

Deposition Testimony of:

Robert Gwin

Date: July 11, 2014

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Page 1:01 to 1:01

00001:01 UNITED STATES DISTRICT COURT

Page 7:01 to 7:06

00007:01 THE VIDEOGRAPHER: Today is Friday,
02 July 11th, 2014. This is the deposition of
03 Robert Gwin in regard to the oil spill by the
04 oil rig Deepwater Horizon in the Gulf of
05 Mexico on April 20th, 2010. We are on the
06 record at 8:29 a.m.

Page 8:07 to 9:05

00008:07 Q. Good morning, Mr. Gwin.
08 A. Good morning.
09 Q. I'm Nancy Flickinger for the
10 United States Department of Justice. This is
11 my colleague, Judy Harvey.
12 Have you been deposed before?
13 A. I have not.
14 Q. All right. I'm sure you've had
15 conversations with counsel, but there are a
16 few kind of protocols that are there to
17 observe. One is we must talk one at a time
18 and not talk over each other and interrupt,
19 which sounds easy, but it's actually hard
20 once you get going, but for the benefit of
21 the court reporter, who can only record one
22 statement at a time.
23 A. Okay.
24 Q. It's one of the instructions.
25 If I ask you a question and you don't
00009:01 understand, please ask me to clarify.
02 Otherwise, I'm going to assume that you
03 understood the question and you're responding
04 to the question that I asked you.
05 A. Okay.

Page 9:14 to 9:17

00009:14 A. Okay.
15 Q. All right. Do you have any
16 questions about the procedure or protocol?
17 A. No, I don't.

Page 9:20 to 10:02

00009:20 Q. Okay. Why don't you just give
21 an overview of your background and education
22 starting with after secondary school, your
23 education and then working up chronologically

24 to your current position.
25 A. Okay. After secondary school, I
00010:01 entered college at the University of Southern
02 California. What else would you like to know

Page 10:08 to 11:03

00010:08 A. I did, I graduated from USC.
09 Q. What was your major?
10 A. Business was my major.
11 Q. Okay. And then did you have any
12 advanced degrees beyond that?
13 A. I -- I do.
14 Q. Okay.
15 A. I have an MBA from Duke
16 University --
17 Q. Uh-huh.
18 A. -- which I was at Duke from 1988
19 to 1990.
20 Q. All right. Any other academic
21 or professional training?
22 A. No, I have a -- a professional
23 designation called the CFA, which is a
24 Chartered Financial Analyst that I earned
25 postgraduate school.
00011:01 Q. Okay. What was the first
02 employment you had after you graduated from
03 Duke?

Page 11:07 to 11:08

00011:07 A. Okay. I went to work for
08 Prudential Insurance Company of America --

Page 11:10 to 11:24

00011:10 A. -- at a subsidiary called
11 Prudential Capital.
12 Q. And how long were you there?
13 A. I was there for ten years in
14 total.
15 Q. And so that was until what year?
16 A. 2000.
17 Q. 2000, okay. And what did you do
18 after you left Prudential?
19 A. I left Prudential to go to a
20 .com that I was at for approximately five
21 years.
22 Q. Okay. So that would take you to
23 about 2005?
24 A. Yes.

Page 12:01 to 12:01

00012:01 A. No, it was in Austin, Texas.

Page 12:04 to 12:16

00012:04 Q. Okay. And did it have anything
05 to do with the oil and gas industry?
06 A. It did not.
07 Q. All right. And then in 2005,
08 did you -- what was your next job after the
09 .com?
10 A. In 2005, I spent about a year I
11 had invested in and was the CEO of a small
12 technology start-up, delivering broadband
13 over power lines to small, rural communities.
14 Q. Okay. And was that also in
15 Texas?
16 A. Yes, it was.

Page 12:19 to 13:07

00012:19 Q. Okay. And then in 2006, is that
20 when you --
21 A. Yes, at the beginning of 2006, I
22 joined Anadarko, January of 2006.
23 Q. All right. And can you tell me
24 what your initial position was at Anadarko?
25 A. Yes, I joined as vice president
00013:01 finance and treasurer.
02 Q. All right. And how long were
03 you in that position?
04 A. I was in that position until
05 early 2008.
06 Q. Okay. And what were your
07 responsibilities?

Page 13:10 to 13:13

00013:10 A. General corporate finance
11 responsibilities, oversight of our pension
12 investment portfolio -- our investment
13 portfolio supporting our pension --

Page 13:15 to 13:24

00013:15 A. -- you know, capital markets
16 transactions, cash management, what we called
17 treasury operations. Has to do with credit
18 analysis, you know, making -- all the -- all
19 the things that make the -- the, you know,
20 financial operations side of the business
21 tick.
22 Q. Okay. And how long were you in
23 that position?

24 A. Until the beginning of 2008.

Page 14:01 to 14:16

00014:01 A. Early 2008.
02 Q. And in 2008, what position did
03 you assume?
04 A. I was promoted to a position
05 with the title of senior vice president, and
06 then I had a few different responsibilities.
07 Primary responsibility was the oversight of
08 our human resources functions.
09 Q. Okay. All right. And how long
10 were you in that position?
11 A. For a year.
12 Q. And then were you promoted
13 again?
14 A. I was. It was more of a lateral
15 move, but I was -- I became chief financial
16 officer in early 2009.

Page 14:18 to 15:03

00014:18 A. So after -- after a year it
19 was -- remained a senior vice president
20 position, but with the CFO responsibilities.
21 Q. Okay. And as CFO, what are your
22 responsibilities?
23 A. They're fairly broad, but all
24 within the finance part of the business. You
25 know, accounting, financial reporting, tax is
00015:01 a part of that group, investor relations and
02 communications. I oversee that treasury
03 function that I used to run.

Page 15:05 to 15:11

00015:05 A. Corporate planning activities.
06 Our M&A activities through what we call our
07 business development group.
08 Q. The M&A activities, what --
09 what's the group, again, that --
10 A. It's called corporate
11 development.

Page 15:14 to 16:13

00015:14 Q. And can you give me some
15 examples of what M&A activities you oversee?
16 A. Yes. A pretty, you know,
17 standard part of our business is buying and
18 selling of properties and assets. You know,
19 we -- although we periodically will buy a

20 corporation, a smaller corporation, most
21 often we're simply looking at properties
22 where we own a particular asset and we'll
23 sell a part of that asset or -- or the entire
24 asset in exchange for cash and re- --
25 re-deploy that cash in another area of the
00016:01 business. Or we'll trade properties with
02 another oil and gas company and, you know,
03 periodically will be an acquirer. Although
04 we're not a terribly active acquirer, we
05 will -- we will periodically acquire
06 properties from other organizations.
07 Q. Okay. And you're still CFO
08 today, correct?
09 A. I am.
10 Q. Did you assume -- did you have
11 any other promotions or assume any additional
12 responsibilities?
13 A. No. I had a change in title.

Page 16:21 to 16:22

00016:21 Q. All right. Are you on any
22 committees, executive committees or --

Page 16:24 to 16:24

00016:24 Q. -- other organizations?

Page 17:01 to 18:04

00017:01 have our executive committee of six people,
02 our -- our five executive vice presidents,
03 excuse me, and our -- and our CEO. So I've
04 been a part of that executive committee since
05 early 2008.
06 Q. All right. Are you an officer
07 or director of any subsidiaries of APC?
08 A. Yes. Numerous subsidiaries,
09 yes. I couldn't -- couldn't begin to
10 estimate.
11 Q. Okay.
12 A. But certainly it's pretty
13 standard that either our entire officers or
14 subsets of our officers will also serve as
15 officers of a variety of primarily wholly
16 owned subsidiaries.
17 Q. Okay. And you were working at
18 Anadarko, then, at the time of the incident,
19 the Macondo incident in April 2010?
20 A. I was.
21 Q. All right. So you have personal
22 knowledge of what happened after the
23 incident, correct?

24 A. Yes.
25 Q. Okay. Let's turn to the Notice
00018:01 of Deposition, which is Tab 1.
02 A. Okay.
03 Q. And the Notice of Deposition has
04 previously been marked as Exhibit 11804.

Page 18:14 to 18:19

00018:14 Q. My understanding is that you've
15 been designated to address Topic 2c.
16 A. Do you have the copy of
17 Anadarko's objections and response to the
18 Notice of Deposition?
19 Q. I do.

Page 19:03 to 19:04

00019:03 MS. FLICKINGER: All right. So we'll
04 mark this as an exhibit.

Page 19:11 to 19:12

00019:11 MS. FLICKINGER: What number is this?
12 THE WITNESS: Oh, I'm sorry, 12385.

Page 19:15 to 19:16

00019:15 Q. (BY MS. FLICKINGER) Item 2,
16 correct.

Page 19:24 to 20:02

00019:24 Q. All right. Topic 2c, "Any
25 unused or available credit lines or debt
00020:01 capacity available to APC, including likely
02 terms."

Page 20:04 to 20:10

00020:04 un- -- it's -- that's close, but APC is
05 unused or presently available cash, new and
06 existing credit facilities and loans
07 arrangement -- loan arrangements, equity, and
08 debt offerings, including general information
09 regarding their terms.
10 Q. Okay. Exhibit 2d?

Page 20:12 to 21:01

00020:12 read it from our response No. 2. I'm here to

13 talk about the projections in the documents
14 that APC has produced in response to
15 production Nos. 2 and No. 5, which include
16 highly sensitive ratings agency presentations
17 for the years 2009 to 2014, and that relates
18 to area 2d.

19 Q. Okay. I -- I will say for Ki's
20 benefit, you have objections and you've
21 rewritten, basically, our Notice of
22 Deposition. I think substantively it's not
23 going to be an issue. But I just want to
24 state right now for the record that there may
25 be scope objections that we will have. We'll
00021:01 just state the objection and then move on.

Page 21:08 to 21:15

00021:08 Q. (BY MS. FLICKINGER) Okay. So
09 2d. 2f?
10 A. And as it relates to 2f, I'm
11 here to talk about our -- the plans, if any,
12 by APC to sell assets to third parties in the
13 future in excess of a hundred million
14 dollars.
15 Q. Okay. Topic No. 3. And I --

Page 21:21 to 21:22

00021:21 Q. So Topic No. 3, I think, is one
22 that you've been designated for, correct?

Page 21:24 to 22:16

00021:24 that I'm -- I'm here to talk about
25 non-privileged, general responsive
00022:01 information, if any, regarding our transfers
02 of assets to third parties since April 20th,
03 2010, that are in excess of a hundred million
04 dollars, as reflected in the documents
05 produced.
06 Q. All right. Topic No. 4d?
07 A. Topic 4d, we have a -- a couple
08 other folks will be testifying, one of whom
09 is -- is Kathy Douglas. And as it relates to
10 4d, I will be the designated witness --
11 designated representative here to testify
12 regarding non-privilege responsive
13 information in this area.
14 Q. All right. Topic No. 5. And,
15 again, this is one where Kathy Douglas will
16 be --

Page 22:18 to 22:21

00022:18 Q. -- testifying. And then my
19 understanding is you're designated to cover
20 non-privileged aspects that are not covered
21 by Ms. Douglas?

Page 23:02 to 23:03

00023:02 Q. So Topic No. 6. And -- and we
03 kind of have the same dilemma with --

Page 23:05 to 23:05

00023:05 Q. -- Topic No. 4.

Page 23:07 to 23:15

00023:07 Q. I'm going to go backward, but
08 that deals with expenditures from litigation
09 and you're testifying about the impact of the
10 expenditures. But the deposition where those
11 expenditures are going to be identified and
12 discussed is next week. So I -- you know, I
13 will -- we'll just ask you whatever questions
14 we have and proceed.
15 Okay. Topic No. 6.

Page 23:20 to 24:09

00023:20 APC has asked me to testify today as the
21 designated representative regarding
22 non-privileged, responsive information
23 regarding the 4-billion-dollar settlement
24 with BP with regard to the incident.
25 Q. And Topic No. 8.
00024:01 A. Okay. From the -- reading from
02 the same -- the same document, Page 14,
03 subject to and without waiving the -- the
04 objections, Anadarko has asked me to testify
05 as the designated representative regarding
06 the potential impact of a penalty award on
07 Anadarko's future decisions regarding
08 investment as a non-operating property --
09 non-operating party.

Page 25:09 to 25:12

00025:09 Q. Okay. I'm going to go ahead and
10 mark the 10-K for 2013 and the 10-Q for 2014,
11 and I'm -- just so that they're available and
12 you have them.

Page 25:17 to 27:03

00025:17 Q. What's the number?
18 A. 12386.
19 Q. Okay. So we're marking the
20 Anadarko Petroleum form 10-K. It's Bates --
21 the first page is Bates numbered
22 ANA-MDL3-0002924, and it's been marked as
23 Exhibit 12386.
24 And have you seen this document
25 before, Mr. Gwin?
00026:01 A. I have.
02 Q. All right. Is it a record kept
03 by Anadarko in the normal course of business?
04 A. Yes, and -- and filed publicly,
05 as indicated.
06 Q. Okay. And it's a report filed
07 pursuant to an obligation imposed by law,
08 correct?
09 A. That's correct.
10 Q. And it's made -- it's made by
11 people with knowledge of its contents,
12 correct?
13 A. That's correct.
14 Q. At or about the time that it was
15 compiled?
16 A. That's correct. Specifically,
17 the knowledge and the -- and the insight into
18 the document is referenced in certifications
19 attached to the -- to the back of the
20 document as exhibits.
21 Q. Okay. And, in fact, you've
22 certified?
23 A. I have.
24 Q. You -- you did one of those
25 certifications, correct?
00027:01 A. I do one.
02 Q. All right. And what's the --
03 what's the extent of your certification?

Page 27:07 to 27:08

00027:07 Q. Okay. It's on page that ends in
08 Bates No. 003107, 3106.

Page 27:12 to 28:17

00027:12 Q. Okay. I'm sorry. All right.
13 Okay. 0003104. And this is your
14 certification?
15 A. Yes.
16 Q. Okay. And among other things,
17 you certified that you reviewed the document
18 and this report does not contain any untrue
19 statement of a material fact, based on your

20 knowledge?
 21 A. That's correct.
 22 Q. Nor does it admit to state a
 23 material fact necessary to make the statement
 24 made, and then it continues on. In light of
 25 the circumstances under which such statements
 00028:01 was made, not mis- -- not misleading with
 02 respect to the period covered by this report.
 03 Correct?
 04 A. That's correct.
 05 Q. Okay. So to that extent, is
 06 this a true and accurate document?
 07 A. To -- to that extent, at the
 08 time this certification was made, it is -- it
 09 was, based on my knowledge, didn't -- didn't
 10 contain any untrue statement or material fact
 11 or omit to state a material fact necessary to
 12 make the statements not misleading.
 13 Q. Okay. And as you sit here
 14 today, I know some of the numbers now,
 15 because this came out at the end of fiscal
 16 year 2013, but are there any corrections
 17 or --

Page 28:19 to 28:25

00028:19 Q. -- misstatements, inaccuracies
 20 that you want to correct, as you sit here
 21 today?
 22 A. I don't know -- I don't know of
 23 any -- of anything that makes the
 24 certification -- that I couldn't make the
 25 certification today.

Page 29:03 to 29:05

00029:03 in other words, we can rely on the data
 04 that's in this report, correct?
 05 A. As of the date of the filing.

Page 29:11 to 30:08

00029:11 Q. Tab 9 is form 10-Q of Anadarko
 12 Petroleum for the first quarter of 20 --
 13 2014, correct?
 14 A. That's correct.
 15 Q. And the document begins with
 16 number ANA-MDL3-0005557. And we'll mark that
 17 as an exhibit. And will this be 12387?
 18 A. 87, yes.
 19 Q. I'll go through the same set of
 20 questions. This is a record that Anadarko
 21 keeps as part -- in the normal course of its
 22 business, correct?

23 A. That's correct, and is publicly
24 filed, consistent with our -- with our
25 obligations under the SEC rules.
00030:01 Q. Okay. And you've provided the
02 same certification or similar certification,
03 correct?
04 A. Yes, I have.
05 Q. All right. And that
06 certification is found on the Bates number on
07 Page 43 of the document that ends at 0005600;
08 is that right?

Page 30:14 to 31:08

00030:14 A. That's not the certification,
15 no. That's the signature page.
16 Q. Okay.
17 A. The certification is not shown
18 in this document directly. It -- it is --
19 appears to be incorporated by reference as
20 Exhibit No. 32 as referenced on Page 42 of
21 the document.
22 Q. All right. And it's the same,
23 that based on your knowledge, as you sit here
24 today?
25 A. I believe the language -- I
00031:01 believe the language is the same and, yes,
02 based on my knowledge, based on today and --
03 and the same things I said relative to the
04 prior certification.
05 Q. Okay. So as you sit here today,
06 you're not aware of any inaccuracies?
07 A. I'm -- I'm not aware of anything
08 that would --

Page 31:10 to 31:12

00031:10 A. -- cause me to not be able to
11 certify today in the same manner I certified
12 on the day it was filed.

Page 31:16 to 31:18

00031:16 Q. Tab No. 3. So we're going to
17 spend a little bit of time just getting the
18 general overview of Anadarko's business.

Page 31:21 to 31:21

00031:21 A. Okay. This one is 12388.

Page 31:25 to 33:01

00031:25 Q. All right. This document is a
 00032:01 news release from Anadarko, "ANADARKO
 02 ANNOUNCES 2014 CAPITAL PROGRAM AND GUIDANCE,"
 03 and it's Bates number ANA-MDL3-0000021. Are
 04 you familiar with this document, Mr. Gwin?
 05 A. I am.
 06 Q. Okay. And can you explain what
 07 it is?
 08 A. Yes, it's a press release that
 09 we issued, dated March 4th, 2014, a press
 10 release that we tend to issue every year
 11 around this time. Once the capital budget
 12 has been approved by the board, we will
 13 put -- put out a press release that addresses
 14 our capital spending plan for the year and
 15 what we call guidance, which is, in essence,
 16 you know, some directional information that
 17 we believe that investment program should
 18 result in, based on our current expectations.
 19 Q. And is the guidance done on an
 20 annual basis?
 21 A. Yes, primarily the guidance is
 22 done at the time that the capital budget --
 23 the guidance is provided at the time that the
 24 capital budget is announced, and then we will
 25 periodically update the guidance during the
 00033:01 year as things change. Certainly as results

Page 33:07 to 33:17

00033:07 Q. Okay. Is -- is a guidance a
 08 kind of projection for the coming year?
 09 A. It's -- it's not a projection.
 10 It is -- it is -- it's insight with respect
 11 to specific metrics, and then what generally
 12 happens is that investors and analysts
 13 that -- that cover Anadarko will take the
 14 information we provide, and they will then
 15 apply their own assumptions and their own
 16 insights to that information. They'll create
 17 their own projections.

