, which  
21 is -- which concerns contingent liabilities. If  
22 we can turn to the 10-Q, which I think is Tab 8.  
23 And this has been marked as Exhibit 12387. If you  
24 could turn to Page 15. With contingencies on Page  
25 15 and among -- among other things it talks  
00046:01 about -- do you see note 10, "Contingencies" --

Page 46:10 to 47:04

00046:10 Then it says, "While the ultimate  
11 outcome and impact on the Company cannot be  
12 predicted with certainty, after consideration of  
13 recorded expense and liability accruals,  
14 management believes that, with the possible  
15 exception of the Tronox Litigation discussed  
16 below, the resolution of pending proceedings will  
17 not have a material adverse effect on the  
18 Company's consolidated financial position, results  
19 of operations, or cash flows."  
20 Is that a true and accurate  
21 statement --  
22 A. Yes.  
23 Q. -- to the best of your knowledge? Okay.  
24 So if you could turn to Tab 13. And  
25 we'll mark this as Exhibit 12799.  
00047:01 (Marked Exhibit No. 12799.)  
02 Q. (BY MS. FLICKINGER) Oh dear. And this is  
03 a document entitled "KPMG Quarterly Status Meeting  
04 - Legal," Bates No. ANA-MDL3\_009331. And attached

Page 47:09 to 47:25

00047:09 Do you recognize this document,  
10 Ms. Douglas?  
11 A. Yes.  
12 Q. Can you show me what it is?  
13 A. It's a listing of various potential

14 litigation or current litigation.  
15 Q. Okay. Is this the list that the chart  
16 that you're designated to do talk about?  
17 A. Yes.  
18 Q. Okay. Is this a list of Anadarko's  
19 contingent liabilities?  
20 A. The material ones, yes.  
21 Q. The material ones. And what's the  
22 definition of materiality that you're using in  
23 making this chart?  
24 A. Materiality can have different definitions  
25 depending on what we're talking about.

Page 48:02 to 48:09

00048:02 A. But in this particular case, 7 and a half  
03 million dollars is our materiality threshold.  
04 Q. Okay. What's the definition of contingent  
05 liability?  
06 A. Contingent liability is something that a  
07 future event will dictate whether the company has  
08 to give up an asset, whether it be cash or  
09 property.

Page 48:13 to 48:22

00048:13 Q. Okay. Why is it contingent?  
14 A. It's contingent because it's unknown.  
15 Q. It's unknown? It can't be estimated?  
16 A. The fact that it's contingent has nothing  
17 to do whether you can estimate it or not.  
18 Q. Okay. All right. So -- so contingent  
19 liability is something that a future event will  
20 dictate whether a company has to give up an asset,  
21 and that's why these are on the list?  
22 A. Yes.

Page 49:03 to 49:06

00049:03 Q. Okay. The Tronox bankruptcy litigation,  
04 is that still deemed a contingent liability now  
05 that you know the amount of the settlement?  
06 A. Yes, it is.

Page 49:13 to 49:18

00049:13 Q. All right. Okay. Have any of these  
14 events been accrued?  
15 A. Yes.  
16 Q. Which ones?  
17 A. I don't have the details of that -- of  
18 that off the top of my head.

Page 50:17 to 52:01

00050:17 Q. If you -- if you look at this table, does  
 18 that tell you which of these contingent  
 19 liabilities have been accrued?  
 20 A. No.  
 21 Q. Okay. What -- what would -- what would  
 22 you have to look at to know which ones have been  
 23 accrued?  
 24 A. An -- an unredacted copy of this schedule.  
 25 Q. Oh, okay. Do the totals at the bottom  
 00051:01 give you the total amounts that have been accrued?  
 02 A. Yes.  
 03 Q. Okay. So why don't -- why don't you just  
 04 go through each of the columns and tell me what  
 05 information is contained there, understanding that  
 06 it's been redacted.  
 07 A. The schedule starts with the balance of  
 08 any accruals at December 30, 2013.  
 09 Q. All right.  
 10 A. There's a column for any increase in the  
 11 accrual.  
 12 Q. Uh-huh.  
 13 A. There's a column for any settlement or  
 14 costs.  
 15 Q. Uh-huh.  
 16 A. There's a column for decreases in the  
 17 accrual, and then there's a column for the balance  
 18 at March 30, 2014.  
 19 Q. Okay. Is the vast majority of the numbers  
 20 here like roughly 850 million and then 4.3 billion  
 21 associated with Tronox?  
 22 A. Yes.  
 23 Q. Okay. And the number in parenthesis, 185,  
 24 does that represent a settlement, a non-Tronox  
 25 settlement of some kind?  
 00052:01 A. Yes.

Page 52:11 to 52:22

00052:11 Q. (BY MS. FLICKINGER) I know there are  
 12 statements Anadarko would like to make in  
 13 connection with these contingent liabilities.  
 14 A. I can't think of a statement that I would  
 15 like to make with respect to those contingent  
 16 liabilities.  
 17 Q. All right. Are there any other  
 18 material -- apart -- apart from the ones that are  
 19 listed here, are there any other material  
 20 contingent liabilities of which you are aware?  
 21 A. No. We have some environmental  
 22 liabilities but they're accrued.

Page 52:24 to 53:13

00052:24 A. I'm not aware of any additional material  
25 on contingent liabilities.  
00053:01 Q. Okay. And, again, even understanding that  
02 this chart is here, the overall conclusion of  
03 management is that none of these, except for  
04 Tronox, would have a material adverse effect --  
05 effect on the company's operations?  
06 A. That's correct.  
07 Q. Okay. If you could turn to Tab 14,  
08 please. And we'll mark this as 12800.  
09 (Marked Exhibit No. 12800.)  
10 Q. (BY MS. FLICKINGER) Oh, wait. Turning  
11 back, can you give a range of exposure for each of  
12 these contingent liabilities?  
13 A. No.

Page 53:15 to 54:14

00053:15 All right. So Tab 14 is marked as  
16 1 -- Exhibit 12800. Do you recognize this  
17 document?  
18 A. Yes.  
19 Q. What is it?  
20 A. It's a listing of environmental  
21 liabilities.  
22 Q. Okay. Is -- are these the environmental  
23 liabilities you referred to earlier?  
24 A. Yes.  
25 Q. Okay. And are you -- are these  
00054:01 quantified? Are these contingent or are these --  
02 A. We don't use the term "contingent" really  
03 with respect to environmental liabilities. We  
04 refer to them as environmental liabilities. The  
05 event that caused the liability has already  
06 occurred and --  
07 Q. Okay.  
08 A. -- there are liabilities waiting for  
09 future events, you know, to spend the money on  
10 them.  
11 Q. All right. Do you have a value associated  
12 with each of these potential environmental  
13 liabilities?  
14 A. Not with me.

Page 54:17 to 55:08

00054:17 Q. (BY MS. FLICKINGER) Are these taken into  
18 account with the statement saying that contingent  
19 liabilities will not have a material adverse  
20 effect?  
21 A. Yes.  
22 Q. Have these been accrued?  
23 A. Yes.  
24 Q. Okay. Can you explain to me what it means  
25 when -- when I say "accrued," that something has

00055:01 been accrued?  
 02 A. It means that we recorded a liability.  
 03 Q. All right. And you -- you've taken a  
 04 deduction?  
 05 A. You're referring to a tax deduction?  
 06 Q. Yes.  
 07 A. That, I do -- I cannot answer that. Each  
 08 one is going to be individual.

Page 55:24 to 56:11

00055:24 Q. Are you aware of any other -- any other  
 25 contin- -- material contingent liabilities that  
 00056:01 are not reflected on these documents?  
 02 A. No, not at this time.  
 03 Q. Okay. Let's turn to Topic 2e, which is,  
 04 "The contribution of exploration, production and  
 05 related operations both as a global segment and in  
 06 the Gulf of Mexico to Anadarko's profitability."  
 07 And you're designated to testify, as  
 08 I understand it, to the contribution of -- of the  
 09 Gulf of Mexico operations to Anadarko's  
 10 profitability; is that correct?  
 11 A. Yes.

Page 56:21 to 57:15

00056:21 Q. Okay. Are you -- in -- in the course of  
 22 your employment responsibilities, do you have to  
 23 know or have some familiarity with what the  
 24 business operations are in different regions of  
 25 the globe?  
 00057:01 A. Yes.  
 02 Q. Okay. And so, therefore, in connection  
 03 with your job responsibilities, do you have some  
 04 understanding and knowledge of Anadarko's  
 05 operations in the Gulf states?  
 06 A. Yes.  
 07 Q. And in the Gulf of Mexico?  
 08 A. Yes.  
 09 Q. Okay. Then in that case, if you could  
 10 turn to Tab 15 and just take a minute and refresh  
 11 your memory and I -- and then I'll just ask you  
 12 for very summary information on Gulf of Mexico and  
 13 Gulf state activities. And so that would be on  
 14 Page 9. So Tab 15 we'll mark as Exhibit 12801.  
 15 MS. KIRBY: 12801?

Page 57:17 to 57:19

00057:17 (Marked Exhibit No. 12801.)  
 18 Q. (BY MS. FLICKINGER) And that's Bates No.  
 19 ANA-MDL3\_0032000.

Page 58:06 to 58:18

00058:06 Q. Okay. So can you summarize for me the  
07 major projects that Anadarko has in the Gulf of  
08 Mexico?  
09 A. I can read to you from here what our major  
10 projects are, but I don't know them off -- I don't  
11 know them well enough to be able to, off the top  
12 of my head, give you a summary of them.  
13 Q. Okay. So looking at this summary, the  
14 title of the document is "FIRST-QUARTER 2014,  
15 OPERATIONS REPORT," Anadarko, May 5th, 2014.  
16 So looking at the summary, it seems  
17 accurate to you, correct?  
18 A. Yes.

Page 58:24 to 65:11

00058:24 Q. Okay. Would Mr. Hollek, who is being  
25 deposited on Thursday, would he be a better witness  
00059:01 for this information, in your view?  
02 A. Yes.  
03 Q. All right. So, then, let's turn to  
04 Tab 16.  
05 MS. FLICKINGER: And this will be  
06 Exhibit 12802.  
07 (Marked Exhibit No. 12802.)  
08 Q. (BY MS. FLICKINGER) Bates No.  
09 ANA-MDL3\_0009325. And it's a spreadsheet.  
10 Do you see the spreadsheet?  
11 A. Yes.  
12 Q. Have you seen this chart before?  
13 A. Yes.  
14 Q. Was it prepared at your direction?  
15 A. No.  
16 Q. Who prepared this chart, do you know?  
17 A. Our planning group.  
18 Q. Your planning group?  
19 A. Yes.  
20 Q. Okay. And do you know how it was  
21 prepared?  
22 A. Can you be more specific?  
23 Q. What data did they look at to prepare this  
24 report?  
25 A. They looked at the capital expenditures  
00060:01 that Anadarko has made from 2010 through 2013, and  
02 they looked at the EBITDAX for that same period of  
03 time by geographic area.  
04 Q. And is this breakdown reflected in the  
05 public reports, or were they looking at other  
06 data?  
07 A. This is not in the public reports.  
08 Q. Okay. Is this prepared for litigation, do  
09 you know?

10 A. I believe so.  
11 Q. All right. Did you verify the accuracy of  
12 these numbers?  
13 A. No.  
14 Q. Who did?  
15 A. I do not know.  
16 Q. Okay. Was this provided to you by  
17 counsel?  
18 A. Yes.  
19 Q. Okay. Well, if you could walk me through  
20 the chart, then. Let's start with the upper  
21 left-hand corner where it says "Capital" in -- is  
22 that in millions of dollars?  
23 A. Yes.  
24 Q. And "(excludes G&G)." That's  
25 geophysical -- what does G&G stand for?  
00061:01 A. Geophysical and geological.  
02 Q. And geological. Okay.  
03 And one set of numbers is the actual  
04 investment, and that reflects the actual capital  
05 investment, correct?  
06 A. Yes.  
07 Q. And then next to it is a set of numbers by  
08 year that's "Investment Distribution" and that  
09 flect- -- reflects the percent, correct?  
10 A. Yes.  
11 Q. So on the left-hand side, there's the  
12 total figure for US Onshore capital investment,  
13 that first line. Correct?  
14 A. Yes.  
15 Q. And then under it is GoM. And that's Gulf  
16 of Mexico, correct?  
17 A. Yes.  
18 Q. And that line of numbers reflects the  
19 capital investment for 2010, 2011, 2012, and 2013,  
20 correct?  
21 A. Yes.  
22 Q. And the capital investment in 2013, for  
23 example, was 840 million?  
24 A. Yes.  
25 Q. All right. And then underneath is  
00062:01 International total for Anadarko; and then WES is  
02 broken out separately, correct?  
03 A. Yes.  
04 Q. All right. And if you follow over to the  
05 Investment Distribution for Gulf of Mexico, in  
06 2010, it was 12 percent; 2011, 7 percent; 2012,  
07 9 percent; and 2013, 11 percent of -- and that  
08 would be 11 percent of Anadarko's total capital  
09 expenditures in 2013, excluding the W- -- WES set  
10 of partnerships, correct?  
11 A. Yes.  
12 Q. All right. How is that table of  
13 investment different from the table at the bottom?  
14 Oh, the table at the bottom includes  
15 G&G costs?