Page 34:12 to 34:20

00034:12 Q. Okay?
 13 There is a quote from CEO Al
 14 Walker that says, "Anadarko is uniquely
 15 positioned to build upon our multi-year track
 16 record of success and to deliver sustained
 17 growth and unmatched optionality in 2014 and
 18 beyond."
 19 Can you explain what the
 20 "multi-year track record of success" is?

Page 34:24 to 36:17

00034:24 A. We had a -- an investor
 25 conference around this same time where we
 00035:01 looked back at the past five years and where
 02 we thought -- when we had projections going
 03 back to 2009, where we thought we would
 04 perform from 29 to -- 2009 to 2014. And then
 05 we compared that performance to the actual --
 06 or we compared those projections, those --
 07 those -- those, you know, estimates, if you
 08 will, to actual results; and the results
 09 indicated that we had performed higher than
 10 the expectations that we had laid out to the
 11 investment community in 2009.
 12 And so I believe what Mr. Walker
 13 is referring to here is that track record
 14 that we had previously communicated to the
 15 investment community.
 16 Q. Okay. He continues on, "Our
 17 2014 capital program is again a prudent and
 18 disciplined approach that is within
 19 anticipated cash flow. We expect this
 20 capital plan to enable us to increase
 21 year-over-year 'same-store' sales volumes by
 22 6 to 7 percent."
 23 And so when he says "anticipated
 24 cash flow," that's cash flow from operations,
 25 correct?
 00036:01 A. Yes, or -- or a metric,
 02 discretionary cash flow, which generally will
 03 approximate cash flow from operations, but
 04 we'll have some adjustments to it. It's
 05 essentially however much money you have
 06 available to invest in your program, in your
 07 capital program relative to your capital
 08 spending. This is the intention.
 09 Q. Okay. "During 2014, Anadarko
 10 expects to drill up to 25 high-potential
 11 deepwater exploration/appraisal wells."
 12 Is that still on target?
 13 A. I believe it is, yes.
 14 Q. And do you know how many of
 15 those are projected to be in the Gulf of
 16 Mexico?
 17 A. I don't know. We drill around

Page 37:03 to 38:08

00037:03 Q. Okay. If you could turn to
 04 Tab No. 4, and we'll mark this -- these are
 05 just some of the accounting terms. And I --
 06 if we could just briefly hit on some of
 07 these. This will be 12389?
 08 A. Yes, I'm sorry, 12389.

09 Q. Okay. Exhibit 12389, and the
10 Bates number is ANA-MDL3-000043. And it's a
11 document dated February 13 and 14, "ANADARKO
12 PETROLEUM CORPORATION NON-GAAP
13 FINANCIAL MEASURE DEFINITIONS." And this
14 really is just some of the non-GAAP metrics
15 that Anadarko uses, I think, and we'll just
16 go through some of them. Do you recognize
17 this document?

18 A. I do.

19 Q. Can you tell me what it is?

20 A. It is a summary of how we
21 calculate certain metrics that are not
22 defined by GAAP, Generally Accepted
23 Accounting Principles. That -- it is -- when
24 we -- when we communicate publicly, we're
25 required to utilize GAAP terms and -- and
00038:01 GAAP treatment. If we don't -- if we're --
02 if we're deviating from a GAAP term, then
03 it's incumbent upon us to make it very clear
04 how we calculated the metric, and we
05 generally also include in our disclosures why
06 we utilize that metric and the value we
07 believe it provides to either the management
08 or to the investment community.

Page 40:01 to 41:14

00040:01 Q. Okay. So discretionary cash
02 flow from operations, cash -- cash flow,
03 adjusted pre-cash flow. We had -- we had
04 mentioned discretionary cash flow earlier.
05 Is -- is this a correct definition of
06 discretionary cash flow, net cash provided by
07 operating activities?

08 A. Oh, it begins in net cash -- net
09 cash provided by operating activities. The
10 rest of the definition is here and it is
11 accurate as written.

12 Q. Okay. Can you say it's cash
13 flow from operations other than extraordinary
14 events?

15 A. Well, I -- I could say that
16 it's -- it's cash provided by operating
17 activities before certain events and in --
18 and as defined before Deepwater Horizon
19 settlement-related costs, collections
20 associated with the Algerian exceptional
21 profits tax settlement, changes in accounts
22 receivable, changes in accounts payable, and
23 accrued expenses, and then changes in other
24 items.

25 Q. Okay. And then free cash --
00041:01 cash flow is discretionary cash -- cash flow
02 from operations less capital expenditures,

03 correct?
04 A. That's correct.
05 Q. All right. And, again,
06 discretionary cash flow is a metric that
07 Anadarko's management looks to and finds
08 useful?
09 A. Yes. In reading from the
10 document, because we believe it's useful in
11 comparisons of our oil and gas -- oil and gas
12 production exploration and production
13 companies because it excludes fluctuations in
14 assets and liabilities.

Page 42:06 to 42:09

00042:06 All right. If you could turn to
07 Tab No. 5 and also Tab No. 6. So Tab No. 5
08 is the transcript of an investor relations
09 presentation dated March 4th, 2014.

Page 42:11 to 42:12

00042:11 Q. And Tab No. 6 are the slides
12 that accompany that.

Page 42:18 to 42:21

00042:18 A. Okay. The sticker that I've
19 applied to the first page of Tab 5 is 12390.
20 Q. And Tab No. 6 is 123 --
21 A. 91.

Page 42:24 to 43:05

00042:24 Q. Okay. Do you recognize these
25 documents?
00043:01 A. I recognize the -- the document
02 in -- in Tab 6. Tab 5 appears to be -- I
03 don't know that I've seen this document, but
04 it appears to be a -- a summary of our call
05 dated March 4th, 2014.

Page 43:12 to 43:20

00043:12 And part of your
13 responsibilities, I think you said, was
14 investor relations, correct?
15 A. That's correct. Our vice
16 president of investor relations reports to
17 me.
18 Q. Okay. And do you recall that
19 you participated in this conference?
20 A. I -- I do.

Page 43:24 to 44:12

00043:24 The first speaker was
25 Mr. Walker, who is the CEO. So if you -- if
00044:01 you can turn to Page 3 of the transcript.
02 A. Okay.
03 Q. And second full paragraph, among
04 other things, Mr. Walker says, But with that,
05 I think you'll find we are directing a lot of
06 our capital toward things that give us high
07 margins, whether it's natural gas, liquids
08 with the gas or natural gas liquids, gas
09 condensate and oil with the gas. So good
10 optionality in our portfolio, and we're going
11 to have a lot of fun today, I believe, in
12 trying to convey all that to you.

Page 44:17 to 44:20

00044:17 When -- when he says we're directing a lot of
18 our capital toward things that give high
19 margins, how -- how do you make that
20 evaluation?

Page 44:22 to 45:09

00044:22 know -- we understand the assets in our
23 portfolio. They -- they have, dependent upon
24 whether they're, you know -- you know, for
25 instance, whether they're natural gas, gas --
00045:01 liquids in the gas, natural gas liquids, gas
02 condensate, oil, they have different revenue
03 streams and each of the assets has a
04 different cost structure. And margins --
05 it's slightly simplified, but margins are our
06 revenues less our costs and -- and leaves you
07 with a -- with an amount of margin -- profit
08 margin, if you will, prior to a variety of
09 other expenses. So we understand that --

Page 45:11 to 45:18

00045:11 A. -- general structure about, you
12 know, the assets in our portfolio, and
13 that's -- that's the basis upon which you
14 could say --
15 Q. That's something that you look
16 to as you decide how to allocate your
17 resources?
18 A. That's correct.

Page 45:20 to 48:03

00045:20 A. Yeah, inherent in -- in that,
21 obviously, is how much risk is associated
22 with individual investments and -- and
23 there's certainly a significant amount of
24 judgment that then goes into how to best
25 allocate the capital.

00046:01 Q. There is a term in there,
02 "optionality." "So good optionality in our
03 portfolio." What does optionality account
04 for Anadarko?

05 A. It means that we -- generally,
06 we -- we use it colloquially, and it is -- it
07 is -- I think it's generally understood
08 amongst the audience that it means that we
09 have various places that we can choose to
10 invest capital, either geographically around
11 the world in an exploration program or a
12 development program, oil, gas, various types
13 of commodities, and that if we have options
14 available to us, then that's generally seen
15 as providing flexibility in the -- and I
16 think it's seen generally as a positive to
17 have options rather than limited points of
18 opportunity.

19 Q. So as the margins fluctuate or
20 change, you have the ability and the
21 flexibility to kind of move your resources
22 and capital toward a particular commodity
23 or...

24 A. It varies. It's -- the --
25 the -- and the variable there is time. You

00047:01 have the ability to make investment
02 decisions, but certain of these are very
03 long-cycle investments and it's not a matter
04 of, you know, daily, weekly, monthly, saying
05 yes or no to a particular project and
06 stopping activities, but over time, you
07 certainly have the ability to allocate
08 capital to its most effective use and to make
09 decisions around your investment plans.

10 Q. Okay. Thank you.

11 He continues on to the next
12 paragraph. "...you're going to see us
13 growing our barrels of oil around 50,000
14 barrels a day for our liquids and oil, which
15 is a big pickup, relatively speaking. We're
16 going to deliver this through a number of
17 things, one of which is our Wattenberg
18 field."

19 And then he says, this is the
20 most valuable asset today in our portfolio.
21 It gives us rates of return in excess of
22 10 percent.

23 Is that still a projection for
24 growing the number of barrels of oil in the

25 coming year?
 00048:01 A. I don't know. I -- I haven't
 02 looked at the particular metric of barrels of
 03 oil since this point in time, this

Page 48:10 to 51:05

00048:10 Q. All right. If you turn to the
 11 next page, Page 4. He says, "Now looking
 12 back on our" -- and this is the paragraph at
 13 the bottom of the page.
 14 Now looking back on our 5-year
 15 track record, I know -- I know a number of
 16 you in the room were around in 2009 when we
 17 rolled out a 5-year plan then. And I'd like
 18 to say we believe, as we finish 2014, that we
 19 can now say we got a "W" in a column. We
 20 feel we have accomplished all the things we
 21 set out to do with our metrics...

22 Is this the five-year plan you
 23 were referring to earlier?

24 A. Yes.

25 Q. And then he says, And we did
 00049:01 that even with headwinds of the windfall
 02 profit tax in Algeria, followed by another
 03 headwind with Macondo and a very serious
 04 headwind we're facing today, which we hope to
 05 get involved in the case of Tronox. So
 06 pretty impressive operational track record,
 07 given, I'll call it the distractions or the
 08 frustrations of 3 unrelated events.

09 Correct?

10 A. That's how it reads, yes.

11 Q. All right. So he's basically
 12 saying -- so he's basically saying that you
 13 were able to achieve your five-year plan
 14 despite having some other serious events that
 15 you had not anticipated, correct?

16 A. That's -- that's what he's
 17 saying, yes.

18 Q. All right. And that's the fact,
 19 right? That's the performance of the
 20 company?

21 A. Yes, the performance, we're --
 22 we're very proud of. I think what is also, I
 23 believe, understood in the -- in the market
 24 and -- and certainly is -- is the view of
 25 management is that absent those events, then
 00050:01 we would have hoped to have performed even
 02 stronger. And so the point that I think is
 03 trying to be made is if you're -- if you're a
 04 company that has -- generally has flexibility
 05 in -- in some of your decisions, you have the
 06 ability to try to figure out a way to meet
 07 your objectives. But it -- it doesn't

08 address the fact that absent those three
 09 events, which were very significant to the
 10 company, we believe that the opportunities
 11 for even better performance certainly
 12 existed.

13 Q. Okay. The five-year plan was --
 14 before the five-year plan, which covered
 15 roughly 2009 to 2013, was there another
 16 five-year plan?

17 A. No. If I could put that in
 18 perspective for you. Anadarko and two other
 19 companies, Kerr-McGee and Western Gas,
 20 merged. Anadarko functionally acquired those
 21 two companies in 2006. And the company sold
 22 a variety of assets to reposition its
 23 business model between 2006 and 2008.

24 And so at the end of 2008, the
 25 company developed this, you know, five-year
 00051:01 forward look to try to provide to the market
 02 some insight into what we thought the
 03 potential of the new portfolio that had been
 04 created could deliver in terms of
 05 performance.

Page 51:11 to 52:07

00051:11 Q. Okay. And was part of that kind
 12 of restructuring the company so it would
 13 perform more profitably?

14 A. Yes, the desire -- the desire
 15 was to perform better than any of those three
 16 companies had performed individually in the
 17 past.

18 Q. Individually, okay.

19 So Mr. Walker continues on
 20 Page 5, In 2008, if you go back, we've been
 21 able to do a lot of things. We've been able
 22 to organically add about 5 billion barrels of
 23 risked resources. We've discovered 5 of the
 24 largest, most significant discoveries, and
 25 we've also accelerated around 10 billion of
 00052:01 other assets and value in our portfolio in
 02 that active management comment I made
 03 earlier.

04 Are those accurate statements?

05 A. I -- I believe them to be, yes.

06 Q. Okay. The active management of
 07 a portfolio, can you expound upon that?

Page 52:11 to 52:24

00052:11 me. A big part of our business model is --
 12 is trying to make sure that our portfolio of
 13 assets is as efficient and profitable as it
 14 can be. And so one of the ways that we've

15 focused on this is what we call active
16 portfolio management. Essentially, that
17 means that you're willing to sell assets or
18 parts of assets in exchange for cash and
19 re- -- and re-deploy that cash back into your
20 operations and assets that should help your
21 aggregate portfolio perform better over time
22 than it might have otherwise performed if you
23 didn't take such an active portfolio
24 management approach.

Page 53:09 to 53:20

00053:09 saying that we expect the -- the company will
10 continue to pursue the most attractive
11 opportunities on a global basis that's
12 available to it. And we think that we've
13 done that pretty well over the course of the
14 last few years and -- and by doing so, we
15 think we've added, you know, value to the
16 firm.
17 Q. And those are also called
18 monetizations, correct?
19 A. Yes, we use the terms really
20 interchangeably, yes.

Page 54:04 to 54:07

00054:04 Q. Do you now have another
05 five-year plan?
06 A. No, there is not a -- there is
07 not a plan like this that -- you know, going

Page 56:19 to 57:06

00056:19 Q. Okay. Do you have any expected
20 amount of monetization going forward over the
21 next two years?
22 A. No, there is no targeted amount.
23 It tends to be opportunistic, and it depends
24 what the other options are available to the
25 company. So I mentioned earlier how we
00057:01 manage the portfolio. To the extent there is
02 a -- an opportunity to sell an asset where
03 another company might find it more valuable
04 than we do, then we might be more apt to sell
05 it and to re-deploy that cash into something
06 that we find more valuable.

Page 58:01 to 58:03

00058:01 Q. Okay. If you could turn to
02 Slide 21, which would be in Tab 6,

03 Exhibit 12391.

Page 58:05 to 61:07

00058:05 Q. And this slide is entitled
06 "Anadarko's Value-Creation Model," and it has
07 five bullets. Do those five bullets capture
08 Anadarko's main strengths?
09 A. Yes.
10 Q. Okay. So can -- let's go
11 through each of them. The first one is
12 "Sustained 5 to 7% Sales-Volumes Growth."
13 And is this the track record over the
14 five-year plan?
15 A. Yes.
16 Q. Okay. And is that your target
17 for the coming years as well?
18 A. I don't know if that's the exact
19 number for the coming year, but it's in that
20 range.
21 Q. Okay. The second bullet,
22 "Capital-Efficient, Value-Enhancing
23 Allocation." Can you explain that concept,
24 please?
25 A. Yes. We were talking earlier
00059:01 about investment opportunities and
02 optionality and the flexibility to move
03 investments around amongst different types of
04 commodities or different assets, different
05 risk profiles. And this is an area that
06 we -- we believe we've been very good at and
07 will continue to be good at, and that is
08 understanding our business opportunities well
09 enough to be able to make good decisions
10 about where to allocate the capital in the
11 portfolio to get the best results on a risk
12 adjusted basis.
13 Q. Okay. "Industry-Leading Project
14 Management," can you tell me what -- what
15 that attribute is?
16 A. Sure. Anadarko, both itself and
17 through the Kerr-McGee company that it
18 acquired back in 2006, has a long track
19 record of performing very well in developing
20 projects, either offshore oil spars, for
21 instance, or we had a very large development
22 recently in northern Africa, in Algeria and
23 the Sahara Desert.
24 The metrics that support this
25 statement are -- are time and cost, and there
00060:01 are a variety of industry studies that look
02 at performance for particular types of
03 developments. And Anadarko rates in kind of
04 the top, you know, quartile. I don't know if
05 that's the exact metric, but rates very

06 highly in terms of delivering projects on
 07 time and on budget. And so it's a -- it's a
 08 skill set that the company is very proud of.

09 Q. Okay. "Best-In-Class Deepwater
 10 Exploration/Appraisal Success," can you tell
 11 me --

12 A. Sure.

13 Q. -- about that metric?

14 A. Our -- our exploration team has
 15 been very successful. If you measure
 16 success -- the simplest way to measure it,
 17 quantitatively in ways that there are various
 18 industry studies looks at how often there is
 19 a successful discovery or a successful -- on
 20 either an exploration well or an appraisal
 21 well, follow-up well to an existing discovery
 22 and how successful one is relative to the
 23 total number of wells drilled.

24 And our team for several
 25 years -- and it's -- it's obviously a
 00061:01 multiyear metric. And for several years, our
 02 team has had some -- performed at a higher
 03 rate of -- of successful discoveries in
 04 appraisal wells than the industry averages.
 05 Q. Okay. And then I -- we touched
 06 on this before, but "Unmatched Portfolio
 07 Optionality With Monetization Focus."

Page 61:10 to 61:14

00061:10 Q. This is the same concept, right,
 11 where you have a diverse portfolio with
 12 flexibility both in terms of geography and
 13 commodities, correct?

14 A. Yes.

Page 63:06 to 63:09

00063:06 Q. (BY MS. FLICKINGER) Okay. So
 07 if you could turn to Tab 6 of the PowerPoint
 08 that accompanies the transcript, Mr. Gwin,
 09 and turn to Slide 25.

Page 63:13 to 63:19

00063:13 this is your portion of the presentation to
 14 investors, correct?

15 A. Yes, it is.

16 Q. And it's a March 4th, 2014
 17 presentation, so it's -- it predates the
 18 Tronox settlement, correct?

19 A. Yes, it does.

Page 63:24 to 64:15

00063:24 Q. What's the first bullet say,
25 3.7 billion cash on hand at year-end 2013
00064:01 flush. So was that the amount of cash on
02 hand at the year-end?
03 A. \$3.7 billion was the amount of
04 cash on hand at year-end 2013. I believe
05 that's the number that's found in the -- in
06 the 10-K and the published manuscripts.
07 Q. Okay. And then it references
08 announced monetization transactions would
09 bring in another 3.5 billion?
10 A. Yes.
11 Q. And what were those
12 transactions?
13 A. I believe the largest of them
14 was the -- a sale of -- a portion of our
15 interest in Mozambique.