16 A. Yes.  
17 Q. And why -- why is it interesting to  
18 exclude G&G and to include G&G?  
19 What does that tell you?  
20 A. For public -- in public documents, G&G is  
21 expensed and not reported at as a capital  
22 expenditure. For internal monitoring, we include  
23 G&G in our capital spent for internal reporting.  
24 Q. Okay. And Gulf of Mexico is -- is  
25 offshore, Anadarko's off share -- offshore  
00063:01 projects, right?  
02 A. Only in the Gulf.  
03 Q. Only in the Gulf. All right.  
04 Do you know if in the Gulf state  
05 areas, Anadarko has projects other than offshore  
06 deepwater projects?  
07 A. Yes.  
08 Q. What other activities does it have?  
09 A. Onshore.  
10 Q. Okay. What kinds of onshore activities?  
11 A. Drilling. The same type of activities are  
12 performed onshore in some of the Gulf states, and  
13 some are offshore.  
14 Q. Okay. And where would we be able to find  
15 those figures?  
16 A. In the US Onshore line.  
17 Q. Okay. But US Onshore includes those  
18 capital expenditures and the EBITDAX, but it  
19 doesn't break it out in terms of Gulf states or  
20 not Gulf states. Correct?  
21 A. Correct.  
22 Q. Okay. As you sit here today, are you able  
23 to give us those numbers?  
24 A. No.  
25 Q. Since 2010, if you look at capital  
00064:01 investment in the Gulf, it -- it has increased --  
02 capital expenditure generally has increased from  
03 2010 to 2013, correct?  
04 A. From -- from 2010 to 2013, it increased;  
05 but it didn't sequentially increase.  
06 Q. Right, because there's a little down dip  
07 in 2011. And is that related to the moratorium,  
08 do you know?  
09 A. I believe so.  
10 Q. Okay. So let's look at the EBITDAX.  
11 Can you tell me what EBITDAX is?  
12 A. There's a definition of EBITDAX in the  
13 Form 10-K. Would you like me to refer to that?  
14 Q. Maybe just take the acronym and put it  
15 into words.  
16 A. Earnings before interest, taxes,  
17 depreciation, and exploration expenses.  
18 Q. All right. So, again, if you follow along  
19 on Gulf of Mexico, those figures tell you what the  
20 EBITDAX is, and that's -- that's basically  
21 earnings before all the other adjustments,

22 correct?  
 23 A. Yes.  
 24 Q. And so the earnings in 2013 were one --  
 25 1.9 billion, roughly, correct?  
 00065:01 A. Yes.  
 02 Q. And in prior years, it's been around  
 03 2.2 billion, correct?  
 04 A. Yes.  
 05 Q. All right. And then the percentages,  
 06 EBITDAX distribution, again, there's a  
 07 distribution by percentage of EBITDAX compared to  
 08 the total EBITDAX for Anadarko.  
 09 And for the Gulf in 2013, it was  
 10 23 percent?  
 11 A. Yes.

Page 66:13 to 69:02

00066:13 Q. Can you conclude from that that the --  
 14 the -- that the Gulf of Mexico has relatively  
 15 higher margin results per barrel of oil  
 16 equivalent?  
 17 A. Than?  
 18 Q. Than US Onshore, International, the other  
 19 categories?  
 20 A. No, I don't think I can draw that  
 21 conclusion.  
 22 Q. Why not?  
 23 A. Can you rephrase the way you asked the  
 24 question?  
 25 Q. Well. I was trying to phrase it as best I  
 00067:01 could.  
 02 A. Okay.  
 03 Q. The concept I'm trying to get at is,  
 04 they're not -- Anadarko is not investing  
 05 11 percent of its capital expenditure in the Gulf  
 06 of Mexico and getting 11 percent of the EBITDAX,  
 07 the earnings for all those other events. It's  
 08 getting a higher percent.  
 09 A. Those two percentages are really -- in the  
 10 time period in which you're referring to them,  
 11 they're not related.  
 12 Q. Okay.  
 13 A. So I don't think there's a correlation  
 14 between those numbers in particular.  
 15 Q. Okay. Why is -- why is the timing not  
 16 related?  
 17 A. The Gulf of Mexico and deepwater drilling  
 18 requires very high levels of capital expenditures  
 19 and they're usually long lead times, which means  
 20 when you initially explore and drill, it may be a  
 21 number of years before you actually start to  
 22 produce.  
 23 So to look at capital investment in  
 24 one year and compare it to the EBITDAX of the same

25 year is a bit of apples and oranges.

00068:01 Q. Okay. So the EBITDAX here may be kind of

02 the result of capital investment in prior years?

03 A. Yes.

04 Q. All right. Do -- again, this might be a

05 question that's more appropriate for Mr. Hollek,

06 but do you have any understanding or awareness as

07 to whether, even with the time lag, the Gulf of

08 Mexico provides higher-margin barrels of oil?

09 A. I haven't done that analysis.

10 Q. Okay.

11 A. So I can't really answer that question.

12 Q. Okay. If we wanted -- so this chart

13 reflects EBITDAX and Capital. And my

14 understanding, from the public reports and from

15 Mr. Gwin's deposition, is that Anadarko management

16 looks to EBITDAX as an important metric for its

17 planning purposes. Correct?

18 A. Yes.

19 Q. If I wanted to break out revenues, is

20 there a way from the public reporting to do a

21 similar kind of analysis for revenues?

22 A. No.

23 Q. All right. Okay. Let's move on to

24 Topic 4b and 4c. So Topic 4b and 4c is: Any

25 expenditure made by any APC entity in connection

00069:01 with the incident that Anadarko contends should

02 diminish its obligation to pay a civil penalty.

Page 69:05 to 69:21

00069:05 And whether -- and you've been

06 designated on the aspect as to "Whether and to

07 what extent the expenditure was expensed or

08 capitalized and, for the latter, the useful life

09 or lives assumed for tax-related purposes" and

10 "Any other tax credits or incentives" that

11 Anadarko "gained for the expenditure."

12 So have you brought any summaries of

13 expenditures made by Anadarko entities since 2010

14 in connection with the incident that Anadarko

15 contends should diminish its obligation to pay

16 civil penalty? Have you brought any summary with

17 you today?

18 A. No.

19 Q. Okay. So we have a little conundrum,

20 which is --

21 MS. KIRBY: They were produced.

Page 69:24 to 70:10

00069:24 MS. FLICKINGER: Okay. And we'll go

25 and we'll work through them. But Mr. Hollek is

00070:01 testifying Thursday, and that's just like a little

02 reversal of the statement of a expenditures and

03 her assessment of whether they were taxed or not.  
 04 Q. (BY MS. FLICKINGER) Why don't we turn to  
 05 Tab No. 19.  
 06 MS. FLICKINGER: And we'll mark this,  
 07 I guess, as Exhibit 12803.  
 08 (Marked Exhibit No. 12803.)  
 09 MS. FLICKINGER: So, Ky, we're going  
 10 to do our best to --

Page 70:12 to 70:23

00070:12 MS. FLICKINGER: -- you know, figure  
 13 out what you include in your contention. But if  
 14 we're omitting something, I would look to you to  
 15 kind of make sure that we've covered the  
 16 waterfront so that we are able to fully get his  
 17 testimony as to the tax treatment. Okay?  
 18 MS. KIRBY: Understood.  
 19 Q. (BY MS. FLICKINGER) All right. So  
 20 Exhibit 12803 does not have a Bates number. It  
 21 has a transmittal E-mail for April 28th, 2014,  
 22 identifying it as Anadarko's objections, answers,  
 23 and responses to our first set of discovery.

Page 71:07 to 71:15

00071:07 So if you could turn to Page 11,  
 08 Interrogatory No. 5 requested that Anadarko  
 09 "Identify any evidence of your involvement,  
 10 participation, contributions, or offers related to  
 11 efforts to minimize or mitigate the effects of the  
 12 discharge." And there's their response.  
 13 Have you seen this answer to  
 14 Interrogatory 5 before?  
 15 A. Yes.

Page 71:18 to 72:11

00071:18 Q. Did you see it at the time it was  
 19 prepared, or did you see it in preparation for  
 20 your deposition?  
 21 A. In preparation.  
 22 Q. Okay. Since you've seen this before, are  
 23 there any other activities or measures you would  
 24 like to add --  
 25 A. No.  
 00072:01 Q. Okay.  
 02 -- to this list.  
 03 Are you able, looking at this list,  
 04 to provide the associated costs?  
 05 A. Not off the top of my head.  
 06 Q. You're not?  
 07 A. The actual dollar figures?  
 08 Q. Yeah. You're -- you're designated to

09 testify as to the tax treatment. I don't know how  
 10 you can do that without knowing the dollar figure.  
 11 A. I know the approximate dollar figures.

Page 72:17 to 72:21

00072:17 Can you tell me a little bit about  
 18 those activities and what the approximate dollar  
 19 costs are?  
 20 A. Not specifically to costs of providing  
 21 boats.

Page 73:23 to 76:03

00073:23 Q. (BY MS. FLICKINGER) Okay. We took a few  
 24 minutes and we have marked a series of five  
 25 exhibits. So Tab 20 is marked as Exhibit 12804.  
 00074:01 It's a payment request form, Rockefeller  
 02 Philanthropy Advisors. It's ANAMDL3-009420.  
 03 Tab 21 -- well, why -- we'll just go  
 04 one by one. Okay.  
 05 So are you aware that Anadarko made a  
 06 payment to the Rockefeller Philanthropy Advisors?  
 07 A. Yes.  
 08 Q. Okay. And what was the dollar amount of  
 09 that payment?  
 10 A. \$21,855,000.  
 11 Q. Okay. And what was the tax treatment?  
 12 A. It was taken as a deduction.  
 13 Q. Was it a charitable contribution?  
 14 A. Yes.  
 15 Q. Okay. And what was the -- what was the  
 16 value of the deduction?  
 17 A. It would be approximately 35 percent of  
 18 the deduction.  
 19 Q. Because that's Anadarko's tax bracket?  
 20 A. I believe that's the statutory rate.  
 21 Q. Okay. Okay. Turn to the next tab, Tab  
 22 21, which we have marked as Exhibit 12805, and  
 23 it's again ANA-MDL3\_0005062. Do you see that  
 24 document?  
 25 A. Yes.  
 00075:01 Q. What is it?  
 02 A. It's a payment request form.  
 03 Q. Okay. And what transaction is depicted  
 04 there?  
 05 A. Contribution to the DEEPWATER HORIZON  
 06 Memorial Fund.  
 07 Q. Are you aware that Anadarko made a  
 08 contribution to the DEEPWATER HORIZON Memorial  
 09 Fund?  
 10 A. Yes.  
 11 Q. And it's in the amount of 1.1 million?  
 12 A. That's correct.  
 13 Q. Okay. What was the tax treatment of this?

14 A. It was deducted.  
 15 Q. It was deducted as well?  
 16 A. Yes.  
 17 Q. Same thing as charitable contribution?  
 18 A. Yes, it was.  
 19 Q. Okay. So, again, we would take 35 percent  
 20 of that as a tax benefit to Anadarko?  
 21 A. Correct.  
 22 Q. All right. Tab 22 has been marked as  
 23 Exhibit 12806, and it's a spreadsheet. This does  
 24 not have dollar figures on it.  
 25 Okay. Does Anadarko contend that its  
 00076:01 contributions toward these studies is important  
 02 to -- should be considered in the penalty  
 03 calculation?

Page 76:08 to 76:08

00076:08 THE WITNESS: No.

Page 76:11 to 76:12

00076:11 MS. FLICKINGER: So my understanding  
 12 is under other matters --

Page 76:14 to 76:15

00076:14 MS. FLICKINGER: -- Anadarko is -- so  
 15 are -- are these relevant to --

Page 76:17 to 77:16

00076:17 MS. FLICKINGER: -- mitigation  
 18 activities?  
 19 MS. KIRBY: Factor 8.  
 20 MS. FLICKINGER: Okay. All right.  
 21 MS. KIRBY: So it's not within the  
 22 mitigation --  
 23 MS. FLICKINGER: The mitigation  
 24 penalty factor.  
 25 MS. KIRBY: That's correct.  
 00077:01 MS. FLICKINGER: But it is something  
 02 that Anadarko is pointing to as important to the  
 03 penalty calculation?  
 04 MS. KIRBY: Yes.  
 05 Q. (BY MS. FLICKINGER) Have you seen -- are  
 06 you aware that Anadarko has funded or -- or made  
 07 contributions to various academic institutions to  
 08 perform certain studies related to deepwater  
 09 drilling?  
 10 A. No.  
 11 Q. Looking at these, do you have any  
 12 understanding as to how they would be treated for

13 tax purposes?  
14 A. No.  
15 Q. Who would?  
16 A. I'm not familiar with these costs.

Page 77:18 to 77:20

00077:18 A. So not exactly sure what -- how they would  
19 be treated for tax purposes. I would have to  
20 understand the nature of the expense --

Page 77:22 to 78:05

00077:22 A. -- to know how they should be treated  
23 under tax.  
24 Q. Okay. If Anadarko were to make a  
25 contribution to University of Texas to perform a  
00078:01 study of sedimentology in the Gulf of Mexico, how  
02 would that kind of grant be treated for tax  
03 purposes, in your understanding?  
04 A. Charitable contributions are deducted for  
05 tax purposes.

Page 78:13 to 80:02

00078:13 Q. Okay. Are you -- and I'm not giving you  
14 an exam on tax. But are there any other way other  
15 than a -- if -- if Anadarko makes a grant to a  
16 financial institution, is there any other category  
17 that would be other than a charitable  
18 contribution?  
19 A. Normal business and trade expenses.  
20 Q. And how would that be treated?  
21 A. They're deducted.  
22 Q. Those would also be deducted?  
23 A. Yes.  
24 Q. Okay. But not as a charitable  
25 contribution but as a business expense?  
00079:01 A. That's correct.  
02 Q. Okay. And either way, it would be  
03 deducted and it would be the 35 percent that would  
04 be a tax benefit to Anadarko, correct?  
05 A. In general, yes. But I'm not familiar  
06 with these specific payments. So I cannot speak  
07 to the tax deductibility of these specific  
08 payments.  
09 Q. Okay. All right. Is there anybody else  
10 who would be able to speak to that?  
11 A. Not here.  
12 Q. Okay. All right. Turning to Tab 23,  
13 which we have marked as Exhibit 12807,  
14 ANA-MDL-009400. Have you seen this document  
15 before?  
16 A. Yes.

17 Q. What is it?  
18 A. It is a listing of spill costs incurred by  
19 Anadarko.  
20 Q. Okay. And the first few pages, if you  
21 look at it, appear to include mostly personnel  
22 costs, correct?  
23 A. Yes.  
24 Q. Are these personnel costs associated with  
25 the individuals that are identified in  
00080:01 interrogatory -- the interrogatory I pointed you  
02 to before, number -- Interrogatory No. 5?