Page 64:21 to 66:13

00064:21 Q. Okay. On the transcript on
22 Page 19, you referenced from Mozambique
23 you're going to get pre-tax proceeds of 2.64
24 billion. Does that sound correct?
25 A. Yes.
00065:01 Q. All right. And after tax would
02 be 12 -- 2.12 billion; is that correct?
03 A. That's correct.
04 Q. All right. And then you also
05 talked about Pinedale, the Pinedale/Jonah
06 proceeds.
07 A. Yes.
08 Q. Do you know what those are?
09 A. I don't recall exactly, but I
10 will infer that they were about \$400 million,
11 because the transcript states that it's
12 \$2.1 billion plus the amount that leads --
13 plus Pinedale/Jonah gets us to 2.5 billion
14 dollars.
15 Q. Okay. And then you said on
16 Page 20 that, "As we sit here today" -- so,
17 again, that was in March -- "we're north of 6
18 billion in cash with the debt-to-cash ratio
19 of around 24 percent."
20 Is that an accurate statement?
21 A. Yes.
22 Q. All right. The second bullet is
23 "2014 Capital Investments within Anticipated
24 Cash Flow." What are your projections for
25 capital investments?
00066:01 A. The capital investments guidance
02 that was provided in this presentation and
03 Mr. Walker's comments, I believe, was 8.1 to

04 8.5 billion dollars.
 05 Q. Uh-huh. And is one of the
 06 aspects of the guidance that it's within your
 07 anticipated cash flow?
 08 A. That's correct.
 09 Q. Okay. Discretionary cash flow?
 10 A. Yes, discretionary cash flow.
 11 Q. All right. "Planned and
 12 Opportunistic Monetizations." Do you have
 13 future planned monetizations?

Page 66:17 to 66:22

00066:17 We've -- we've entered into an agreement to
 18 sell our Chinese subsidiary, and so that was
 19 planned at the time and still today. But at
 20 the time in March, I don't believe there were
 21 any others specifically that were planned at
 22 that point in time.

Page 67:17 to 68:24

00067:17 "Strengthening the Balance
 18 Sheet, Net Debt to Adjusted Capital." I
 19 think this is one of the non-GAAP definitions
 20 that we talked about earlier, correct?
 21 A. That's correct.
 22 Q. Okay. And can you explain what
 23 these percentages represent?
 24 A. Sure. For instance, the
 25 34 percent that's shown on the line year-end
 00068:01 2012, this is -- this would be our -- our
 02 debt minus our cash at that time, divided by
 03 our total capitalization, minus our cash.
 04 Q. Okay. And it says "Year-End
 05 2014E" with an asterisk. Is that "estimate"?
 06 A. E, E indicates estimate.
 07 Q. Okay. And is -- is the goal to
 08 get to 22 percent?
 09 A. No. We -- this -- these numbers
 10 do not include the effects of a settlement
 11 that we subsequently entered into concerning
 12 the Kerr-McGee/Tronox lawsuit.
 13 Q. All right.
 14 A. And so these numbers don't have
 15 any assumption in there for that payment of
 16 round number of \$5.2 billion. So these
 17 numbers would be quite a bit higher when you
 18 adjust for the -- for the actuals that
 19 following that payment, whenever it's made.
 20 Q. Okay. So in the intervening
 21 time, between the time of this presentation
 22 and now, you would change that number because
 23 of the Tronox settlement?
 24 A. Yes.

Page 69:04 to 69:21

00069:04 And are the proceeds for most of
05 these monetizations in cash? Is that the --
06 that's the reason you're doing it?
07 A. It varies. We -- sometimes it's
08 cash and sometimes the form of consideration
09 is that the -- the -- if we're selling part
10 of an asset, the acquiring party might pay
11 for our capital expenditures on -- on our
12 remaining share of that asset for a period of
13 time. So they either spend cash on our
14 behalf or they will give us cash upfront and
15 the transaction terms vary.
16 Q. Okay. So either way, if they
17 pick up part of your capital investment, then
18 you have more liquid cash to deploy somewhere
19 else?
20 A. Yes, or -- or less debt is
21 another way to think about it.

Page 69:23 to 71:11

00069:23 A. So lower leverage, yes.
24 Q. All right. All right. So let's
25 turn to Slide 26. And I think we've already
00070:01 discussed that one of your guiding principles
02 is to have your cap- -- capital investments,
03 capital expenditures within the anticipated
04 cash flow, correct?
05 A. I wouldn't say it's one of our
06 guiding principles. It's -- it's one of the
07 things that we have done, been able to
08 accomplish historically.
09 Q. All right. And you -- you hope
10 to be able to continue -- continue to
11 accomplish in the future?
12 A. Well, not necessarily. You
13 know, we've -- we -- periodically when we
14 have opportunities for investment, we
15 consider spending in excess of our cash flow.
16 The problem is that when you do so, you
17 increase your leverage and there are
18 limitations upon how levered we believe is
19 prudent for the company and so that becomes a
20 governor on our willingness to spend in
21 excess of cash flow.
22 Q. Okay. And in terms of
23 evaluating how levered you want your company
24 to be, do you have in mind a range? Is there
25 an upper limit Anadarko --
00071:01 A. We -- we've talked publicly
02 about a range of 25 to 35 percent as a metric
03 of debt to capitalization.

04 Q. Okay. And then if you exceed
 05 35 percent, what ramifications might it have?
 06 A. It varies. The rating agencies,
 07 we have regular discussions with the rating
 08 agencies; and they and we work together to
 09 understand the pro forma credit rating that
 10 they might ascribe to Anadarko based on
 11 increasing leverage.

Page 71:17 to 71:19

00071:17 Q. All right. Here there are some
 18 projected numbers for capital investment.
 19 Can you walk me through those numbers?

Page 71:22 to 74:20

00071:22 Q. What's the range of numbers? Is
 23 this over time, 8.1, 8.3, 8.5 billion?
 24 A. They're -- so the range is 8.1
 25 to 8.5 billion. That is the guidance that --
 00072:01 in Mr. Walker's comments at this conference
 02 we laid out as our guidance for capital
 03 suspending at the time.
 04 Q. Okay. And there is another
 05 column, "Adjusted Free Cash Flow At Strip."
 06 How does that relate?
 07 A. The strip refers to commodity
 08 prices based on what is colloquially known as
 09 the forward strip, and it's the -- it's the
 10 level at which future prices for oil and gas
 11 are trading in the market.
 12 And so we -- we are able to take
 13 our assumed production of our various
 14 hydrocarbons and apply that -- that price
 15 case, and at that price case, this would be
 16 the amount of -- of cash flow, adjusted free
 17 cash flow -- or adjusted cash flow in excess
 18 of that capital expenditure number.
 19 Q. Okay. All right. If we could
 20 turn to the next slide, which is 27. "Active
 21 Portfolio Management Drives Value." And I
 22 think we've talked some about the concept of
 23 active portfolio management.
 24 It says about -- during that
 25 five-year period, as we mentioned before,
 00073:01 there is a 10-billion asset monetization,
 02 about 5 billion of which are carried interest
 03 agreements. Could you explain what carried
 04 interest agreements are?
 05 A. Carried interest agreements are
 06 the structure that I referred to a moment ago
 07 when in exchange for transferring a share in
 08 one of our properties, the purchaser will pay
 09 for the capital expenditures related to

10 Anadarko's remaining interest for a period of
 11 time going forward, until that -- that amount
 12 of capital has been -- you know, whatever the
 13 negotiated amount is has been exhausted.
 14 Q. Okay. And farm-outs, 1 plus
 15 billion exploration. Farm-outs, again, could
 16 you explain what a farmout is?
 17 A. Sure. Our -- our exploration
 18 team will often seek partners in their
 19 activities around the world, and they will
 20 sell a share of a prospect to another
 21 company, usually in exchange for that company
 22 paying for Anadarko's drilling expense or a
 23 portion of the drilling expense. It's a
 24 standard industry structure and -- and so
 25 that -- the point here is that that totaled a
 00074:01 little over a billion dollars over that
 02 rep- -- over that representative five-year
 03 period.
 04 Q. And so a difference between a
 05 carried interest and a farmout is that one is
 06 paying for a particular service, like a
 07 drilling contractor?
 08 A. No, they're very similar, very
 09 similar. The -- I think the only difference
 10 is that the carried interest agreements are
 11 gen- -- generally applied to development
 12 projects, you know, projects where -- that
 13 are in, you know, at a different stage of
 14 their life cycle. But the -- from a
 15 financial standpoint, the overall structure
 16 is relatively similar.
 17 Q. Okay. And, again, this is not
 18 including your midstream assets, WES and WGP?
 19 A. It does not include those, as
 20 those are consolidated subsidiaries. So

Page 74:23 to 75:02

00074:23 Q. All right. And then -- then
 24 there are four bullets, I think, that -- that
 25 talk about some of the advantages of active
 00075:01 portfolio management. Can you expound upon
 02 each of those for me, please?

Page 75:06 to 78:11

00075:06 Q. Well, the first one says it
 07 "Enhances Returns Without Leveraging the
 08 Balance Sheet."
 09 A. Correct.
 10 Q. Is that what you had described
 11 before that it -- it provides capital
 12 expenditure money --
 13 A. Correct.

14 Q. -- financing so you don't have
15 to go out on the market and borrow it,
16 correct?
17 A. Correct.
18 Q. That concept?
19 A. Yes.
20 Q. "Increases Cash-Cycle Velocity,"
21 what does that mean?
22 A. Several projects are very long
23 in nature, long cycle in nature, which the --
24 the reference to time is the time between the
25 time that the money is invested and the time
00076:01 that cash begins to be returned to the
02 investing company.
03 And if we sell, for instance, in
04 Mozambique, which has a relatively long
05 cycle, if we're able to sell and receive cash
06 today, then it means that the period of time
07 between the cash investment and the cash
08 being returned is shortened. And so think in
09 terms of that as accelerated and, therefore,
10 the reference to the word "velocity."
11 Q. Okay. "Reduces Execution Risk."
12 Does that simply mean that the risk is shared
13 among multiple parties instead of Anadarko
14 bearing --
15 A. Yes, it's -- it enables you to
16 diversify your investments across more, you
17 know, individual, you know, points of
18 opportunity; and that -- that reduces,
19 obviously, your -- your exposure in any
20 particular project or any particular risk.
21 Q. Okay. "Optimizes Capital
22 Allocation and Leverages Expertise." I think
23 we talked about optimizing capital allocation
24 before, but leveraging expertise, how -- how
25 does that --
00077:01 A. Leveraging expertise is -- in
02 essence, means that we're able to utilize our
03 people, you know, our -- our employees.
04 We're able to utilize them in a variety of
05 different ways across different projects.
06 It's a -- it's a -- it's a more efficient way
07 to manage the business, if we're successful
08 at doing it.
09 Q. In terms of, like, competitive
10 advantages, would you say that Anadarko is
11 stronger in a particular phase of a project?
12 Is it stronger in exploration, for example,
13 than development? Is that what you're
14 talking about in terms of leveraging
15 expertise?
16 A. No, that's not -- that's not
17 what I'm talking about.
18 Q. Right.
19 A. The point is that our people

20 were better able to utilize -- our -- our
 21 people's time is limited, and we're better
 22 able to, you know, use their time efficiently
 23 if we have -- if we're able to, you know, be
 24 active in our portfolio management
 25 activities.

00078:01 For instance, if you were to
 02 sell an asset that had a bunch of people
 03 working on it and you have an opportunity to
 04 go put those people working on a different
 05 project, that's more efficient for the
 06 company, so we're able to utilize their
 07 expertise more efficiently, and, you know,
 08 perhaps a finance term, but leveraging that
 09 expertise is -- is the way we describe that.
 10 Q. Okay. Great.
 11 If we could turn to Slide 29.

Page 78:13 to 78:17

00078:13 just touched on Mozambique some. So Slide 29
 14 WES and WGP. Can you walk me through the
 15 manage- -- so WES and WGP is Anadarko's
 16 consolidated subsidiary, and it handles the
 17 midstream assets, correct?

Page 78:21 to 79:07

00078:21 A. WES and WGP are the ticker
 22 symbols representing two publicly traded
 23 companies, known as master limited
 24 partnerships, that Anadarko controls and
 25 consolidates into Anadarko's financial
 00079:01 statements.
 02 Q. Okay. What's a master limited
 03 partnership?
 04 A. It is a publicly traded
 05 partnership that is a very common structure
 06 that primarily focuses on the distribution of
 07 cash flows to its -- its unit holders.

Page 79:14 to 80:04

00079:14 Q. What does -- what is Anadarko's
 15 relationship with Wes- -- Western Gas equity
 16 partners?
 17 A. Anadarko owns 91 percent of the
 18 limited partner units of Western Gas Equity
 19 Partners. Anadarko -- Anadarko also owns the
 20 general partner interest in -- in Western Gas
 21 Equity Partners.
 22 Q. Okay. And is it the ownership
 23 of the general partnership interest that
 24 gives it control over Western Gas Equity?

25 A. That's correct.
00080:01 Q. Okay. And so does it have some
02 ability to sell off some of the 91 percent
03 limited partnerships?
04 A. Yes.

Page 80:06 to 80:23

00080:06 that. Okay. So what's the relationship
07 between Western Gas Equity Partners, which
08 the ticker tape symbol is WGP, correct,
09 what's the relationship between that and
10 Western Gas Partners, L.P.?
11 A. Okay. Western Gas Equity
12 Partners owns interests in Western Gas
13 Partners, L.P. So it owns the entire general
14 partner interest, therefore, controls that
15 entity.
16 Q. Okay. Uh-huh.
17 A. And it owns 41.2 percent of the
18 limited partner units in that entity.
19 Q. All right. And then
20 independently through some other subsidiary,
21 Anadarko also owns a small limited
22 partnership in Western Gas Partners?
23 A. Correct.

Page 81:03 to 81:09

00081:03 Q. All right. And Western Gas
04 Partners has the ability to go out in the
05 market and issue equity?
06 A. Western Gas Partners does go out
07 into the market and issue equity, yes.
08 Q. Okay. And does Western Gas do
09 that as well?

Page 81:12 to 81:19

00081:12 Q. I'm going to use the ticker tape
13 symbols, so WGP?
14 A. Okay. WGP does not -- although
15 it would theoretically have the ability to do
16 so, it does not go into the market and issue
17 its own equity to raise cap.
18 Q. All right. What's the value of
19 Anadarko's holdings in WGP?

Page 81:23 to 83:02

00081:23 on the slide at \$8.4 billion of equity value.
24 Q. Okay. Is there anything that
25 prevents Anadarko from selling its limited

00082:01 partnership interest in WGP?
 02 A. There is no explicit limitation;
 03 however, there are some substantial practical
 04 limitations.
 05 Q. And what are those practical
 06 limitations?
 07 A. Anadarko owns such a significant
 08 percentage of WGP, that it -- there is not a
 09 very liquid market for WGP in the public
 10 market, and so it's -- would be very
 11 difficult for Anadarko to sell more than
 12 small pieces in the market.
 13 Q. Okay. Does it have any plans to
 14 sell its interest in WGP?
 15 A. Portions of it, our interest,
 16 yes.
 17 Q. Okay. Can you tell me about
 18 that?
 19 A. Sure. Last -- last week -- or I
 20 guess earlier this week, Monday, in fact,
 21 we -- we closed upon the first of a small
 22 sale on a relative basis of units of WGP to
 23 the market. We sold I believe the number was
 24 5.75 million units into the market. And I've
 25 talked publicly several times about our
 00083:01 expectation that we would not continue to own
 02 91 percent of this entity going forward.

Page 83:11 to 84:09

00083:11 Q. Okay. What were the proceeds
 12 from the sale that you closed on last week?
 13 A. Slightly over \$335 million.
 14 Q. And those proceeds go to
 15 Anadarko?
 16 A. Yes.
 17 Q. And were those in cash?
 18 A. Yes.
 19 Q. And, in addition, do you have
 20 any future plans for sales --
 21 A. We don't --
 22 Q. -- beyond that?
 23 A. We don't have any defined plans
 24 currently. We had a registration statement
 25 that would allow us to sell somewhere in the
 00084:01 neighborhood of -- of 34 million additional
 02 units, but no plans around timing or
 03 expectations.
 04 Q. Okay. Thanks.
 05 So can we turn to the next
 06 slide, Slide 30, which is entitled "WES:
 07 Funding Anadarko's Infrastructure Growth"?
 08 And it says, WES -- and, again, I'm using the
 09 ticker tape symbol --

Page 84:11 to 84:15

00084:11 Q. -- you understand that --
12 "Supports Anadarko's U.S. Onshore Expansion."
13 And "35 Plus Percent Total Midstream Spending
14 Directly Funded by WES." How -- how is WES
15 funding Anadarko's infrastructure growth?

Page 84:23 to 86:16

00084:23 Because Anadarko has the ability
24 to -- through the virtue of the general
25 partnership structure, has the ability to
00085:01 control WES's activities, we're able to look
02 at Anadarko's own spending on midstream
03 assets. And Anadarko has, you know,
04 midstream assets that are not a part of
05 Western Gas, of WES.
06 And so as you can see on -- on
07 this slide, over time as WES has gotten
08 bigger, it spends capital for the benefit of
09 its own shareholders, including Anadarko, to
10 fund that portion of development.
11 Now, the -- the reason it's
12 relevant in this Anadarko presentation is
13 that that enables Anadarko to focus its
14 capital spending more on its core oil and gas
15 exploration and production activities, as
16 midstream assets are not as, you know, core
17 to Anadarko's spending and investing
18 objectives.
19 Q. Okay. So the midstream assets,
20 they're not as integral to the core business
21 of oil and gas?
22 A. They're necessary to the
23 development of oil and gas --
24 Q. Yes.
25 A. -- and to delivering the oil and
00086:01 gas to the market.
02 Q. Uh-huh.
03 A. But -- but WES is a midstream
04 company, and it's WES's primary business to
05 build and own midstream assets and spend
06 capital expanding those.
07 Q. Thanks. Okay.
08 And let's go to your final
09 bullet, which is "Managing in an Uncertain
10 Environment."
11 A. Slide 32?
12 Q. Yeah, Slide 32.
13 And you have a number of bullets
14 here. "Strong Balance Sheet," correct?
15 A. Correct, but that's the first
16 bullet.

Page 86:19 to 87:05

00086:19 Q. So when you say "Managing in an
20 Uncertain Environment," what does the
21 uncertainty pertain to?
22 A. To Tronox, to the Tronox lawsuit
23 that I referenced previously. I think
24 Kerr-McGee is facing or has been facing until
25 we recently reached a settlement agreement
00087:01 concerning -- you know, looking back at the
02 time in March, there was a substantial amount
03 of uncertainty around the outcome of -- of
04 that lawsuit and the ultimate economic impact
05 on Anadarko.

Page 87:14 to 88:05

00087:14 Q. Okay. So these five bullets are
15 what Anadarko was doing in anticipation of --
16 you know, to cope with the uncertainty in the
17 anticipation of the resolution of the Tronox
18 matter, correct?
19 A. No, not what we were doing, but
20 this is how we were articulating what we felt
21 our potential responses were to that
22 uncertain future and -- and to the need --
23 the potential need at the point in time to
24 fund a loss in that lawsuit.
25 Q. Okay. And so one measure was to
00088:01 maintain a strong balance sheet?
02 A. Yes.
03 Q. Correct? Another one was access
04 to liquidity?
05 A. Correct.

Page 88:13 to 89:08

00088:13 Q. Okay. "Deep Portfolio of
14 Valuable Assets," I think we talked about
15 that some before.
16 A. Correct.
17 Q. "Sustained Operational Results."
18 A. I believe we talked about that
19 as well, yes.
20 Q. Okay. And "Commitment to
21 Ongoing Monetizations."
22 So all of those are measures
23 that you were taking that -- that you were
24 representing could help you cope with an
25 uncertain environment, correct?
00089:01 A. Yes, and, you know, we were
02 not -- the -- the purpose and the -- and
03 certainly the tone and the -- the discussion
04 was not, look how strong we are. It was a
05 matter of saying, you know, we have some

06 ability to respond to this uncertain
 07 environment and to the potential loss of the
 08 lawsuit.

Page 89:10 to 89:17

00089:10 A. And this was specific to
 11 questions we were getting about, you know,
 12 how we might be able to respond from our --
 13 from the investment community. We wanted to
 14 make it clear, then, that we felt we had some
 15 options that were available to us, but that,
 16 you know, something significant would
 17 certainly still hurt.

Page 90:08 to 90:22

00090:08 Q. (BY MS. FLICKINGER) Okay. If
 09 you could turn to Tab No. 7 and Tab No. 8.
 10 We'll go ahead and mark both of these.
 11 A. Okay. Behind Tab No. 7, I'm
 12 marking the Rating Agency Update No. 12392.
 13 And did you say Tab No. 8 as well?
 14 Q. Yes, please.
 15 A. Okay. And I'm marking that
 16 12393.
 17 Q. Exhibit 12392 is Bates number
 18 ANA-MDL3-00005420, and it is a "Rating Agency
 19 Update" dated February 20th, 2014.
 20 And Tab 8 is 12393. It's Bates
 21 No. ANA-MDL3-0012139, and it's a Rating
 22 Agency Update dated May 29th, 2014.

Page 91:23 to 96:05

00091:23 Q. (BY MS. FLICKINGER) Do you
 24 recognize these exhibits? Let's start with
 25 the one that you're looking at now,
 00092:01 Tab No. 7, Rating Agency Update.
 02 A. Yes. Yes.
 03 Q. Okay. And what is it?
 04 A. This is a document dated
 05 February 20th, 2014 entitled "Rating Agency
 06 Update" that appears to be an update we
 07 provided to the rating agencies in -- in late
 08 February.
 09 Q. Okay. And is this an Anadarko
 10 document that you prepared to provide to a
 11 number of different rating agencies?
 12 A. Yes, we use the same document
 13 for each of the three ma- -- major rating
 14 agencies that we, you know, correspond with.
 15 Q. Okay. And if you could turn to
 16 Tab No. 8. Do you recognize this document?

17 A. Yes, it's similar "Rating Agency
18 Update" dated May 29th, 2014.
19 Q. Okay. And do you participate in
20 the preparation of these documents?
21 A. To a degree. I -- usually the
22 document is prepared and then provided to me
23 for review, and I'll have various comment
24 and -- and perspective to provide to the
25 team.

00093:01 Q. Okay. And, again, are these
02 documents that are kept -- that are prepared
03 in the normal course of business?
04 A. Yes, yes.
05 Q. Okay. And are they accurate, to
06 the best of your knowledge?
07 A. I believe them to be. You know,
08 we don't -- we certainly don't -- we prepare
09 them to the best of our ability and provide
10 the rating agencies with the -- the
11 information that we believe to be accurate at
12 the time we're making the presentation.
13 Q. Okay. So if we could turn to
14 Exhibit 12393, which is the May presentation.
15 A. Okay.
16 Q. And it has "2013 Highlights."
17 On -- on Slide 2, which Generated 240 Million
18 in Cash Flow, is that for the entire year?
19 A. I believe it is. I don't have
20 any -- I don't have any reason to believe
21 it's not.
22 Q. Okay. "Increased U.S. Onshore
23 Oil Volumes by 25% Over 2012." Is that
24 another milestone for 2013.
25 A. For 2013, you said?

00094:01 Q. Yes.
02 A. Oh, you mean the -- the
03 increase. Yes. It's -- these are -- these
04 are identified as -- as, you know, highlights
05 of 2013.
06 Q. Okay. You reached various
07 milestones at different projects, including
08 Lucius and Heidelberg. Are -- are Lucius and
09 Heidelberg projects that are in the Gulf of
10 Mexico?
11 A. They are.
12 Q. Okay. And we'll talk about
13 those milestones maybe later. Announced
14 About 4.5 Billion in Monetizations.
15 Again, these are the
16 monetizations we were talking about earlier?
17 A. Correct.
18 Q. All right. And Achieved about a
19 67 Percent Exploration/Appraisal Success
20 Rate.
21 Is that one of the successes for
22 2013 for Anadarko?

23 A. Yes.

24 Q. All right. On Slide 3, you

25 compare -- this slide compares the 2013

00095:01 results. One column talks about the "Initial

02 Guidance" and then there is another column

03 that's "2013 Actual."

04 So is this a comparison of what

05 the five-year plan required and -- or the

06 five-year plan was and then the actual

07 results for 2013?

08 A. No, I -- I don't believe so. I

09 don't know how this relates to the five-year

10 plan. This is -- when we -- you remember the

11 conversation earlier around guidance, and --

12 and as you correctly identified, it's more of

13 a one-year look. That's what this is, was --

14 Q. Okay.

15 A. -- the guidance that we

16 provided, similar to that which we reviewed

17 for 2014 just recently. This was what we

18 provided at that point in time in 2013, and

19 this is the performance against that -- that

20 one-year objective that we provided publicly.

21 Q. Okay. How often do you prepare

22 these rating agency updates?

23 A. It varies, but I think generally

24 every year. We try to have an annual update

25 meeting with the agencies each year, and then

00096:01 it varies based upon, you know, if there are

02 unique circumstances or situations, then

03 we'll either request or the rating agency

04 will request some dialogue so that they are

05 up to speed on what's going on.

Page 96:19 to 98:08

00096:19 Q. All right. Turning back to

20 Slide No. 3. Just comparing these two

21 columns, is it fair to say that Anadarko

22 out-performed what the initial guidance was?

23 A. In certain areas, out-performed;

24 in other areas, it did not.

25 Q. Okay. But comparing these

00097:01 numbers, it -- at least the net were exceeded

02 in each of the metrics that are listed here,

03 correct?

04 A. It appear -- we appear to have

05 at least met.

06 Q. Okay. So let's go through each

07 of these.

08 "Sale Volumes" is thousands of

09 barrel of oil equivalent, correct? And the

10 guidance was 279 to 285 and attained 285?

11 A. That's -- those are the numbers,

12 yes.

13 Q. Okay. "Production Growth,"
 14 Anadarko grew 6 percent last year in terms of
 15 production?
 16 A. Yes.
 17 Q. It added 551 reserves, again, in
 18 MMBOE?
 19 A. That's correct.
 20 Q. And year-end reserves, this is
 21 the total number, then, 2 -- 2,792?
 22 A. That's the -- the total number.
 23 Q. Okay. "Reserve Replacement" was
 24 194 percent?
 25 A. Yes.
 00098:01 Q. And "Capital Expenditures,"
 02 7.7 percent?
 03 A. No, it's \$7.7 billion --
 04 Q. 7.7?
 05 A. -- relative to the expectations
 06 of 7.2 and 7.6. So, actually, I misspoke
 07 earlier. It's -- that's not out-performance.
 08 That's under-performance on that matter.

Page 98:10 to 99:15

00098:10 A. Higher is seen as worse.
 11 Q. Oh, for capital expenditures?
 12 A. Yes.
 13 Q. Okay. "Cash Flow From Operating
 14 Activities," 8.9 billion?
 15 A. That's correct.
 16 Q. All right. And "F&D," is that
 17 finding and development?
 18 A. It is.
 19 Q. Okay. And that's expressed in
 20 dollars per barrel of oil equivalent?
 21 A. Yes.
 22 Q. And this 13.30, how does that
 23 compare to the rest of industry?
 24 A. Well, I don't know the industry
 25 numbers. You know, it -- it's certainly --
 00099:01 it -- we performed well relative to what
 02 is -- the reason we have a tilde in front of
 03 the \$15 is that's generally a placeholder
 04 target for us to try to be in that range.
 05 Q. Uh-huh.
 06 A. So we were in that range.
 07 Q. Slide 4 is "2013 Leverage
 08 Metrics," and these are different ways of
 09 expressing or evaluating the leverage,
 10 correct?
 11 A. That's correct.
 12 Q. All right. And it looks as if
 13 at least some of these exclude WES debt. Is
 14 that kind of viewed separately?
 15 A. Yes, the -- the section as

Page 99:19 to 103:25

00099:19 Q. Okay. Moving on to Slide 5,
20 which is "2014 Operating and Financial
21 Projections." Again, this was taken from the
22 guidance that we saw earlier. Is this
23 related to the capital program that was
24 publicly announced?

25 A. That was publicly announced --
00100:01 well, that we discussed earlier today, not
02 earlier in this presentation, yes.

03 Q. All right. Okay. And is this
04 still the current guidance, or has it been
05 adjusted?

06 A. I -- I believe this is still the
07 current guidance. It was adjusted relative
08 to the beginning of the year, slightly in
09 some areas. And as I mentioned earlier, you
10 know, as the year goes on, we tend to, you
11 know, adjust it and refresh that dialogue
12 with -- with our investors.

13 Q. Okay. Can we confirm that
14 "Production Growth" is still -- the guidance
15 is still to grow between 7 and 9 percent?

16 A. Well, it's -- it's 7 to
17 9 per- -- that's an adjusted number. I
18 point -- I draw your attention to footnote 1.
19 Because we are selling assets, and we
20 discussed earlier China and Pinedale/Jonah,
21 but because we are selling assets, we've --
22 we've tried to adjust the 2013 and 2014
23 numbers to account for the sale of the
24 assets. And on that basis, then this number
25 is still accurate.

00101:01 Q. Okay. Is that the
02 store-to-store kind of definition?

03 A. Yeah, same store sales is what
04 we've, you know, colloquially taken to
05 calling it.

06 Q. Okay. And "Capital
07 Expenditures," the projection is 8.4 to
08 8.8 --

09 A. That's --

10 Q. -- billion dollars. Is that --

11 A. That's correct.

12 Q. That's still a number?

13 And "Discretionary Cash Flow
14 from Operations," is that still 8.8 billion?

15 A. It is. However, you know, as I
16 mentioned earlier, that's -- we -- we provide
17 this based on these strict prices, and, you
18 know, we look and so prices, you know,
19 volatile or at least variable. And so, you
20 know, that number tends to move around

21 without regard to what the company does,
22 because it's market factors that affect that,
23 whereas we have more of an ability to control
24 the other metrics on the page.

25 Q. Okay. Is there anything in the
00102:01 current price volatility that has caused you
02 to adjust the 8.8 billion?

03 A. I don't believe we -- we
04 certainly haven't adjusted it formally. I
05 don't know what -- if we ran it on today's
06 prices, I don't know what the -- the
07 forecasted discretionary cash flow from
08 operations numbers would be.

09 Q. Okay. Some of these numbers are
10 higher than the 2013 guidance. For example,
11 the projected sales volume, projected
12 production growth, capital expenditures,
13 discretionary cash flow, those are higher
14 than the 2013 guidance. Is that -- do you --
15 do you have any understanding as to why that
16 may be?

17 A. I do. We -- we are growing the
18 company. I mean, our desire -- one of our
19 objectives is to -- is to grow the company,
20 and so we would -- our intention would be
21 that the -- that the key operating metrics
22 get higher and the targets get higher each
23 year. It's -- if we're not growing the
24 company, it's difficult to serve our
25 shareholders' interest.

00103:01 Q. Okay. Okay. Slide No. 6. And
02 this is a discussion of the "Tronox
03 Settlement Payment," because this
04 presentation, again, is after the Tronox
05 settlement became public.

06 A. Right.

07 Q. And it's summarizing 5.15
08 billion settlement expected to be funded near
09 the end of the third quarter, correct? Is
10 that timing still on track?

11 A. I don't know. I don't know what
12 the current timing is. The way I think about
13 it, from managing my responsibilities as
14 chief financial officer, is that we would
15 expect that payment to be made in the second
16 half of the year.

17 Q. Okay.

18 A. But you should keep in mind that
19 these are -- the rating agency presentations
20 are not public documents. These are -- these
21 are documents that are shared on a
22 confidential basis with the rating agencies.
23 And our desire to communicate to them is to
24 give them, you know, insight that is far from
25 exact and, rather, is, you know, indicative.

Page 104:08 to 107:06

00104:08 Q. All right. Do you participate
09 in making the presentations to the credit
10 agencies?
11 A. I do sometimes. I did -- I did
12 in this case, yes.
13 Q. Okay. And which agencies did
14 you make this presentation to?
15 A. To Moody's and Standard &
16 Poor's, and to Fitch.
17 Q. Okay. And do other people come
18 and make the presentation with you?
19 A. Yes.
20 Q. And who typically would those
21 other people be?
22 A. Usually it would be our
23 treasurer, and then sometimes some of his
24 staff, depending upon -- we sometimes will
25 bring, you know, individuals that -- you know
00105:01 because it's a good experience for them to
02 see the process.
03 Q. Uh-huh. And who is the current
04 treasurer?
05 A. His name is Al Richey.
06 Q. Okay. Turning back to the
07 slide. You then appear to talk to the credit
08 agencies about how you're intending to
09 finance Tronox. So can you just explain to
10 me you're thinking about how -- how Tronox
11 will be financed?
12 A. Yeah, I can -- the -- at the
13 time that we made the presentation, we were
14 looking at our cash balance and the cash
15 balance that was available to us that
16 other -- otherwise wasn't being used in our
17 operations. As the slide indicates, we felt
18 that that cash, that level of cash pro forma
19 for activities that we anticipate at the time
20 could occur between the date of presentation
21 and the presumed date of payment, we expected
22 that number would be just north of 3 and a
23 half billion dollars.
24 And so we expected that that --
25 in addition to that, excuse me, available
00106:01 cash, we would look to our revolving credit
02 facility to finance the rest of it for a
03 portion of time until we could pay off those
04 borrowings.
05 Q. Okay. And how would you pay off
06 those borrowings?
07 A. It varies. You know, cash is
08 fungible. So it could be -- we could pay off
09 those borrowings from, you know, additional
10 future borrowings, from cash flow, free cash

11 flow from our operations, or by taking cash
12 out of our other operations and then -- and
13 writing a check to -- to the plaintiffs in
14 the Tronox case.

15 Q. Okay. Here it talks about "To
16 be repaid in 2015 from repatriated funds..."

17 A. Uh-huh.

18 Q. Is that another option that you
19 were considering?

20 A. That's what I meant about taking
21 cash out of our other operations, yes.

22 Q. Okay. So for tax reasons, that
23 tax was -- that cash that was abroad, right,
24 this is cash that was abroad, wasn't
25 available, but it would be available in 2015?

00107:01 A. Some of it could be, you know,
02 for a variety of reasons. We have
03 substantial international operations, and so
04 when we have cash internationally, we tend to
05 leave the cash internationally and re-deploy
06 it in our operations.

Page 107:20 to 108:25

00107:20 Q. Okay. All right. If you can
21 look at the bullet that says cash at 3.6
22 billion. It says you have 3.1 billion
23 domestic cash available. Again, this is at
24 the time of the presentation. And then
25 there -- it looks like there is some

00108:01 calculations. So you have 5.9 billion cash
02 at March 31st, correct, which is similar to
03 what you'd said in your earlier discussion
04 where you would -- you would have 6 billion
05 available, right?

06 And then less 1.8 billion of WES
07 in offshore balances. Why is that amount
08 subtracted out? Is that necessary for the
09 operation of WES?

10 A. Yes. Well, WES has its own
11 balance sheet. That's not -- that's not
12 Anadarko's cash. That's -- that's a
13 consolidated subsidiary's cash, and so
14 that's -- that cash gets consolidated into
15 our reported number, so it's a part of that
16 5.9.

17 Q. Uh-huh.

18 A. But it's not available to
19 Anadarko to spend because it doesn't belong
20 to Anadarko; it belongs to a different public
21 entity that is consolidated into Anadarko's
22 financials.

23 Q. Okay. And then the line below
24 that says, Less 1 billion reserved for
25 working capital needs.

Page 109:02 to 109:10

00109:02 Q. And where -- where does that
03 number come from?
04 A. It's an estimate. You know, it
05 is -- it is -- there is not a bright line on
06 how much money is needed for working capital.
07 But -- and we have fairly broad operations, a
08 number of bank accounts, you know, around the
09 world, although this is speaking
10 domestically.

Page 109:12 to 110:04

00109:12 A. And so it's our presumption as a
13 working assumption that that amount of
14 capital is needed, if you will, in the
15 system, you know, to fund ongoing, you know,
16 payables and receivables --
17 Q. Operations.
18 A. -- and operations, yes.
19 Q. Okay. All right. And then it
20 says, 500 million of net proceeds from
21 planned debt oper- -- offering.
22 Can you explain that calculation
23 to me as well?
24 A. Based on the assumptions at the
25 time, we expected to pursue a debt offering
00110:01 of -- of a billion dollars. We subsequently
02 completed that debt offering, again, closed
03 this past Monday, for a little more money,
04 for \$1.25 billion.

Page 110:12 to 110:24

00110:12 Q. Okay. And is this roughly the
13 ultimate way that you anticipate you're going
14 to finance the Tronox settlement when you
15 need to pay it?
16 A. Today I don't think it would
17 vary greatly, but it depends. You know, it
18 is a -- as I said earlier, cash is fungible.
19 A lot of this depends upon when the Tronox
20 settlement payment needs to be made. But it
21 is our expectation currently that we would
22 utilize a combination of cash and borrowing
23 under the revolving credit facility.
24 Q. Okay.

Page 111:02 to 111:08

00111:02 Q. (BY MS. FLICKINGER) Slides 9

03 through 20, really, I think kind of overlap
04 with some of the things we talked about
05 before. Are there any, you know, particular
06 changes or revisions you would make to these
07 to bring it up to date?

08 A. No. I -- I think if these --

Page 111:14 to 113:07

00111:14 Q. Okay. So if you turn to
15 Slide 21, some of this we've covered as well.
16 It says "Strong Financial Position." Is
17 that -- do you see that slide?

18 A. Yes.

19 Q. Okay. And strong financial
20 position, I assume you're representing to the
21 credit agencies that Anadarko has a strong
22 financial position as of the time of this
23 presentation, correct?