Page 80:05 to 80:19

00080:05 Q. Interrogatory No. 5 identified a number of  
06 individuals. Right? And my question is: If you  
07 look at the top of Page 12 -- so Interrogatory  
08 No. 5 is Page -- is Tab 19. And page -- go to the  
09 top of Page 12. It says, "dedicating personnel  
10 and consultants for source control and related  
11 mitigation efforts." And it identifies five  
12 people.  
13 A. I see that.  
14 Q. Okay. In this list of personnel, are  
15 there any other people other than the five people  
16 identified in the interrogatories?  
17 A. I haven't made a comparison of these five  
18 names to the names on here. So I can't answer  
19 that without doing that analysis.

Page 80:24 to 87:17

00080:24 Q. But it says Argonauta Drilling Services,  
25 Kerr-McGee Oil and Gas. And my memory is that Bob  
00081:01 Quitzau worked for Argonauta Drilling Services.  
02 So is that payroll, you know, the payroll cost of  
03 -- of Mr. Quitzau?  
04 A. I don't -- I don't have that knowledge,  
05 but...  
06 MS. KIRBY: Mr. Hollek can answer  
07 that question.  
08 A. I see two names listed here and they are  
09 both included on Page 12.  
10 Q. (BY MS. FLICKINGER) Okay.  
11 A. Tab 19.  
12 Q. Are there other costs in this exhibit  
13 other than the personnel costs of those  
14 individuals?  
15 A. There are consulting and audit fees --  
16 Q. Okay.  
17 A. -- listed.  
18 Q. All right. Have you seen this document  
19 before?  
20 A. Yes.  
21 Q. Okay. If I could -- if you could go back



22 to the page that's Bate stamped number that ends  
23 in 9401. So that will be the second page of the  
24 exhibit, and it says "Display Project: Project  
25 Definition." And at the top under -- under those  
00082:01 words, it says "Settlement rule," and then at the  
02 bottom, it says, "AFE closed per Jerry Byrd. Do  
03 not open" October 18, 2011.  
04 Do you see that?  
05 A. Yes.  
06 Q. Do you know if this -- if this summary of  
07 payroll costs was included in the cost and  
08 invoices that were addressed in Anadarko's  
09 settlement with BP?  
10 A. Not that I'm aware of.  
11 Q. Do you recall that that settlement was  
12 completed on Sunday, October 16th, 2011?  
13 A. It seems about right.  
14 Q. Right. So do you have -- do you have any  
15 understanding as to whether these costs were  
16 already incorporated into the negotiations and the  
17 resolution of claims with BP?  
18 A. No.  
19 Q. Will Mr. Hollek have that understanding?  
20 A. I don't know.  
21 Q. Okay. Let's turn to Tab 24. And that's  
22 marked as 12808. Have you seen this document  
23 before?  
24 A. Yes.  
25 Q. What is it?  
00083:01 A. It's a listing of a description of various  
02 costs, analysis of Macondo costs.  
03 Q. Okay. And when was it created -- created,  
04 do you recall?  
05 A. No.  
06 Q. Okay. And -- and what does this document  
07 reflect?  
08 A. This was a document that would help us  
09 decide accounting treatment of various costs that  
10 might be incurred by Anadarko.  
11 Q. Okay. And so where it says "Capital  
12 Versus Expense," is that for tax treatment?  
13 A. No.  
14 Q. What is it for?  
15 A. It's for financial statement purposes.  
16 Q. Oh, fi- -- financial statement, okay.  
17 And when it's expensed, it's a  
18 deduction; is that correct?  
19 A. No. It's an expense for financial  
20 statement purposes.  
21 Q. Okay.  
22 A. Not necessarily tax. Those are two  
23 different -- this is a financial statement  
24 analysis.  
25 Q. All -- all of it is?  
00084:01 A. Yes. I don't believe there's anything  
02 related to tax on this schedule.

03 Q. Okay. All right. So it talks about  
04 whether it's going to be treated as capital versus  
05 expense. The timing of the recognition, that's  
06 when the tax -- the accounting treatment is  
07 triggered?

08 A. Yes. This -- yes.

09 Q. And then an analysis for purposes of the  
10 cash flow statement and then comments, correct?

11 A. Yes.

12 Q. And is that -- is this still the  
13 understanding of how Anadarko treats the various  
14 spill-related costs in its financial statements?

15 A. I don't know what date this was prepared,  
16 but I have no reason to believe that it would have  
17 changed.

18 Q. Okay. Looking at these different  
19 categories of costs, what would the tax treatment  
20 be for them? Does it vary from the accounting  
21 treatment?

22 A. Yes.

23 Q. Okay. Should we go through one by one?

24 A. We can.

25 Q. Let's do that.

00085:01 So "Drilling costs incurred up to  
02 April 20th," how would that be treated?

03 A. For tax purposes?

04 Q. Yes.

05 A. It would be capital.

06 Q. Okay. "Redrill of a new well with the  
07 specific intent to produce"?

08 A. It would be capital.

09 Q. But that -- that didn't actually occur,  
10 correct?

11 A. No, it did not.

12 Q. Drill complete and -- and equipment  
13 relief, Well No. 1 and No. 2. How would that be  
14 treated for tax purposes?

15 A. It would be the same as financial  
16 statements would be expensed.

17 Q. Okay. "Dome containment, All costs to  
18 build and install dome containment"?

19 A. I believe that would be expensed for tax  
20 purposes.

21 Q. Okay. "Restoration"?

22 A. I believe that would be expensed for tax  
23 purposes.

24 Q. Well control. Well, that's also to  
25 produce the well. So that never happened.

00086:01 Control of well to stop  
02 contamination, work on the BOP valve repair  
03 firefighting?

04 A. That would have been expensed.

05 Q. Okay. Mitigation of pollution?

06 A. Expensed.

07 Q. Legal expenses?

08 A. Expense.

09 Q. "3rd-Party Claims"?

10 A. I believe that would have been expensed  
11 for tax purposes.

12 Q. Okay. And legal fees, probably the same  
13 treatment, right, tax expensed?

14 A. Yes. Uh-huh.

15 Q. Fines and penalties with government  
16 agencies?

17 A. No. Fines and penalties are not  
18 deductible.

19 Q. Okay. The -- the time payroll for the  
20 five Anadarko employees?

21 A. That would have been expensed for tax  
22 purposes.

23 Q. And I don't know what the different thing  
24 is, "Time Writing." I don't know what that  
25 category is.

00087:01 Insurance recoveries?

02 A. I don't have specific knowledge on how  
03 insurance recoveries are treated for tax purposes.  
04 It would most likely be income.

05 Q. Okay.

06 A. I don't have specific tax knowledge of --  
07 of that statute.

08 Q. Okay. Okay. And expensed, again, means  
09 it's -- for tax purposes means it's a deduction,  
10 correct?

11 A. Correct.

12 Q. And what does "capitalized" mean?

13 A. It means it's not expensed at the time  
14 that the cost is incurred, and, generally  
15 speaking, it will be depreciated or amortized or  
16 depleted over a certain length of time depending  
17 on what the asset was that was capitalized.

Page 89:14 to 89:18

00089:14 Q. Okay. And then now I'm going to give you  
15 another document to look at. If you can turn to  
16 Tab 38 and we'll mark that as Exhibit 12811. And  
17 that appears to be an invoice related to the  
18 E-mail communications in the prior exhibit.

Page 89:24 to 90:01

00089:24 Do you have any understanding of the  
25 transaction that's talked about in the E-mail?

00090:01 A. No.

Page 90:06 to 90:20

00090:06 Q. Okay. It appears -- and, again, this is  
07 probably Mr. Hollek's wheelhouse -- that Anadarko  
08 provided equipment to BP, was not paid

09 immediately, and then was going to buy back the  
10 equipment. Does that sound correct?  
11 A. That's my understanding from reading the  
12 E-mail exchange.  
13 Q. Okay. So for your purposes, assuming  
14 there was such a transaction, how would those  
15 costs be treated for tax purposes?  
16 A. I would have to research this one to  
17 answer that question.  
18 Q. Okay. And you mean as to whether it's  
19 capitalized or expensed?  
20 A. Yes.

Page 90:24 to 91:07

00090:24 Q. Okay. And what would be the difference  
25 between the two treatments? What -- what facts  
00091:01 would you look for to understand whether it would  
02 be treated one way or another?  
03 A. I would ask my tax department how they  
04 handled this transaction.  
05 Q. Okay. Did you have that communication  
06 with the tax department?  
07 A. No.

Page 91:12 to 92:03

00091:12 Q. If you had conversations with other people  
13 in preparation, you can tell me who those people  
14 were?  
15 A. My tax department.  
16 Q. Okay. And what -- what aspects did you  
17 discuss with the tax department?  
18 A. Deductibility of Macondo costs.  
19 Q. All right. And how they were treated --  
20 A. Yes.  
21 Q. -- in actuality?  
22 A. Yes.  
23 Q. Any other questions or issues you talked  
24 about with the tax department?  
25 A. No.  
00092:01 Q. Did you talk with anybody other than the  
02 tax department?  
03 A. No.

Page 92:06 to 92:09

00092:06 Q. So you can't speak to the tax treatment of  
07 the equipment that was provided by Anadarko to  
08 BP -- to BP in connection with the spill response?  
09 A. That's correct.

Page 92:12 to 94:03

00092:12 Let's turn back to Interrogatory  
 13 No. 5, which is Tab 19, Exhibit 12803. And look  
 14 both on Page 11 and 12, and, again, there's  
 15 another list of items that Anadarko put in its  
 16 response on tab -- on Page 16.  
 17 Are there any other measures or  
 18 expenditures that Anadarko believes should be  
 19 included in the list of measures that it contends  
 20 are relevant to the penalty factor mitigation?  
 21 A. Could we be a little more specific? I  
 22 believe there are four areas that Anadarko  
 23 believes mitigates.  
 24 Q. Okay.  
 25 A. And wanted some costs that we referred to  
 00093:01 before, the time writing costs, the \$4 billion  
 02 paid to BP, the \$21.9 million paid to the  
 03 Rockefeller Philanthropy Advisors, and the \$1.1  
 04 million paid to the DEEPWATER HORIZON Fund.  
 05 Q. So, in other words, Anadarko is not  
 06 contending that it should get any credit under the  
 07 penalty factor, however you want to articulate  
 08 that, for its provision of equipment to BP during  
 09 the response, to your knowledge?  
 10 A. Not to my knowledge.  
 11 Q. Okay. If you could turn to Page 12 on --  
 12 in the discovery responses, Interrogatory No. 5.  
 13 So the top of Page 12, it says, We  
 14 dedicated personnel consultants for source control  
 15 and related mitigation efforts, and -- and it  
 16 includes one, two, three, four, five individuals.  
 17 Do you see that?  
 18 A. Yes.  
 19 Q. And then there are a number of bullets  
 20 talking about efforts to do this, efforts to do  
 21 that, efforts to do this. Those, in fact, are the  
 22 tasks that were performed by those five  
 23 individuals, correct?  
 24 MS. KIRBY: Object to outside the  
 25 scope. Mr. Hollek will be -- he is designated to  
 00094:01 talk about things like purpose, what was done and  
 02 the purpose of what was done and he can address  
 03 that.

Page 94:19 to 95:11

00094:19 Q. All right. I just want to check to see --  
 20 and I know you testified earlier that you don't  
 21 work with insurance. But I'd like to direct your  
 22 attention to Tab 26 and we'll mark this as Exhibit  
 23 12812, I believe.  
 24 (Marked Exhibit No. 12812.)  
 25 Q. (BY MS. FLICKINGER) And these are  
 00095:01 statements from various insurance carriers making  
 02 payment to Anadarko. Most of them were around

03 December 22, 2011. Some of them were December 23,  
04 2011. This is Bates No. ANA-MDL3\_0009326, and  
05 we've totaled them up and they come to about 167  
06 million.

07 Do you have any awareness that  
08 Anadarko has received payments from insurance  
09 companies in connection with the incident, the  
10 Macondo incident?

11 A. Yes.

Page 95:15 to 96:08

00095:15 Q. What do you know about insurance proceeds  
16 that have been received by Anadarko?

17 A. I know that I recorded them as a contra  
18 expense on the financial statements.

19 Q. What's a contra expense?

20 A. I have a line on the income statement  
21 called "DEEPWATER HORIZON and Related Costs," and  
22 I took the insurance proceeds and recorded it to  
23 that line on the financial statements. But since  
24 it was -- it would be a credit, not a debit.

25 Q. It would be a credit. And is it included  
00096:01 with other credits or if we found that line item,  
02 would that tell us the amount of insurance  
03 Anadarko has received?

04 A. You will not find that line item anywhere,  
05 but it is disclosed in the 10-K.

06 Q. Okay. The amount of insurance recovery is  
07 disclosed in the 10-K?

08 A. I believe so, yes.

Page 96:20 to 97:03

00096:20 Q. Okay. Were these received in  
21 connection -- I mean, they're both in December  
22 2011, the settlement with BP was in October 2011.  
23 Were these payments made to help partially fund  
24 the \$4 billion expenditure that Anadarko made to  
25 BP, do you know?

00097:01 A. I don't know.

02 Q. Okay. So where would the disclosure of  
03 insurance be in the 10-K?

Page 97:06 to 97:13

00097:06 A. I'd have to look.

07 Q. We'll find it. All right. Thank you.

08 So these -- I may have asked this  
09 before, but these total up to about 167 million.  
10 Does that sound consistent with your memory of the  
11 amount of insurance received?

12 A. My recollection of the disclosure in the  
13 10-K was 163 million.

Page 97:22 to 98:07

00097:22 Q. (BY MS. FLICKINGER) Ms. Douglas, before  
23 the break, you talked about a disclosure of  
24 insurance proceeds.  
25 And if you could turn to Tab 5, which  
00098:01 is Exhibit 12794. And it's the Form 10-K for  
02 December 31, 2011. It's in Volume 1. And flip to  
03 Page 102. Go down to the final paragraph, which  
04 is entitled "Insurance and Other Recoveries."  
05 That -- is that the disclosure that you were -- to  
06 which you were referring?  
07 A. Yes.