24 A. That's correct.

25 Q. All right. And some of these, I
00112:01 think, are similar to what we've seen before,
02 but 5.9 billion cash on hand, that's what we
03 just discussed?

04 A. Correct.

05 Q. Some of it is available and some
06 of it is not.

07 "Capital Investments Within
08 Anticipated Cash Flow in 2014 and forward,"
09 correct, so that's still your expectation,
10 that capital expenditures will be within the
11 anticipated cash flow?

12 A. That's what our current guidance
13 indicates.

14 Q. Okay. "Continue with Planned
15 and Opportunistic Monetizations," that we
16 discussed.

17 "Anticipate Periodic Sales of
18 Midstream Assets to WES."

19 Is that a measure where Anadarko
20 will be periodically selling its own
21 midstream assets to WES?

22 A. Yes, that's -- that's -- that's
23 the strategy that's associated with -- with
24 WES.

25 Q. Okay. So eventually the -- the
00113:01 long-term progression will be that WES will
02 hold the -- all the midstream assets in the
03 Anadarko conglomerate or --

04 A. I don't know that that's
05 accurate. I think it's -- you know,
06 everything in the future is, you know,
07 unknown.

Page 113:09 to 113:15

00113:09 A. Certainly we would expect to
10 sell some additional assets to WES, but we
11 never project those or represent that -- that
12 those sales will continue.
13 Q. Okay. And to the extent you do
14 have those periodic sales, will those be paid
15 for with cash, the proceeds?

Page 113:20 to 113:25

00113:20 A. Historically most of them have
21 been paid with cash, but -- in recent years,
22 but historically we also -- several of them
23 were paid with units so that WES -- WES would
24 issue equity to Anadarko in exchange for
25 certain assets. And, you know, that's -- I

Page 114:06 to 114:09

00114:06 Q. Is that why Anadarko directly
07 holds that small percentage of WES?
08 A. That's -- that's how we got
09 those shares.

Page 115:01 to 122:01

00115:01 Q. (BY MS. FLICKINGER) Okay.
02 Mr. Gwin, we're still on Exhibit 12393, which
03 is Tab No. 8 in your binder. And if we could
04 go to the 2014 outlook model, please, turn to
05 Slide 24. These slides and the next few
06 slides contain forward-looking projections
07 through 2016, correct?
08 A. Yes.
09 Q. All right. And how does
10 Anadarko prepare these projections?
11 A. Our financial team that works in
12 our treasury department will talk to our
13 planning organization and try to understand
14 the basic components, basic expectations
15 of -- of our planning organization and the
16 asset teams to understand what we expect to
17 be able to occur operationally for the next
18 couple years based upon a presumed financial
19 plan and level of capital expending. And
20 then they'll prepare these -- these documents
21 and these projections to share with the
22 rating agencies.
23 Q. Okay. So these are kind of your
24 best available numbers and figures at the
25 time you made this presentation?
00116:01 A. That's correct.

02 Q. Correct. Okay.

03 At the top of the page on
04 Slide 24, there are price assumptions?

05 A. Yes.

06 Q. And there are different kinds of
07 price assumptions for different commodities
08 and different styles. Are -- do you try to
09 be conservative in your price assumptions?

10 A. I wouldn't -- I wouldn't phrase
11 it that we try to be conservative. I think
12 we certainly don't want to be aggressive.
13 And so what we've tried to do in our price
14 assumptions is to -- is to take a -- or a
15 middle-of-the-road approach so that if you're
16 aggressive, arguably you can expect your cash
17 flow to be too high or you can expect your
18 returns from investments to be higher than
19 they -- than they're ultimately realized in
20 the future.

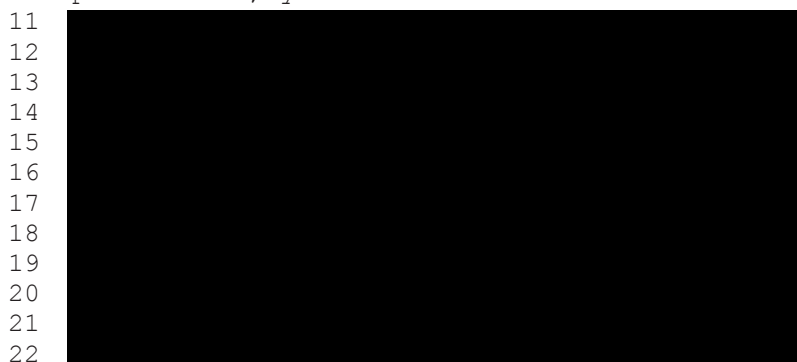
21 So we -- we try to take a more
22 conservative view, but -- but a
23 middle-of-the-road type of approach,
24 something that we think is a most likely case
25 and achievable.

00117:01 Q. Okay. And, of course, your
02 expectations for cash flow -- flow are going
03 to vary depending on your underlying price
04 assumptions?

05 A. That's true.

06 Q. All right. So if the price goes
07 up, then there will be more cash flow; if the
08 price is low, there will be lesser cash flow?

09 A. At any given level of
10 performance, yes.



23 Q. Okay. So you actually have a
24 model and software that -- where you put in
25 all the different data and the variables and
00118:01 it -- it generates your cash flow?

02 A. There is a -- there is a model
03 that -- doesn't generate the cash flow,
04 really. I guess it just is a model that
05 tries to amalgamate the -- the different
06 assets' performance and allows our planning
07 organization to, you know, look at it along

08 the lines of if -- if all these assumptions
09 are true, then how does this add up in the
10 aggregate, and then we're able to take the
11 aggregate information and share it with the
12 rating agencies in this projection.

13 Q. Okay. And you just mentioned a
14 planning function. Is that located in
15 treasury, or is it some other component
16 within the company?

17 A. It's a -- it's a separate group
18 that the -- the vice president that runs that
19 group reports in to me. It's a part of my
20 broader financial organization.

21 Q. All right. And, again, this
22 financial summary is summarizing some of the
23 sheets that are found further on, but it is
24 projecting "Discretionary Cash Flow from
25 Operations." The actual was 8 billion 33
00119:01 million in 2013, correct?

02 A. That's correct.

03 [REDACTED]
04 [REDACTED]
05 [REDACTED]
06 [REDACTED]
07 [REDACTED]
08 [REDACTED]
09 [REDACTED]
10 [REDACTED]
11 [REDACTED]

12 Q. Okay. And the capital
13 expenditures that come out of that cash flow
14 and the actual capital expenditures in 2013
15 were 7.731 billion?

16 A. Correct.

17 Q. And then projected, I think we
18 talked about this number a little bit before,
19 8.8 billion for 2014?

20 A. Yes, that's assuming the upper
21 end of the range. You recall the number that
22 we looked at on an earlier slide, I believe,
23 was 8.5 to 8.8.

24 Q. Yes.

25 A. So we've utilized the 8.8 here
00120:01 as an assumption with the agencies to show
02 that, in essence, that at that higher end of
03 spending, we are -- we're not out-spending
04 our discretionary cash flow, which would have
05 the effect of increasing leverage.

06 [REDACTED]
07 [REDACTED]
08 [REDACTED]
09 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

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24 Q. Okay. And then again on the
25 summary sheet, there is cash -- there is
00121:01 dividends. So actual dividends in 2013 were
02 274 million?
03 A. Correct.
04 Q. But there has been a dividend
05 increase which we'll talk about later. And
06 so for 2014, it's projected to be 500
07 million?
08 A. Correct.
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00122:01

Page 122:06 to 122:10

00122:06 Q. Right. For cash flow for 2014,
07 it's projected to be 25 -- 2 billion 500, 2.5
08 billion, correct? And this number actually
09 is higher than the February -- the February
10 projection, which I believe was 2100?

Page 123:03 to 123:06

00123:03 A. I think there are -- it appears
04 to me that there are two things that are
05 going on there. No. 1 is it appears to be an
06 increase in commodity prices utilized --

Page 123:08 to 123:11

00123:08 A. -- in the model given -- and the
09 further we go into the year, the easier it is
10 for us to estimate what the average price
11 during the year will be.

Page 123:13 to 123:16

00123:13 A. And then it appears that we have
14 an additional \$500 million associated with
15 asset sales in the main model that weren't in
16 the February model.

Page 123:18 to 124:05

00123:18 A. But, again, I think, you know,
19 that's only a three-month period. I think
20 that illustrates the -- the fact that at a
21 point in time, the analysis is as accurate as
22 we, you know, can make it and that those are
23 subject to change in the future.
24 Q. Right. But these are the most
25 accurate ones that are available to Anadarko
00124:01 right now?
02 A. Correct.
03 Q. Okay. Turning to Slide 25. And
04 I'd like to direct your attention to "Net
05 Debt to Capitalization," which is one of the

Page 124:16 to 124:23

00124:16 Q. And this -- this summary
17 includes the WES -- WES midstream
18 consolidated subsidiaries, correct?
19 A. That's correct.
20 Q. All right. And if you look at
21 Anadarko separately, then that would be
22 further down the page and the percentages are
23 proportionately lower, correct?

Page 125:04 to 125:07

00125:04 A. They are -- they are lower
05 because of the effect of removing the -- the
06 leverage associated with -- with the WES
07 consolidated subsidiary.

Page 125:20 to 130:12

00125:20 Q. Okay. Internally Anadarko
21 management, do you look at the debt rate, the
22 leverage ratio separately?

23 A. We -- we will look at it both
24 ways. The consolidated number is the number
25 that is reported in the public -- you know,
00126:01 the public filings. It's the number that
02 most of the investment community looks at.
03 But it's important for me and -- and for the
04 financial staff to understand, you know, our
05 numbers far better even than -- than the
06 public does, even. You know, we need to --
07 we need to do the analysis that allows us to
08 understand the nature of the leverage and how
09 we can affect that metric over time to
10 appropriately manage the risk to Anadarko of
11 being over-levered.


12 Q. Uh-huh, okay.
13 Okay. Turning to the income
14 statement on Page 26. The income statement
15 has "Gain (loss) on sale," and for 2014
16 forecast, it has 2.1 billion for gain or loss
17 on sale.

18 Does that correspond to
19 Mozambique, that estimate, do you know?

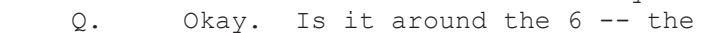
20 A. I -- I don't know how the
21 \$2.1 billion breaks down across various
22 assets that are sold or projected to be sold,
23 but certainly a portion of it relates to
24 Mozambique and I -- I don't recall the --
25 the -- how much is related to Mozambique
00127:01 versus, for instance, China that we discussed
02 earlier is one of the other assets that --
03 that's being sold during 2014.

04 Q. Okay. There is loss in "Net
05 Income" projected here for 2014 of about 300
06 million, and above that is "Other Expense
07 (Income)" 4.4 billion. Is that the effect of
08 Tronox, the 4.4 billion?

09 A. That -- a portion of that at
10 least, the majority of that is related to the
11 accrual that we made earlier this year
12 related to Tronox.

13 Q. All right. I'm turning to the
14 balance sheets now on Page 27. The first
15 item is "Cash and Cash Equivalents," and it
16 has projections again, forecast for 2014 is
17 

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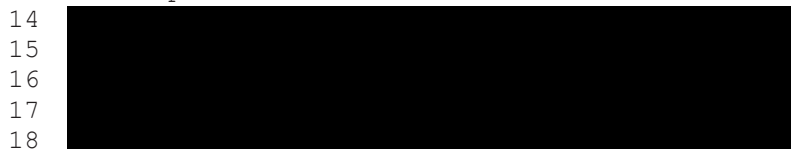
19 

20 A. I don't know what it is today.
21 Q. Okay. Is it around the 6 -- the
22 6 billion that we talked about earlier?

23 A. I would assume it's higher than
24 that. I don't know what it is today, but you
25 recall I mentioned that we recently closed --
00128:01 closed our bond offering and our sale of --
02 of a small piece of our WGP holdings, and so
03 the cash would have increased due to those,

04 but during any given month, there is a cash
05 cycle relative to when your payables and your
06 receivables settle or, you know, your
07 revenues settle in terms of your receipt of,
08 say, your oil versus your gas revenues. So
09 there is a cycle during the month, and I
10 don't know where the cash would be today.

11 Q. Okay. And the final slide here
12 is 28. Slide 28, "Discretionary Cash Flow
13 from Operations."



19 Tronox? So in the -- in the coming year, for
20 example, you expect to generate discretionary
21 cash flow, 8.8 billion?

22 A. The discretionary cash flow from
23 operations forecast for 2014 is 8.8 billion,
24 but use the word we expect to generate the
25 8.8 billion. And the actual cash available
00129:01 to us, the \$5.2 billion that's on this page
02 for Tronox is actual cash to us, and so our
03 cash balance would be reduced by that much.

04 The 8.8 is meant to provide a
05 consistent view across the years without the
06 i- -- the particular line items affecting the
07 number; meant to, in essence, demonstrate the
08 effects if that hadn't happened. But the
09 reality when it comes to cash generation is
10 that it is happening and it is going to cost
11 us \$5.2 billion and reduce our cash by that
12 much.

13 Q. Okay. And the next section
14 "BANK TRANSACTION OVERVIEW," and this talks
15 about your revolving credit facilities. So
16 on Slide 3, there is a five-year facility for
17 3 billion senior revolving credit facility.
18 And is that still available to you?

19 A. Let me -- let me clarify. We
20 have -- we currently have a 5-billion-dollar
21 facility that is available to us. The two
22 facilities that you see on Slides 30 and 31
23 represent new facilities that we negotiated
24 and have entered into subject to certain
25 conditions precedent being met that we've
00130:01 entered into that will replace the current
02 facility.

03 So we currently have a
04 5-billion-dollar facility. It will be
05 replaced with a 3-billion-dollar facility as
06 shown on Page 30 and a 364-day facility shown
07 on Page 31.

08 Q. Okay.

09 A. Currently \$5 billion is

10 available to us and will remain available to
11 us as we transition from one facility to the
12 two new facilities.

Page 130:15 to 130:20

00130:15 Q. And are these the ones -- are
16 these separate from the 8-Ks that were filed
17 just recently?
18 A. No, these -- these are the
19 facilities that are referenced -- that the
20 8-Ks were filed to --

Page 130:22 to 131:13

00130:22 A. -- to disclose to the public.
23 And I want to just point out
24 that the timing dynamic, this presentation
25 was made in May.
00131:01 Q. Uh-huh.
02 A. Our team worked on the
03 facilities after this presentation, so -- and
04 then subsequently negotiated and completed
05 the transaction, then the 8-K was filed. So
06 the 8-K information is accurate, and I don't
07 know how or if it differs from the
08 information on these slides that was
09 indicative information back in May in the
10 rating agency discussions.
11 Q. Okay. Thanks.
12 I'd like to talk a little bit
13 about the Gulf of Mexico.

Page 131:15 to 131:22

00131:15 Q. Could you just identify for me
16 what some of the major projects are that
17 Anadarko has in the Gulf of Mexico?
18 A. Sure, to the extent, you know, I
19 can recall them. I'm, you know, familiar
20 generally, but not -- not in tremendous
21 detail. We mentioned earlier Lucius and
22 Heidelberg.

Page 131:24 to 132:13

00131:24 A. Those are our two key
25 development projects in the Gulf of Mexico
00132:01 that we're currently working on. And then
02 Anadarko has production from, you know, a
03 variety of other platforms, you know,
04 historic platforms that have been on
05 production for quite a while. But Lucius and

06 Heidelberg are the two where, you know, we're
07 actively developing new projects.
08 Q. Okay. And are -- are these --
09 and some of the materials, and I can point
10 you toward that if you'd -- if you'd like me
11 to, they're called kind of mega projects or
12 mega fields. Are these particularly large
13 projects?

Page 132:18 to 133:18

00132:18 A. Yeah. Mega projects is a term
19 we've used from time to time to describe
20 projects that where you spend capital for a
21 period of time, a number of years, you know,
22 three to five or more years before you see
23 any money returned to the company.
24 You recall I talked earlier
25 about longer-cycle spending, and generally a
00133:01 mega project is a longer-cycle project, and
02 that's how we've used the term.
03 And, yes, Lucius and Heidelberg
04 represent what we've traditionally called
05 mega projects, amongst several others around
06 the globe over time, where we'll spend money,
07 invest, you know, billions of dollars in
08 capital, and then the project will begin
09 production and then you recover your
10 investment, hopefully, with some profit, you
11 know, over time after that.
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Page 133:24 to 134:02

00133:24 Q. Okay. And when are they
25 projected to come on-line?
00134:01 A. I believe Lucius is projected to
02 begin first production later in 2014.

Page 134:04 to 134:23

00134:04 A. And I believe that Heidelberg is
05 expected to come on-line with its first
06 production in 2016.
07 Q. And these are both development
08 projects?
09 A. Yes. Yes, these are -- these
10 are projects where we are -- we call it

11 development project, where we are -- where we
12 have drilled wells and believe there to be
13 accumulations of -- of hydrocarbons, in this
14 case oil, and then, you know, we begin the
15 process of -- of building, constructing
16 facilities in order to produce the
17 hydrocarbons.

18 Q. Okay. Are you familiar with the
19 Shenandoah project?

20 A. I don't know that we call it a
21 project, really. I think it was -- it's --
22 I'm familiar with -- with what we kind of
23 think of as a discovery --

Page 134:25 to 135:08

00134:25 A. -- where there was an
00135:01 exploration well and appraisal well drilled
02 that identified an accumulation of
03 hydrocarbons.

04 Q. Okay. And what is the projected
05 timeline for that to go into production?

06 MS. KIRBY: I'm just going to object,
07 Nancy, because this seems to me to be outside
08 the scope of the 30(b)(6) topics. That said,

Page 135:12 to 135:12

00135:12 A. Yeah. I don't -- I don't know

Page 135:15 to 136:04

00135:15 Q. All right. Do you -- so this is
16 more future projections. As far as you know,
17 does Anadarko have -- plan to continue with
18 these projects?

19 A. As -- as far as I know, we're --
20 we are -- we're moving forward on the
21 projects.

22 Q. Okay. Will it monetize some of
23 the interest in these projects?

24 A. We have monetized some of the
25 interest historically. We have no plans to
00136:01 monetize any more interest in the projects.

02 Q. All right. So Heidelberg, for
03 example, did you monetize?

04 A. We sold a piece of Heidelberg.

Page 136:06 to 136:14

00136:06 A. Again, I don't recall the -- the
07 precise numbers, but we sold a -- you know,
08 probably, you know, a fourth or a fifth of

09 our interest and to -- I forget who the buyer
10 was, a Japanese oil and gas company. And
11 then that company, as I talked to you before
12 about, carried arrangements, that company
13 will pay for our capital expenditures for a
14 period of time.