Page 98:15 to 98:19

00098:15 Q. If there were subsequent insurance  
16 recoveries that were of a significant amount,  
17 would -- that you received in connection with  
18 DEEPWATER, would they be similarly disclosed?  
19 A. Yes.

Page 98:23 to 99:18

00098:23 A. It would be in the contingencies footnote  
24 in the -- in the current 10-K.  
25 Q. In the current one?  
00099:01 A. Uh-huh.  
02 Q. All right. And then another -- another  
03 question, when we were talking about the BPXP  
04 settlement, do you -- do you remember there was a  
05 formula where if BP got value from future claims  
06 relating to DEEPWATER, it was supposed to make  
07 proportionate cash payments back to Anadarko? Do  
08 you remember that provision in the settlement  
09 agreement?  
10 A. Yes.  
11 Q. To your knowledge, have any payments in  
12 connection with that provision been made by BP?  
13 A. No.  
14 Q. We'll move on to Topic 5, which is the  
15 economic impact of the Tronox on Anadarko's  
16 ability to finance a penalty in this litigation.  
17 So if you can turn to Tab 28, please.  
18 And I think this is Exhibit 12813.

Page 99:21 to 99:21

00099:21 (Marked Exhibit No. 12813.)

Page 100:03 to 100:03

00100:03 Q. ANA-MDL3\_0017194 and it's a spreadsheet.

Page 100:05 to 106:18

00100:05 Q. This is from your custodial files and the  
06 metadata is -- it -- it shows that it was  
07 generated around February 2013. Have you seen  
08 this document before?  
09 A. Yes.  
10 Q. What is it?  
11 A. It's a summary of tax deductibility for  
12 the Tronox adversary proceeding.  
13 Q. Okay. And that payment has not yet been  
14 made, correct?  
15 A. Correct.  
16 Q. But are -- are the -- is the information  
17 here likely to be the future categorization of the  
18 costs from the Tronox adversary proceeding when  
19 it's paid?  
20 A. Yes.  
21 Q. Okay. Can you just -- why don't we do  
22 this? For the type of award, damages, what is the  
23 tax return position for Anadarko?  
24 A. I'm sorry. Can you say that one more  
25 time?  
00101:01 Q. So on the left-hand column, it says "Type  
02 of Award," and it has different kinds of cost?  
03 A. Yes.  
04 Q. And then there's a middle column that  
05 says -- that talks about the "Tax Return  
06 Position."  
07 And there's a final col- -- column  
08 that talks about the "GAAP Position," "GAAP  
09 Position." That final column, is that how it will  
10 be treated on the financial statements --  
11 A. Yes.  
12 Q. -- for Anadarko? And so that would be for  
13 reporting for the S.E.C. reporting --  
14 A. Yes.  
15 Q. -- requirements? Okay.  
16 So how does Anadarko -- Anadarko  
17 anticipate that it will treat the component of the  
18 Tronox settlement that is damages?  
19 A. For financial statement purposes?  
20 Q. Both. Start with tax return?  
21 A. Okay. Up to 88 percent of \$1.757 billion  
22 would be deductible for tax return purposes.  
23 Q. Okay.  
24 A. And the tax expense would be deducted on  
25 the financial statements -- it would be shown as  
00102:01 an expense.  
02 Q. Okay.  
03 A. Amounts greater than \$1.54616 billion, 88  
04 percent of which would be deductible on a tax  
05 return, but we would not report it as a tax



06 benefit on the financial statements.  
07 Q. Okay. And where do the numbers 1.757 and  
08 88 percent come from?  
09 A. The --  
10 Q. That's two questions. Let me break it  
11 down into one -- only one.  
12 A. Okay.  
13 Q. Where does the number 1.757 come from?  
14 A. From the trial.  
15 Q. From the trial?  
16 A. Yes. The Court findings.  
17 Q. Okay. And the ultimate settlement amount  
18 was 5.1 billion?  
19 A. Correct.  
20 Q. So would that number be different today  
21 now that you know the amount of the settlement?  
22 A. No.  
23 Q. Okay. All right. And where does the 88  
24 percent come from?  
25 A. I believe 12 percent -- I believe the  
00103:01 payment will be allocated between toxic tort and  
02 nontoxic tort claims.  
03 Q. All right. So, for example, the  
04 government's Superfund claims, that would be in  
05 the nontoxic tort category? It's not a toxic  
06 tort?  
07 A. I'm sorry?  
08 Q. A Superfund claim is not a toxic tort?  
09 A. No, it's not.  
10 Q. Right?  
11 A. No. I'm trying to recall if -- I  
12 misspoke. There is 12 percent that is for toxic  
13 tort, but that is deductible to Anadarko. There  
14 is -- is estimated that 12 percent of damages  
15 relate to properties that were continued  
16 operations of Tronox and not of Kerr-McGee. And  
17 since they were continuing businesses of Tronox,  
18 they would be deductible by Tronox and not by  
19 Kerr-McGee or Anadarko.  
20 Q. Okay.  
21 A. That's where the 88 percent -- it is  
22 confusing because there are two 12 percent  
23 numbers.  
24 Q. Oh, all right.  
25 A. So I got -- I got the two confused.  
00104:01 Q. All right. Going down to the next row, it  
02 says "Pre-Judgment Interest." Do you recall --  
03 where -- so where does the prejudgment interest  
04 come from?  
05 A. This is no longer applicable because there  
06 was not a court finding and so there was no  
07 prejudgment interest awarded by the courts. So  
08 this is -- this is -- this does not apply to a  
09 settlement.  
10 Q. Okay.  
11 A. This -- this was speaking to if there was

12 a court finding.  
13 Q. All right. So even though the number 5.1  
14 billion, I believe based on your disclosures, some  
15 of that represents interest from the time the  
16 complaint was filed because it's a settlement and  
17 not a court judgment, you're saying that the  
18 analysis in this row does not pertain?  
19 A. Correct.  
20 Q. Okay. And then the final category there  
21 is costs, Anadarko legal fees being one.  
22 A. Yes.  
23 Q. Okay. And those would be deductible as  
24 normal business expenses?  
25 A. Yes.  
00105:01 Q. And, again, 88 percent deductible?  
02 A. For GAAP purposes?  
03 Q. Yes.  
04 A. Yes.  
05 Q. And then plaintiffs' legal fees at the  
06 time this was generated had not -- that's TBD, I  
07 assume that's "to be decided"?  
08 A. Correct.  
09 Q. Have those since been decided?  
10 A. The -- I don't think it's applicable  
11 because of the settlement.  
12 Q. Okay. Okay. So now that you know the  
13 settlement is not finally entered as a legal  
14 matter, but the terms are known in public, do you,  
15 using these analyses and criteria, can you say of  
16 the 5.1 billion what the total tax benefit to  
17 Anadarko is?  
18 A. I don't have that number, off the top of  
19 my head.  
20 Q. Okay.  
21 A. Do you want me to -- is there another  
22 question?  
23 Q. Would we take 88 percent -- 88 percent of  
24 1.757 billion and assume that to be deductible  
25 with the 35 percent rate that we've been using in  
00106:01 the other deductions?  
02 A. Are you talking about for tax return  
03 purposes --  
04 Q. Yes.  
05 A. -- or for GAAP financial statement  
06 purposes?  
07 Q. Yes, tax benefit, uh-huh.  
08 A. Tax benefit? It -- it would follow the  
09 same formula, yes.  
10 Q. Okay. And the Anadarko legal fees are not  
11 included in the settlement, correct? Those are  
12 not public?  
13 A. That's correct.  
14 Q. And the 88 -- for damages in this first  
15 category, the 88 percent is not of the full 5.1  
16 billion, it is 88 percent of the first 1.757  
17 billion?