Page 136:18 to 137:04

00136:18 Q. Okay. In the Gulf region, are
19 there onshore interests or projects that
20 Anadarko's involved in?
21 A. Again, someone else is probably
22 better able to answer it. You know, we
23 have -- we have a variety of employees in the
24 area, a variety of activities in the area,
25 and certainly we have, you know, certain
00137:01 onshore operations in Louisiana and in Texas.
02 Q. Okay. Who else might be better
03 prepared to address that?
04 A. I'd suggest Darrell Hollek --

Page 137:13 to 137:21

00137:13 A. Okay. That's -- that's 12394.
14 Q. Okay. And it's Bates number
15 ANA-MDL3-0003491. "ANADARKO ANNOUNCES
16 FIRST-QUARTER 2014 RESULTS." It "INCREASES
17 MIDPOINT OF 2014 SALES-VOLUME GUIDANCE BY 3.5
18 MILLION BOE."
19 Is this the press release that
20 accompanied the 10-Q that we marked earlier
21 for the first quarter of 2014?

Page 138:02 to 139:14

00138:02 A. Then this would be -- yes, this
03 would relate to -- to that -- that same
04 quarter of performance.
05 Q. Yes. Okay. And in it there are
06 a few highlights, correct? So one is the
07 first-quarter net loss which we discussed
08 earlier, which is attributable to the Tronox
09 settlement, correct?
10 A. Yes.
11 Q. All right. Which is partially
12 offset by the gain from Mozambique, correct?
13 A. Yes. Yes.
14 Q. All right. But it also says
15 that Anadarko increased its sales volume
16 guidance by 3.5 million BOE. Why did
17 Anadarko do that?
18 A. It primarily reflected
19 performance to date in well performance in

20 certain of our fields, then extrapolating
21 that performance through the balance of the
22 year.
23 Q. And Mr. Walker, the chairman,
24 president and CEO of Anadarko says, Our
25 operating performance during the first
00139:01 quarter -- first quarter was outstanding,
02 delivering record sales volumes that were
03 above the high end of the guidance.
04 Is that a correct statement?
05 A. It is.
06 Q. And then he continues on, with
07 the uncertainty associated with Tronox
08 litigation largely behind us, we have the
09 confidence and flexibility to accelerate
10 further growth. We are raising the midpoint
11 of our full-year sales-volume guidance by 3.5
12 million BOE.
13 So that's correct, right?
14 A. That's correct.

Page 158:01 to 158:22

00158:01 Are -- turning on to another
02 topic. Are you familiar with the SMOG
03 calculation, Standard Measure of Oil and Gas
04 calculation?
05 A. I am familiar with the term,
06 yes.
07 Q. All right. Can you briefly just
08 describe to me briefly what the SMOG is?
09 A. Well, I think Kathy Douglas, our
10 chief accounting officer that is going to be
11 testifying, is -- is in a better position to
12 address that. If you'd like, we can turn to
13 the 10-K and pull the -- pull the information
14 and I can read it to you, because I'm not the
15 expert to be able to address it.
16 Q. Okay.
17 MS. FLICKINGER: Is this a more
18 appropriate topic -- topic for Ms. Douglas,
19 Ky?
20 MS. KIRBY: She is designated to
21 testify regarding the 10-Ks and 10-Qs, so to
22 the extent it's in there, yes.

Page 159:07 to 160:19

00159:07 Q. (BY MS. FLICKINGER) Do you --
08 do you view the SMOG as more a 10-K analysis?
09 A. I view it as a -- as a -- I view
10 it as a -- as a necessary disclosure that we
11 don't use internally at all to determine what
12 the future is going to look like.
13 Q. Okay. It's a way of valuing the

14 reserves and the -- the oil equivalents that
15 are in the ground?
16 A. It is -- it is -- it is a
17 standard measure that -- that looks at
18 reserves under specific -- a specific price
19 case, specific assumptions around expenses
20 and costs and does not look at, in my
21 opinion, anything insightful as to your
22 projections or the future of how those
23 reserves are going to be treated. You know,
24 they are -- it is -- it is -- it is a narrow
25 analysis that provides a singular data point
00160:01 rather than providing us with what I would
02 consider meaningful insight into the future
03 around the development of your reserves.
04 Q. Okay. So just in terms of
05 designations, then, if you're being
06 designated for future-looking projections,
07 you would not consider a SMOG a
08 future-looking projection; it's more an SEC
09 disclosure that was more appropriate for --
10 for Ms. Douglas to address?
11 A. Yeah, that's -- that's the way I
12 see it. It is a -- it is a -- it is a
13 calculation that we must perform.
14 Q. Yes.
15 A. And yet it is not a piece of
16 analysis. We -- we use it in one way. We
17 calculate it to put it into the public
18 filing, and we don't use it for any type of
19 internal analysis or insight into the future.

Page 161:05 to 161:08

00161:05 Q. (BY MS. FLICKINGER) All right.
06 Let's turn to the settlement with BPXP in the
07 Macondo incident. And I'll go ahead and mark
08 a document at Tab 17. Tab 17.

Page 161:12 to 161:19

00161:12 A. 12396.
13 MS. FLICKINGER: Okay. So this is from
14 the production that was made a few days ago
15 that Anadarko pulled back because it wasn't
16 stamped confidential. So we are going ahead
17 and using the document, but we've put our own
18 confidential settlement agreement stamp on
19 it.

Page 161:21 to 162:05

00161:21 Q. (BY MS. FLICKINGER) Have you
22 seen this document before, Mr. Gwin?

23 A. I have.
 24 Q. And what is it?
 25 A. It is the "CONFIDENTIAL
 00162:01 SETTLEMENT AGREEMENT, MUTUAL RELEASES AND
 02 AGREEMENT TO INDEMNIFY," dated October 16th,
 03 2011, between BP Exploration & Production,
 04 Anadarko Petroleum Corporation, and other BP
 05 parties.

Page 162:18 to 163:22

00162:18 Q. And Tab 20 will be
 19 Exhibit 12396.
 20 A. No. No, I have 12397.
 21 Q. 12397, thank you. All right.
 22 "ANADARKO PETROLEUM CORPORATION Rating Agency
 23 Update, December 2011" is what the document
 24 is titled, entitled. And it's Bates number
 25 ANA-MDL3-0012107. And this presentation, I
 00163:01 believe, took place shortly after the
 02 settlement between Anadarko and BPXP,
 03 correct?
 04 A. It appears to have taken place
 05 in December of 2011, and I believe that the
 06 settlement was in the middle of October 2011.
 07 Q. Okay. And so here there is a
 08 summary of some of what I would call the
 09 material terms. So if you can turn to
 10 Slide 3, "Deepwater Horizon Update."
 11 A. Okay.
 12 Q. And it's Bates number that ends
 13 12109.
 14 A. Okay.
 15 Q. All right. And I'll go through
 16 and hit on these quickly, and you tell me if
 17 you think there are other material terms.
 18 BP settlement, 4.0 billion paid
 19 to BP, correct?
 20 A. That -- that's correct.
 21 Q. Okay. And that is 2.6 billion
 22 after-tax?

Page 163:24 to 166:09

00163:24 Q. All right. And then it talks
 25 about how it was funded. Funded with a 1.5
 00164:01 billion cash component and a 2.5-billion draw
 02 on facility. Is that your recollection of
 03 how the Anadarko -- how Anadarko funded its
 04 settlement with BP --
 05 A. Yes, it is.
 06 Q. -- for the Macondo incident?
 07 A. Yes, it is.
 08 Q. Okay. Anadarko is released from
 09 BP claims related to the Deepwater Horizon?

10 A. Okay.

11 Q. Okay. And BP gave an

12 indemnification to Anadarko against

13 third-party claims, correct?

14 A. Okay.

15 Q. Of course, penalties, civil

16 penalty in particular was excluded from the

17 indemnification, correct?

18 A. I believe so. I would have to

19 look back at the document to see how it's

20 phrased. What -- what you just said is not

21 how it's phrased on this slide.

22 Q. Okay. Is BP going to reimburse

23 Anadarko for any civil penalty that's

24 assessed against Anadarko, do you know?

25 A. I don't believe so.

00165:01 Q. Okay. And then BP Corporation

02 North America provides -- but the indemnity

03 does extend to Natural Resource Damages in

04 the future?

05 A. It does.

06 Q. Okay. And Anadarko obtained

07 guarantees from other BP entities for that

08 indemnity, correct?

09 A. As a condition prior to entering

10 into the agreement, yes.

11 Q. Okay. And those entities were

12 BP Corporation North America?

13 A. BP Corporation North America

14 is -- my understanding is that they are the

15 primary guarantor, and if -- if certain

16 financial tests are failed to be met, then BP

17 p.l.c. would become the guarantor.

18 Q. Okay. Why did Anadarko request

19 as a pre-condition to the settlement

20 guarantees from BP North America, BP

21 Corporation North America, and BP p.l.c.?

22 A. Well, if we were entering into

23 an agreement where -- where one of the

24 important components of that agreement is

25 BP's indemnification of Anadarko, or to

00166:01 Anadarko, we have to ensure that BP is

02 capable of standing behind that -- that

03 obligation to Anadarko.

04 It made -- it only made sense, I

05 believe, to ensure that that meant BP as a

06 parent company, given that Anadarko as a

07 parent company was entering into this

08 agreement.

09 Q. Okay.

Page 166:13 to 167:22

00166:13 Q. (BY MS. FLICKINGER) Okay. And

14 Anadarko agreed not to allege gross

15 negligence of BP, correct?

16 A. I don't -- I believe that we
17 agreed to cooperate with BP going forward,
18 and that that is a component of -- of
19 cooperating going forward.

20 Q. Okay. Are -- so are these, in
21 your mind, the material terms of the
22 settlement?

23 A. These were certainly what we
24 believed at the time were the material terms
25 to convey to the rating agencies, which the
00167:01 context that this summary you walked through
02 relates to. You know, there were a variety
03 of terms in the agreement, and I don't know
04 which of those we would necessarily call
05 material.
06 I think that, you know, we can
07 go back to the document, if you'd like, and
08 look through those terms. I don't want to
09 represent that these are the only terms that
10 matter, somehow, because this was -- this was
11 a brief summary used for -- you know, for a
12 rating agency presentation.

13 Q. Okay. Was one of the primary
14 purposes of this settlement to resolve the
15 claims arising -- between Anadarko and BP
16 arising in the litigation associated with the
17 Macondo incident?

18 A. I'd say that one of the
19 objectives in reaching settlement was to
20 resolve the disputes between the parties.
21 The claims were one of the disputes between
22 the parties.

Page 168:07 to 168:25

00168:07 Q. (BY MS. FLICKINGER) Just
08 following up on the guarantees that we were
09 discussing that BP provided in connection
10 with the settlement.

11 Basically, it was your position
12 as Anadarko that as a precondition for
13 settlement, the BP group had to stand behind
14 the settlement and the indemnification,
15 correct?

16 A. It was an intrinsic part of the
17 agreement that they were also parties to
18 standing behind BP Exploration & Production.

19 Q. Okay. And, in fact, they were
20 available and they did execute the guarantees
21 that are attached to the settlement agreement
22 that we previously marked, correct?

23 A. I -- I don't know if they were
24 executed on -- can you point me to that page?

25 Q. I sure can. It's Exhibit 12397,

Page 169:02 to 169:15

00169:02 THE REPORTER: Tab 17 is 12396.
03 Q. (BY MS. FLICKINGER) Oh, 12396,
04 that's correct.
05 A. Okay.
06 Q. If you turn to Exhibit B to that
07 document, it's Page ANA-MDL3-0018818. And
08 you'll see the "BP P.L.C. GUARANTEE."
09 A. Okay.
10 Q. All right. And I think before
11 that is Exhibit A, which is ANA-MDL3-0018813,
12 and that's the guarantee from BP Corporation
13 North America, who was the first guarantor.
14 A. Okay. Yes, it appears that --
15 that both of these guarantees were executed.

Page 169:22 to 170:02

00169:22 Q. Has BP given -- you know, one of
23 the formulas under the settlement with -- was
24 that if BP recovers from third parties,
25 Anadarko gets 12.5 percent of that recovery
00170:01 up to a certain cap? Do you recall that
02 provision?

Page 170:11 to 170:14

00170:11 Got it. Okay. Yes, I've found
12 the paragraph, Paragraph 4.6 that begins at
13 the bottom of Page 7.
14 Q. Okay.

Page 170:17 to 171:06

00170:17 Q. I was asking you if you recall
18 the provision where if BP recovers from third
19 parties, Anadarko gets 12.5 percent of the
20 recovery?
21 A. Yes, I recall the provision that
22 Anadarko would receive 12 and a half percent
23 of the recovery -- recoveries in excess of
24 the first \$1.5 billion that BP recovers.
25 Q. Okay. And has Anadarko
00171:01 recovered any money from BP under that
02 provision?
03 A. No.
04 Q. Okay. If you could turn to
05 Tab 19. Let's mark that as the next exhibit.
06 I have that as 12398.

Page 171:11 to 171:16

00171:11 ANA-MDL3-0013514, and it's entitled "BP
12 Corporation North America, Inc.,"
13 August 31st, 2010, but it's obviously an
14 Anadarko document. You want to take a minute
15 and look at that, and then I'll have some
16 questions.

Page 171:18 to 175:22

00171:18 Q. All right. So, in essence, here
19 it looks like Anadarko is doing a credit
20 review of BP Corporation North America after
21 the Macondo incident, correct?

22 A. I -- I don't know that that's --
23 I don't know that that's the purpose is to do
24 a review of BP Corporation North America.
25 The -- it -- it reads -- talking -- looks

00172:01 like it's a -- an analysis of the
02 relationship in the first sentence with BP
03 p.l.c., and it identifies the fact that the
04 majority of our credit lines are -- are with
05 that subsidiary, BP Corporation North
06 America. And then there is, you know,
07 various analysis that's taken into account on
08 those two entities.

09 Q. Okay. The -- the question --
10 the sentence that is of interest to me is the
11 paragraph that begins with "Overall," toward
12 the bottom of the page that says, Overall,
13 BPCNA's relationship with its parent, BP
14 Plc., is taken into consideration in regard
15 to our credit relationship. When that
16 relationship is considered, our total
17 credit -- credit extension is well within APC
18 guidelines. BPCNA has access to capital and
19 the ability to meet its obligations.

20 Do you see that sentence?

21 A. I do.

22 Q. Okay. And is it -- is it your
23 recollection that as you were dealing with
24 various BP entities, that you were taking
25 into account their relationship with the

00173:01 parent company, BP p.l.c.?

02 A. Could you -- could you ask that
03 again or rephrase it? Because I'm not
04 following -- I'm not following what it is
05 you're seeking.

06 Q. Well, when we were talking about
07 the settlement, okay, when you were dealing
08 with BP, BPXP, who was a signatory --

09 A. Correct.

10 Q. -- you said as a precondition,
11 we want the backing of kind of the BP group
12 and in particular two BP entities, BP

13 Corporation North America and BP p.l.c.,
14 correct?
15 A. Yes.
16 Q. And they were forthcoming with
17 that, and they provided those guarantees to
18 the extent set forth in those documents,
19 right?
20 A. Right.
21 Q. Right? And now this is
22 post-incident. This is the well is not
23 flowing anymore, but it's right after Macondo
24 in 2010, and it looks like Anadarko is
25 reviewing its relationship with BP
00174:01 Corporation North America, correct?
02 A. Our credit group looking at the
03 credit risk associated with the -- with the
04 exposure to BP and the family of companies.
05 Q. Okay. And instead of saying,
06 we're going to look at this particular BP
07 entity, you said, we are looking at the
08 credit -- credit worthiness of this
09 particular BP entity --
10 A. Yes.
11 Q. -- which in this case was BP
12 Corporation North America --
13 A. Correct.
14 Q. -- but we're also looking at it
15 in a context of its ability to -- to access
16 capital and to meet its obligations because
17 it has access to capital from the broader BP
18 group, correct?
19 A. I don't see that it says it has
20 access to capital from the broader BP group.
21 You read the beginning of the paragraph.
22 The -- the rest of the paragraph
23 says, "However, based on the uncertain
24 outcome of issues related to the Gulf spill,
25 it's highly recommended that any new
00175:01 contracts with BP Corporation North America
02 and any affiliates or subsidiaries be
03 approved by our treasury group.
04 And the -- the point there, I
05 believe, is that we saw risk here, there was
06 uncertainty here, and so it was our belief
07 that guarantees of -- of the parent
08 corporation enabled us to feel more
09 comfortable that the indemnifications
10 would -- would -- you know, were sound and
11 could be -- could be met by that entity.
12 Q. Yeah. This is separate from the
13 indemnifications. This predates the
14 settlement, okay?
15 A. Okay.
16 Q. So -- and -- and my question
17 really is, were you at this time -- it says,
18 "Overall, BPCNA's relationship with its

19 parent" is taken into consideration.
20 A. Uh-huh.
21 Q. And that's -- that's my
22 question --

Page 175:24 to 176:04

00175:24 Q. -- is that consistent with your
25 recollection?
00176:01 A. Well, I think it's consistent
02 with the concept that we -- that we felt
03 better with BP p.l.c. involved because of the
04 uncertainty at that time.

Page 176:11 to 176:25

00176:11 If you could turn to Tab 21,
12 please. We'll mark this as an exhibit as
13 well. This will be 12398?
14 A. This is 12399.
15 Q. 99, I mean. Sorry. Bates
16 No. ANA-MDL3-0009334. And this is a payment
17 request form. This appears as to be the
18 payment of 4 billion from Anadarko to BP
19 America Production Company. Do you see that?
20 A. Yes, I do.
21 Q. And it's dated November 28th,
22 2011?
23 A. Yes.
24 Q. Okay. And the settlement, I
25 believe you noted, was October 17th, 2011?

Page 177:05 to 177:20

00177:05 Q. October 16th, 2011.
06 A. October 16th, 2011, yes.
07 Q. Is it your memory that BP --
08 that Anadarko paid BP within that period of
09 time of the settlement?
10 A. I don't recall specifically, but
11 looking at the document, it certainly appears
12 that we made the -- the 4-billion-dollar
13 payment to BP on November 28th, or at least
14 this form was routed on November 28th, 2011.
15 Q. Okay. And you made it in one
16 installment?
17 A. Yes, I believe we did, but I'm
18 not sure if it was one wire or more wires,
19 but the payment was made at a single point in
20 time, to my knowledge.

Page 177:22 to 178:04

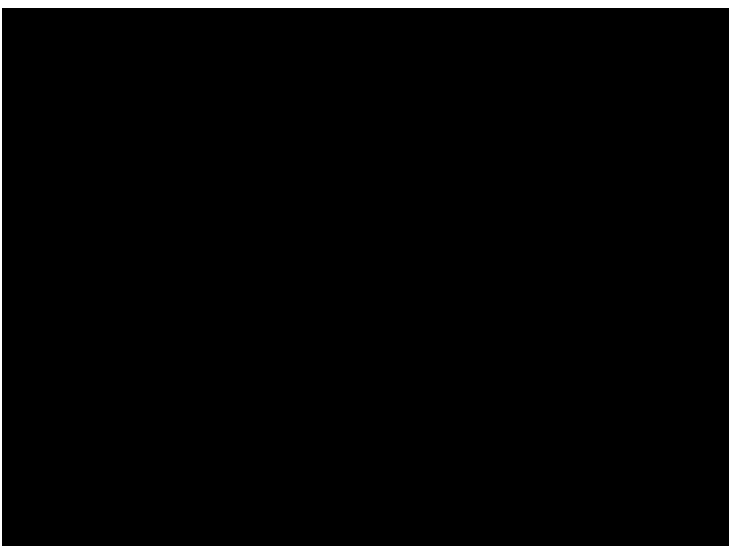
00177:22 And I believe you said earlier
23 it was financed from a combination of
24 available cash and financing, correct?
25 A. Borrowing under our revolver,
00178:01 yes.
02 Q. Okay. Now let's turn to Tronox,
03 which is Tab 22. We talked about Tronox a
04 little bit. This will be Exhibit 123 --

Page 178:07 to 178:08

00178:07 A. Okay. The next number is 12444.
08 Q. Okay, thanks.

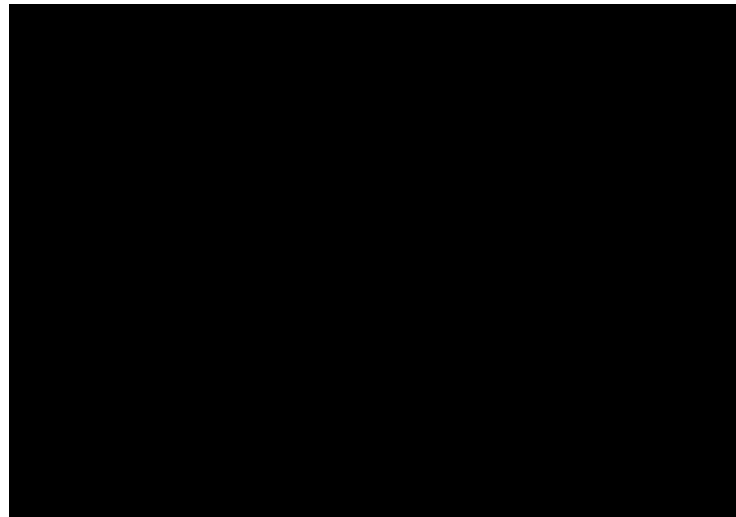
Page 178:11 to 179:03

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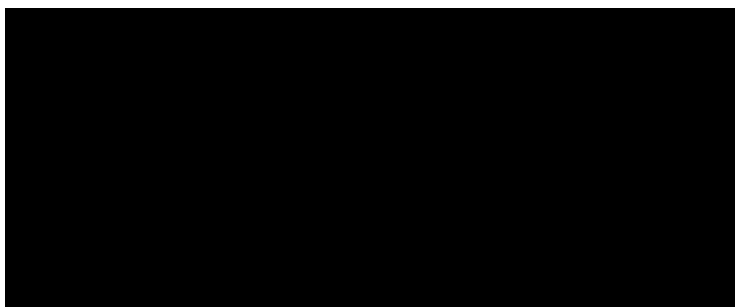


Page 179:05 to 180:06

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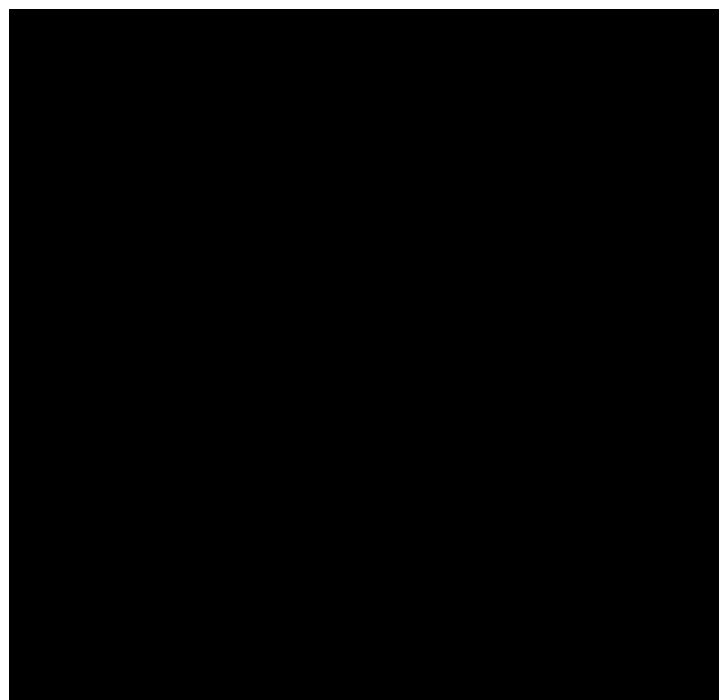


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Page 182:08 to 183:05

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Page 183:14 to 183:16

00183:14 Q. All right. I'd like to go to
15 Page 13405, which is entitled "Dividend
16 Target."

Page 184:02 to 184:09

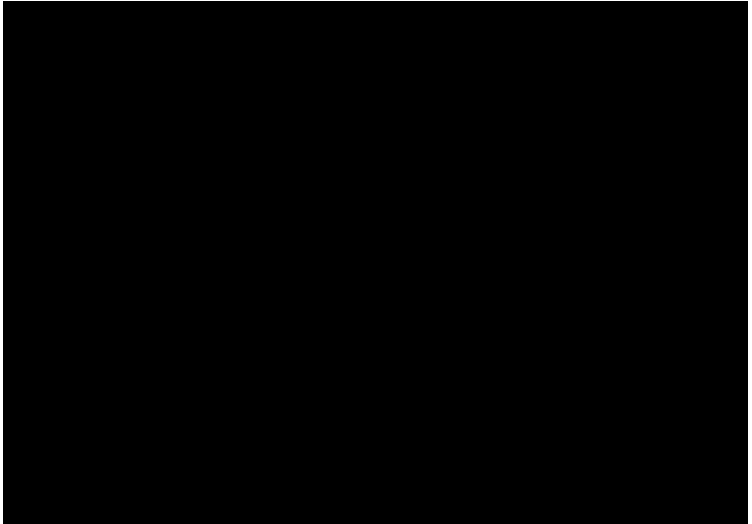
00184:02 Q. How did the -- when you
03 announced that you had a settlement in the
04 Tronox matter, which had been creating a lot
05 of uncertainty, how did the market react?
06 A. The market reacted positively.
07 Q. Okay. And what are the indicia
08 for reacting positively?
09 A. The stock price went up.

Page 184:17 to 184:23

00184:17 Q. All right. And when you settled
18 with BP over the Macondo liabilities, how did
19 the market react?
20 A. The market reacted positively.
21 Q. Okay. Same thing, the stock
22 price went up?
23 A. The stock price went up.

Page 185:12 to 186:03

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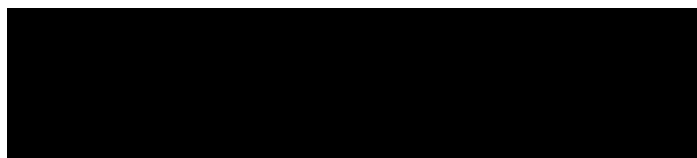
Page 186:13 to 187:09

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Page 188:05 to 188:09

00188:05
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Page 188:16 to 189:25

00188:16 Q. Okay. If you could turn to
17 Tab 23. I guess this will be 12445?
18 A. Yes.
19 Q. This is off the Anadarko web
20 page, so it does not have a Bates number.
21 And this is a press release from Anadarko
22 dated May 13th, 2014. It says, Anadarko
23 Announces a 50-Percent Dividend Increase,
24 correct?
25 A. Yes.
00189:01 Q. So it raises the dividend to
02 27 cents per share from 18 cents per share,
03 correct?
04 A. That's correct.
05 Q. If you could look further down,
06 there is a mission statement which has
07 actually appeared on a lot of these Anadarko
08 documents, it says, Anadarko Petroleum's
09 Corporation mission is to deliver a
10 competitive and sustainable rate of return to
11 shareholders by exploring for, acquiring, and
12 developing oil and gas natural resources
13 vital to the world's health and welfare.
14 Is that your understanding of
15 Anadarko Petroleum's mission?
16 A. Yes, it is.
17 Q. Next document is Tab 24. This
18 is another announcement I think that we
19 talked about before, which is -- let's mark
20 this as 12446. And, again, this doesn't have
21 a Bates number. It's off the Anadarko web
22 page. And it's the Anadarko's press release
23 announcing the "PRICING OF 1.25 BILLION OF
24 SENIOR NOTES," which is dated July 1st, 2010,
25 correct?

Page 190:06 to 191:22

00190:06 Q. Why did Anadarko decide to
07 engage in this public offering?
08 A. We -- over time we periodically
09 issue public notes as a -- as an integral
10 part of our capital structure. We talked

11 earlier today about debt and equity. The
 12 debt components are primarily public bonds.
 13 We had not issued any public bonds the last
 14 four years. And we had some maturing debt
 15 this year and looked at our -- our capital
 16 structure, our cash needs and our desire to
 17 remain active in the bond market from time to
 18 time. And it appeared to be a good
 19 opportunity and a nice time to be able to go
 20 into the market and issue -- issue debt on a
 21 cost effective basis.

22 Q. Okay. The press release says
 23 that it will use the net proceeds from the
 24 offering for general corporate purposes.
 25 Will those purposes include Tronox?

00191:01 A. Well, general corporate purposes
 02 is -- gives us the flexibility to use those
 03 proceeds, you know, in any way we see fit.
 04 Cash is fungible. We -- obviously we -- we
 05 have cash coming in to our company and cash
 06 going out in a variety of ways. This is a
 07 component of cash coming in. The Tronox
 08 payment will be a significant amount of cash
 09 going out, and I don't think you can directly
 10 distinguish between which cash actually is
 11 used for the payment, but certainly this
 12 helps to provide cash available to make the
 13 cash portion of that payment.

14 Q. Okay. Okay. So now I just want
 15 to go back and review some of the areas of
 16 discretionary measures for financing
 17 obligations.

18 I'm going to start with reading
 19 a statement from the first quarter report,
 20 which I think is in Tab 9, Page 35. And I'll
 21 just read it for you, but if you want to look
 22 at it, you can.

Page 191:24 to 193:04

00191:24 Q. Page 35. And that's
 25 Exhibit 12387. And it says there that -- at
 00192:01 the top of the page, Ana- -- "Anadarko
 02 generates cash needed to fund capital
 03 expenditures, debt-service obligations, and
 04 dividend payments primarily from operating
 05 activities, and enters into debt and equity
 06 transactions to maintain the desired capital
 07 structure and to finance acquisition
 08 opportunities. Liquidity may also be
 09 enhanced through asset divestitures and joint
 10 ventures that reduce future capital
 11 expenditure requirements."

12 Is that a fair and accurate
 13 statement regarding Anadarko operations with

14 respect to liquidity and resources?

15 A. It's a fair statement. We --
16 we -- this concept of accuracy, we talked
17 earlier about the -- what I represented in
18 the certifications at the time the statements
19 were made, but I know no reason that it's
20 inaccurate.

21 Q. Okay. Is there anything you
22 would change about that statement in terms of
23 its description of Anadarko's operations?

24 A. No.

25 Q. Okay. So let's look at cash on
00193:01 hand, which we've been talking about as we go
02 through these different documents. At the
03 year-end, you had 3.7 billion at the end of
04 2013, correct?

Page 193:17 to 193:25

00193:17 Q. And at the end of the first
18 quarter, there was 5.9 billion of cash,
19 correct?

20 A. That's correct.

21 Q. All right. And the projections
22 that were in the May 29th, 2014 credit agency
23 presentations for the future years were for
24 2014. Do you want me to point you to that
25 page?

Page 194:02 to 194:03

00194:02 Q. Okay. It's Tab 8. It's
03 Exhibit 12393.

Page 194:05 to 194:06

00194:05 Q. And it's the page that ends in
06 12165.

Page 194:08 to 195:09

00194:08

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14 Q. Okay. And working capital I
15 think we've talked about. We've seen in some
16 of the other documents that Anadarko
17 estimates 1 billion for working capital for
18 2014.

19 A. Oh, we estimate that we need

20 about a billion dollars of what -- I wouldn't
21 call it -- working capital is an accounting
22 term.
23 Q. Okay.
24 A. It has a specific meaning,
25 generally.
00195:01 Q. All right.
02 A. The current assets minus current
03 liabilities. That's not the way that it's
04 being used when we're discussing it about
05 that billion dollars. We're talking about a
06 billion dollars colloquially called working
07 capital, but roughly a billion dollars of
08 cash needs within our operations and our
09 global bank accounts to --

Page 195:11 to 195:16

00195:11 A. -- for -- for what we're doing
12 on a -- on a current basis.
13 Q. Okay. Then let's talk about
14 discretionary cash for operating activities.
15 This term I think we already defined,
16 correct? You -- you understand that term?

Page 195:20 to 195:25

00195:20 Q. And the year-end, there was
21 discretionary cash of 8 billion --
22 A. And where is that number?
23 Q. -- at the end of 2013.
24 Look at 12165. It's on this
25 one, on this page.

Page 196:04 to 196:08

00196:04 Q. Let's look in the -- do you have
05 a memory of what discretionary cash was for
06 year-end 2013?
07 A. I don't.
08 Q. It's on the next page, 12166.

Page 196:10 to 196:12

00196:10 Q. So roughly 8 billion, 8.8
11 billion. So those -- that -- those are the
12 projections for discretionary cash, correct?

Page 196:19 to 196:21

00196:19 Q. Okay. The actual discretionary
20 cash flow from operations at the year-end
21 2013 was 8 -- roughly 8 billion, correct?

Page 196:24 to 196:24

00196:24 A. Yes, 8 billion.

Page 197:01 to 197:18

00197:01 will be discretionary cash flow from
02 operations for year 2014 of 8.8 billion,
03 correct?

04 A. That's the estimate --

05 Q. The projection, yes?

06 A. -- for 2014.

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Page 198:12 to 200:06

00198:12 Q. And as you sit here today, you
13 don't have different numbers that --

14 A. We don't have --

15 Q. -- you believe to be better?

16 A. We don't have updates to these
17 numbers today.

18 Q. Okay. Okay. And just to
19 summarize, we've talked about divestment and
20 sales of interest as another source of cash,
21 correct?

22 A. Not as another source of cash.

23 You know, when we divest assets, we're
24 generally divesting assets in numerous ways,
25 but you can -- if we do these, for instance,

00199:01 through these carried interest relationships
02 that we talked about, that doesn't bring in
03 any cash. Sometimes we will suffer cash, but
04 we're earmarking that cash for reinvestment.
05 Selling an asset for cash and not reinvesting
06 it shrinks the company and has the ability to
07 dilute shareholder value. So it's not a --
08 the way you characterized it in terms of
09 asset sales is not driven as a way to
10 generate cash.

11 Q. Okay. If you could turn to

12 Tab 15, please. We'll mark this as

13 Exhibit 12447, Bates No. ANA-MDL3-0003554.
14 And this is an Anadarko press release dated
15 August 25th, 2013, in which Anadarko
16 Announces a 2.64 Billion All-Cash Transaction
17 For a Portion of Offshore Mozambique Block,
18 correct?
19 A. That's correct.
20 Q. All right. And this is the
21 announcement of the transaction concerning
22 the -- the sale of the interest at Mozambique
23 that we talked about before, correct?
24 A. That's correct.
25 Q. All right. So that's one
00200:01 example of divestment or sales of interest,
02 which is the concept we talked about before.
03 Why don't we go ahead and mark
04 Exhibit 16 -- Tab 16, and that will be
05 Exhibit 12448, and that's Bates number
06 ANA-MDL3-0003582, and it is --

Page 200:11 to 200:25

00200:11 Q. And it's Anadarko's announcement
12 of its divestiture -- divestiture in China of
13 1.075 billion. And I think this is the
14 divestiture we talked about earlier, as well,
15 correct?
16 A. The divestiture that is
17 currently pending, yes.
18 Q. Currently pending, all right.
19 And this one -- is this one in
20 cash? It says it will be a stock purchase
21 agreement.
22 A. This -- yes, this is -- this
23 will have cash proceeds for the sale of the
24 stock of the subsidiary.
25 Q. Okay.

Page 201:03 to 201:08

00201:03 A. Well, then the reinvestment of
04 those cash proceeds -- to the -- to the
05 earlier point, the reinvestment of those cash
06 proceeds goes into the preparation of the
07 expectations on performance and generating
08 discretionary cash in future years.

Page 201:10 to 202:18

00201:10 A. I think you can see that,
11 actually, also on Tab 15, the document 12447.
12 We -- we even talk about generating cash to
13 reinvest this in other activities.
14 Consistent with my earlier statement, you

15 either reinvest the cash, or your company is
16 shrinking.

17 Q. Right. You look at your needs
18 and your obligations, but then you decide how
19 to allocate your cash, correct?

20 A. We -- we -- we make our
21 divestment decisions, you know, as I said
22 earlier, on an annual basis, trying to
23 achieve longer term objectives. And I think
24 it's -- I think the point here is that when
25 we sell something for cash, the cash is
00202:01 reinvested. It's not a self cash to generate
02 cash for cash's sake. The word "cash," it
03 is -- it is designed specifically to improve
04 the value of the company by continuing to
05 reinvest -- reinvest the proceeds so the
06 company continues to grow.

07 Q. Right. And so that would be
08 management's priority. But if you encounter
09 headwind, like the Macondo incident, where
10 you have to spend a significant sum to settle
11 your claims and disputes with BP, or you
12 encounter another headwind, like Tronox, then
13 the cash also is available for those needs,
14 correct?

15 A. Cash is fungible.

16 Q. Cash is fungible?

17 A. Cash is available for a variety
18 of uses.

Page 202:20 to 202:25

00202:20 A. But the reason we sell assets,
21 we have not -- we have not entered into the
22 sale of assets in order to -- to -- you know,
23 for instance, to settle our disputes with BP,
24 but, rather, we've -- we've sold assets over
25 time to improve the company.

Page 203:02 to 203:03

00203:02 A. So that's a very significant
03 distinction.

Page 203:11 to 203:18

00203:11 I think we talked about the --
12 the WGP limited partnership interest and --
13 and selling those. And I think -- I think
14 they were valued at 10.4 billion, if you look
15 at Tab 8 again. On Slide 20. As of -- as of
16 the time of this presentation, they were
17 valued at 10.4 billion. Is that consistent
18 with your --

Page 203:20 to 205:19

00203:20 Q. Slide 20, yeah. It's the page
21 that ends at 12158.

22 A. Yes, it -- it shows a buy of
23 10.4 billion dollars as of May the 16th.
24 That's, of course, prior to the -- to the
25 recent sale.

00204:01 Q. Oh, and so do you have any --
02 what would the current value of that be, do
03 you know?