18           A.   Yes.

Page 109:02 to 110:18

00109:02    You are aware that the disclosures in  
03    the S.E.C. reports have said that a Clean Water  
04    Act civil penalty is probable once the district  
05    court held Anadarko to be liable under the Clean  
06    Water Act?  
07           A.   Yes.  
08           Q.   Okay. Have you -- do you recall any  
09    discussions in the board of director meetings that  
10    Anadarko should extricate itself or have a policy  
11    to extricate itself from its existing interests as  
12    a non-operator?  
13           A.   I was not in the board room for any -- no.  
14    I have no knowledge of any of those discussions.  
15           Q.   You have no memory of any of those? I'm  
16    just asking you if you've ever heard any, to your  
17    knowledge?  
18           A.   No, I have not.  
19           Q.   Okay. Do you have any memory of any  
20    discussion in your presence during a board of  
21    director meeting where Anadarko said, we are not  
22    going to proceed with this investment because we  
23    are concerned, you know, even though it satisfies  
24    all our commercial criteria and it seems to be  
25    economically a good choice, we are concerned about  
00110:01   the possibility of a Clean Water Act penalty and  
02    we are non-operators?  
03           Do you recall any discussions along  
04    those lines?  
05           A.   No.  
06           Q.   Okay. Do you know if Anadarko has any  
07    current policy, again based on your attending the  
08    board of director meetings or otherwise whether  
09    Anadarko has any policy that going forward, it  
10    will not join any projects as a non-operator  
11    because of the risk of a Clean Water Act civil  
12    penalty?  
13           A.   No.  
14           Q.   Okay. Are you aware of any facts that  
15    support Anadarko's position that a civil penalty  
16    will unduly discourage future investment  
17    activities by non-operators, other non-operators?  
18           A.   I am not.

Page 111:19 to 112:08

00111:19    Q.   Ms. Douglas, shortly before Ms. Flickinger  
20    concluded her initial examination, she asked you  
21    if you attended board of directors meetings as  
22    part of your duties. You recall that?  
23           A.   Yes.  
24           Q.   And you told her that you do?

25 A. Yes.  
00112:01 Q. Do you attend the entirety of each  
02 meeting?  
03 A. No, I do not.  
04 Q. What parts do you attend?  
05 A. I attend the financial update section of  
06 the board of directors meeting.  
07 Q. And do you then excuse yourself --  
08 A. Yes.

Page 112:11 to 112:16

00112:11 Q. All right. So you are not aware of  
12 discussions that do not -- that occur when you --  
13 after you leave; is that right?  
14 A. That's correct.  
15 Q. Or before you get there?  
16 A. That's correct.

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF LOUISIANA

IN RE: OIL SPILL ) MDL NO. 2179  
BY THE OIL RIG )  
"DEEPWATER HORIZON" IN ) SECTION "J"  
THE GULF OF MEXICO, ON )  
APRIL 20, 2010 ) JUDGE BARBIER  
 ) MAG. JUDGE SHUSHAN

\*\*\*\*\*

VOLUME 1

\*\*\*\*\*

Deposition of MARGARET CATHY DOUGLAS, taken at  
Pan-American Building, 601 Poydras Street,  
11th Floor, New Orleans, Louisiana, 70130, on the  
15th day of July, 2014.

1 THE STATE OF TEXAS )  
2 COUNTY OF HARRIS )  
3

4 I, Donna L. Garza, Certified Shorthand  
5 Reporter in and for the State of Texas, do hereby  
6 certify that the above and foregoing contains a  
7 true and correct transcription of all portions of  
8 evidence and other proceedings in the above-styled  
9 and numbered cause, all of which occurred and were  
10 reported by me.

11 I further certify that I am neither  
12 counsel for, related to, nor employed by any of  
13 the parties or attorneys in the action in which  
14 this proceeding was taken, and further that I am  
15 not financially or otherwise interested in the  
16 outcome of the action.

17 GIVEN UNDER MY HAND AND SEAL OF OFFICE  
18 on this, the 21st day of July, 2014.

19 *Donna Garza*



20 DONNA L. GARZA  
21 TEXAS CSR NO. 4785  
22 Expiration Date:  
23 12-31-15  
24  
25

26 WORLDWIDE COURT REPORTERS, INC.  
27 Firm Registration No. 223  
28 3000 Weslayan, Suite 235  
29 Houston, Texas 77027  
30 (800) 745-1101

1 I, MARGARET CATHY DOUGLAS, have read the  
 2 foregoing deposition and hereby affix my signature  
 3 that same is true and correct, except as noted  
 4 above.

5 Margaret Cathy Douglas  
 6 MARGARET CATHY DOUGLAS

7 STATE OF Texas \*  
 8 COUNTY OF Montgomery \*

9 Before me, Leann Cochrell, on  
 10 this day personally appeared MARGARET CATHY  
 11 DOUGLAS, known to me, or proved to me under oath  
 12 or through \_\_\_\_\_ (description of identity  
 13 card or other document), to be the person whose  
 14 name is subscribed to the foregoing instrument and  
 15 acknowledged to me that they executed the same for  
 16 the purposes and consideration therein expressed.

17 Given under my hand and seal of office on  
 18 this, the 19<sup>th</sup> day of August, 2014.

19 Leann Cochrell  
 20 Notary Public, State of Texas

21 My Commission Expires: June 23, 2016



Errata to Deposition of Cathy Douglas  
July 15, 2014

Page: Line	Correction	Reason
4:3	Change Bates number of Ex. 12808 to "ANA-MDL3_0019462"	To reflect correct Bates number of corrected exhibit
11:4	Change "comptroller" to "controller"	Correction
11:9	Change "comptroller" to "controller"	Correction
11:11	Change "comptroller" to "controller"	Correction
11:12	Change "then 2008" to "then in 2008"	Typographical error
24:19	Change "activities" to "analyzes"	Correction
36:18	Change "0off" to "off"	Typographical error
40:18	Change "make disclosure" to "make a disclosure"	Typographical error
59:9	Change Bates number to "ANA-MDL3_0019462"	To reflect correct Bates number of corrected exhibit
62:21	Delete "at"	Typographical error
72:24	Change "Kathy" to "Cathy"	Misspelled
89:6	Change "bottom, you" to "bottom, are you"	Correction
92:25	Change "And wanted some" to "Related"	Correction

  
Cathy Douglas