04 A. I don't know where the market
05 value is today.

06 Q. You'd have to like adjust it for
07 that sale?

08 A. For the sale.

09 Q. Okay. Turning to capital
10 expenditures and how you set the level of
11 capital expenditures. Again, if you could
12 turn to Tab 9, Page 35 again. Tab 9, which
13 is 123 -- Exhibit 12387, which is, again, the
14 quarter -- Form 10-Q for the first quarter of
15 2014.

16 And there is a statement there
17 that says, Consistent with this approach,
18 during the three months ended March 31st,
19 2014, cash flows from operating activities
20 were the primary source of capital investment
21 funding. The Company continuously monitors
22 its liquidity needs, coordinates its capital
23 expenditure program with its expected cash
24 flows and projected debt pay -- repayment
25 schedule, and evaluates available funding

00205:01 alternatives in light of current and expected
02 conditions.

03 Is that an accurate statement?

04 A. That's the way that we -- that
05 we manage looking at our liquidity needs and
06 coordinating our capital expenditure program.

07 Q. Okay. And cash -- therefore,
08 cash flows from operating activities are the
09 primary source of capital investment funding,
10 correct?

11 A. They are.

12 Q. All right. And your capital
13 expenditure in first quarter 21, if you look
14 over on the next page, was about 2.6 billion,
15 correct?

16 A. Those are aggregate capital
17 expenditures on a consolidated basis,
18 including our master limited partnership
19 that's consolidated.

Page 205:22 to 206:08

00205:22 Q. And CAPEX -- do you know what it
23 is without -- without the consolidated
24 entities in midstream, the WES and WGP?
25 A. Footnote 1 identifies that the
00206:01 Western Gas capital expenditures were
02 \$170 million during that quarter.
03 Q. Okay. So you would subtract
04 that amount from the 2.568 billion --
05 A. That's correct.
06 Q. -- to get the Anadarko CAPEX
07 without -- without the midstream entities?
08 A. Without Western, yes.

Page 206:15 to 206:17

00206:15 Q. A capital expenditure that's
16 projected for 2014 is 8 -- 8.8 billion. I'm
17 sorry. Turn to the right page.

Page 206:19 to 206:21

00206:19
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[REDACTED]

Page 207:07 to 207:09

00207:07
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[REDACTED]

Page 207:11 to 208:15

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[REDACTED]

Q. According to our discussion
before, okay. If you could turn to Tab 10.
We'll mark this Exhibit 12449. And if you
could turn to Slide 13, which is on
Page 16405.

04 A. Okay.
05 Q. And this is -- this document is
06 entitled "2014 1st Quarter Results and Total
07 Year Forecast," ANA-MDL3-0016393. Have you
08 seen this document before?
09 A. Yes, I have.
10 Q. Was this a presentation that was
11 made to the board of directors?
12 A. It was not a presentation that
13 was made to the board of directors. It was a
14 document that was provided to the board of
15 directors in advance of a meeting.

Page 209:18 to 209:18

00209:18 pretty sure, is highly confidential.

Page 212:02 to 212:22

00212:02 Q. (BY MS. FLICKINGER) Okay. My
03 question here is this slide appears to break
04 out from the capital program, the -- the
05 funds for -- let me rephrase this as a
06 question.
07 Does this show the relationship
08 between the amount of capital investment and
09 development and the amount in exploration?
10 A. This slide appears to look at
11 the forecast for 2014 and estimate what
12 portion would be spent on certain aspects of
13 operations. As categorized, development
14 drilling, which is subset of development;
15 exploration drilling, which is a subset of
16 ex- -- of total exploration; and then
17 construction; gathering facilities; land,
18 geological; and geophysical expenditures and
19 other.
20 Q. What does the "G&G" stand for?
21 A. Geological or geologic, I'm not
22 sure, and geophysical.

Page 213:13 to 213:24

00213:13 MS. FLICKINGER: Okay. We're back on
14 the record, Mr. Gwin. And before we resume
15 questioning, I just want to state that we
16 have taken the highly -- properly stamped
17 highly confidential documents and replaced
18 the previous version with the highly
19 confidential version. So we should be all
20 set.
21 And those exhibit numbers were
22 for Tab 10, Exhibit 12449; and Tab 17,
23 Exhibit 12396. So we're all set, right, Ky?

24 MS. KIRBY: That's right. Thank you.

Page 214:01 to 214:07

00214:01 were on Tab 10, and we were talking about
02 capital expenditures in general and capital
03 expenditures on exploration in particular.
04 So looking at this chart, we saw about 1.3
05 billion in capital drilling expenditures.
06 A. Could -- could you -- just for
07 clarity, could you mention the page number

Page 214:12 to 214:13

00214:12 Q. Oh, okay. It's 16405. It ends
13 in Bates No. 16405.

Page 214:16 to 214:21

00214:16 Q. Okay. And this, again, is
17 Exhibit No. 12449, which is the fore- --
18 forecast -- total year forecast for 2014. So
19 looking at the graph, we see about 1.3
20 billion for exploration drilling capital
21 expenditure, correct?

Page 215:01 to 215:20

00215:01 Q. 1.32 billion.
02 A. Yes, that's -- that's the -- as
03 of this date, that is the forecasted amount
04 for exploration drilling for 2014.
05 Q. Okay. And forecast is a total
06 of 9.1 billion, roughly --
07 A. That's correct.
08 Q. -- for capital expenditure. So
09 we did the calculation and it comes out to
10 about 14 percent. Is that a -- is that a
11 reasonable range for capital expenditure and
12 exploration drilling relative to the total
13 cap- -- capital expenditure budget?
14 A. I don't know if -- I don't -- I
15 don't know if it is or not. I mean, it
16 varies. Varies by year and -- and within a
17 year, you know, it varies. So it's -- there
18 is -- I don't know that there is a conclusion
19 to be drawn from the metrics on this page
20 that extend beyond the purposes of this page.

Page 215:25 to 217:03

00215:25 Q. Well, let me ask a question
00216:01 before we go to the transcript. Can Anadarko

02 maintain the same consistent growth rate of 5
03 to 7 percent without exploration expenditures
04 in the near term?
05 A. What -- what do you mean by
06 "near term"?
07 Q. The next several years.
08 A. How many is several?
09 Q. Three.
10 A. For the next three years, we've
11 stated previously that we don't need success
12 in our exploratory drilling to maintain the
13 growth rate over a period of time that
14 that -- that is that short.
15 Q. Okay. And, in fact, you've said
16 until 12 -- until 2020, correct?
17 A. We've -- we've made the
18 statements before that we have good insight
19 into where our growth can come from between
20 now and 2020.
21 Q. Okay. And that would be more
22 from the development side and less from
23 exploration?
24 A. From -- our comments that we've
25 made are based upon what we -- what we think
00217:01 of as our existing asset base, and our
02 development projects are a part of that asset
03 base.

Page 217:05 to 219:06

00217:05 A. And then we've also made
06 comments in that context that our exploration
07 drilling then gives us the opportunity to
08 decide if there are better opportunity --
09 better places to go invest money if we're
10 successful with the exploration. And the
11 exploration is very much about being able to
12 sustain that growth over the long run,
13 consistent with my prior comments that if you
14 are not exploring and adding new points of
15 opportunity through investing additional
16 capital, then the company is -- is in a
17 shrinking mode over a longer period of time.
18 Q. Over a longer period of time.
19 But you have made statements that over the
20 next several years, you can maintain the same
21 rate of growth without exploration drilling,
22 correct?
23 A. The -- not the -- that's not
24 quite accurate. Not the same rate of growth,
25 but that we know where the -- where we have
00218:01 visibility and where our growth that we've --
02 that we've talked about can come from over
03 the next few years without -- or the next --
04 between now and 2020 without additional

05 exploration successes.

06 Q. Okay. Okay. Let's turn to
07 dividends. And, again, we're going through
08 areas of where the company potentially has at
09 least some discretion about how it allocates
10 its resources. And we've been over this a
11 little bit before, but at the year-end of
12 2013, Anadarko had spent 274 million in
13 dividend payments, correct, for the year
14 2013?

15 A. I don't recall the number off
16 the top of my head. What -- can we turn to a
17 page that contains that.

18 Q. Turn to Tab 2, which is the
19 annual report, which is Exhibit 12386, and
20 turn to Page 75. And if you look under cash
21 flows from financing activities, and you'll
22 see down there, do you see the line that it
23 says "Dividends paid"?

24 A. I do.

25 Q. And the number for 2013 is
00219:01 274 million, correct?

02 A. \$274 million, uh-huh.

03 Q. All right. And for this
04 quarter, dividends paid out have been 92
05 million. Do you -- do you want to look at
06 the document again?

Page 219:09 to 219:17

00219:09 Q. All right. So this is a
10 first-quarter document, which is Tab 9, which
11 is Exhibit 12387, and it'll be on Page 6.
12 And, again, if you look at the -- look at
13 "Cash Flows from Financing Activities" and
14 you go down, you'll see "Dividends paid"?

15 A. Yes.

16 Q. And for 2014, first quarter,
17 it's 92 million, correct?

Page 219:19 to 219:21

00219:19 Q. All right. And if you annualize
20 that, so multiply by 4, you'll have about
21 368 million, correct?

Page 220:02 to 224:18

00220:02 A. -- I get just north of, yeah,
03 \$360 million.

04 Q. Okay. Turn to Tab 8, Slide 24,
05 Tab 8 is again the May presentation with the
06 projections and that's Exhibit 12393. It
07 begins at Bates No. Page 12162.

08 A. I'm on that page.
09 Q. Okay. And you see the projected
10 dividends for 2014 are 500?

11 A. Correct.

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]

16 Q. What would be the impact on the
17 operations of the company if you were to
18 reduce the dividend?

19 A. I'm not sure I understand that
20 question, because dividends are made after --
21 after contin- -- considering the results of
22 the operations. So dividends are an election
23 that the board makes based upon the results
24 of operations. Your question implies that --
25 that that relationship is reversed.

00221:01 Q. Okay. So I have one perception
02 of dividends is that they're issued on a
03 regular basis; is that not correct?

04 A. They tend to be issued on a
05 regular basis, but they are declared and paid
06 only on a quarterly basis based upon the cash
07 on hand and the outlook for the company at
08 that point in time. So they're not something
09 that is -- that is regular or set aside prior
10 to the operations, but, rather, a result of
11 the operating results.

12 Q. Okay. So before -- before the
13 board would authorize issuance of a dividend,
14 the first -- it would -- they would have to
15 first ensure themselves that the operations
16 of the company are taken care of and that
17 there is some free cash flow, right, some
18 available liquidity from which to issue the
19 dividends?

20 A. That's correct.

21 Q. Okay. I think I know the answer
22 to this, but does Anadarko issue equity as
23 one means of financing?

24 A. No, not as -- not as a normal
25 course of business. We have issued equity
00222:01 once in -- in my career there over the last
02 eight years, but it is -- it is not a form --
03 regular form of financing. We do -- it is a
04 theoretical -- theoretically available to us
05 as a form of financing, but it has a negative
06 effect on performance per share because of
07 its diluted impact on the company's
08 operations.

09 Q. Okay. Let's turn to existing
10 borrowing facilities.

11 A. Okay.

12 Q. And maybe you can help -- help
13 me clarify this a little bit. You have a

14 5-billion-dollar credit facility -- as of the
15 end of the first quarter, you had a
16 5-billion-dollar credit facility, correct?
17 A. That's correct.
18 Q. All right. And is that still in
19 place?
20 A. It is still in place.
21 Q. All right. And how long will
22 that be in place?
23 A. It matures under its terms in
24 2015, but as we discussed earlier, we've
25 recently entered into arrangements for two
00223:01 new credit facilities, a 3-billion-dollar
02 facility that is a five-year facility and a
03 364-day 2-billion-dollar facility; and our
04 existing facility will be replaced by those
05 two facilities at the time that the Tronox
06 settlement is paid and the -- and the Tronox
07 lawsuit therefore resolved.
08 Q. Okay. So the same credit
09 availability will be in place; it's just the
10 actual facilities and agreements will be
11 different?
12 A. The actual facilities and
13 agreements will be different, and I'm not
14 sure if the lenders are the same, but your
15 premise that the 5 billion -- \$5 billion of
16 credit capacity will remain is accurate.
17 Q. Okay. And then we marked
18 earlier an exhibit for the 1.25 billion debt
19 offering of senior notes, correct?
20 A. I remember.
21 Q. All right. And so is that -- is
22 that available borrowing that's in addition
23 to the credit -- the 5-billion-dollar credit
24 facility?
25 A. I -- I think I -- you can't
00224:01 characterize it as available borrowing. It
02 is a borrowing that has already occurred,
03 where we have already issued bonds, which is
04 a borrowing, and received the proceeds from
05 the issuance of those bonds.
06 Q. Okay.
07 A. So it is not -- it's not an
08 ongoing available borrowing in the same
09 manner as -- as the revolving credit
10 facilities.
11 Q. All right. Going back to the
12 5-billion-dollar credit facility. Is there
13 any drawdown on that facility at this time?
14 A. No, there is not.
15 Q. Okay. And are there any
16 restrictions on Anadarko's ability to use
17 that facility?
18 A. No.

Page 225:13 to 226:03

00225:13 Q. Okay. Can Anadarko go to market
14 to issue more bonds or debt?
15 A. Yes.
16 Q. And what considerations would go
17 into whether or not you do that?
18 A. Several. You know, it's a --
19 it's a pretty serious decision, taking on
20 long-term obligations like that. So the
21 considerations, you know, are how much -- how
22 much debt capacity we have, how -- what our
23 liquidity profile looks like going forward,
24 what our cash needs are, what the cost of the
25 financing will be. You know, we don't do it
00226:01 regularly; we do it periodically. The last
02 time we did it before last week was four
03 years ago.

Page 226:15 to 226:17

00226:15 Q. That's all right. It's Tab 8,
16 again, and it's on the page Slide 25 that
17 ends on 12163. And it's Exhibit 12393.

Page 226:22 to 228:02

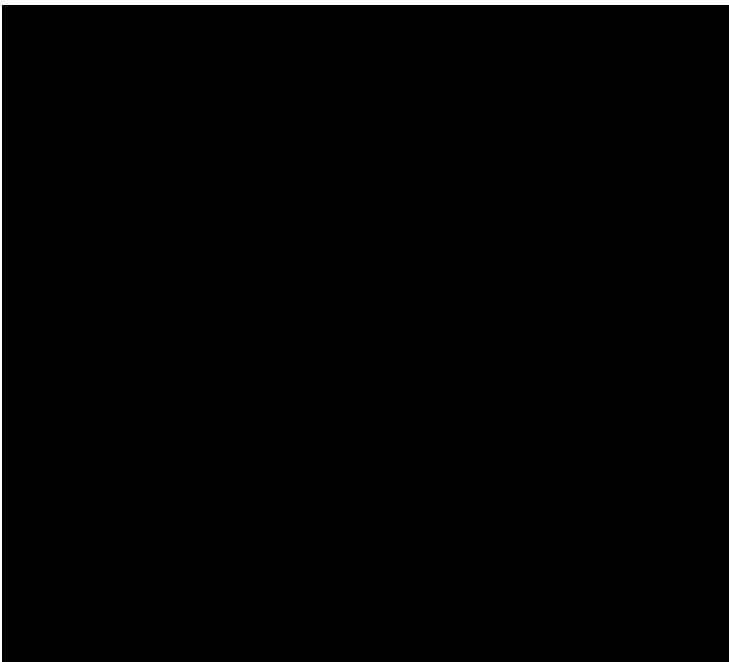
00226:22 Q. I'm just confirming what we
23 talked about earlier, which is at the end of
24 2013, if you exclude WES, the metric of net
25 debt to capitalization was 28 percent?
00227:01 A. So the number at the end of
02 2013, with one very critical caveat, and that
03 is that this does not include the Tronox
04 liability. And clearly liability related to
05 Tronox existed, as is evidenced in our public
06 filings, and now we know what that number is.
07 So, accordingly, though that number is there,
08 it was artificially-- it appeared
09 artificially good because of a high cash
10 balance that exists for the purposes of -- of
11 paying the Tronox settlement amount.
12 Q. Okay.
13 A. That's why I think the -- the
14 2014 numbers are the numbers that we've
15 spoken to and tried to ensure that the market
16 understands, because those are more
17 indicative of -- of the actual leverage of
18 the company.
19 Q. Okay. And do you have a target
20 range for this ratio?
21 A. Our target range is the same as
22 it's been for several years, 25 to 35 percent
23 is -- is the number that we consistently talk

24 about, because we think that that indicates a
25 creditworthiness that is appropriate relative
00228:01 to the inherit business and operating risk of
02 the company.

Page 228:04 to 233:22

00228:04 A. And you'll note on that same
05 page for 2014, you know, the number is above
06 that range. So that's where I've talked
07 previously today about focusing on spending
08 within our cash flow and generating enough
09 money to make sure the leverage does not get
10 out of hand, because it is pretty high
11 relative to our objectives right now because
12 of the Tronox settlement.

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10 Q. Okay. Have you ever operated
11 outside of that target range?

12 A. We have.

13 Q. And what consequences were there
14 for your ratings?

15 A. Well, it's very difficult.
16 We -- in the past our ratings have -- when
17 we've operated outside that range, the
18 ratings have been lower. In fact, during the
19 Macondo situation, our creditworthiness was
20 downgraded by Moody's to what's known as a
21 below investment grade rating.

22 Q. But certainly that was
23 reflecting different factors than -- than
24 debt that you had incurred, correct?

25 A. It was -- it was a combination
00230:01 of debt that we had incurred and the risk

02 profile of the company. And so when we were
 03 operating as a BBB minus risk, so a high
 04 level of -- relatively higher level of
 05 leverage, then you are more -- your credit
 06 rating and your -- your creditworthiness is
 07 subject -- is easier to be subjected to
 08 shocks, for lack of a better word. If you
 09 have a situation such as when the Macondo
 10 situation was -- was ongoing, having
 11 high-leverage to begin with put us in a
 12 position where we had less financial
 13 flexibility.

14 So, accordingly, one of the --
 15 one of our objectives is to keep our
 16 financial flexibility, you know, at an
 17 acceptable level by keeping our leverage
 18 within those targeted ranges.

19 Q. I just have to say that what I'm
 20 asking about is your liquidity ratio based on
 21 your debt. Okay. The metric I'm looking at
 22 is net debt to capitalization. I think the
 23 Macondo incident, I can understand where that
 24 might impact your credit rating, but that's
 25 due to uncertainty and to risk associated
 00231:01 with the Macondo incident, correct?

02 A. Based off of the place where our
 03 debt ratio was starting.

04 Q. Right.

05 A. If we had been a much stronger,
 06 had a much stronger balance sheet, a lower
 07 debt ratio, then the Macondo incident, as
 08 challenging as it was and the risk associated
 09 with it, would not have put such pressure on
 10 our credit rating to cause us to become low
 11 investment grade. You start at a stronger
 12 point, and, therefore, any particular shock
 13 to that system has an impact that doesn't
 14 take you to as low of a point.

15 Q. I understand what you're -- the
 16 concept you're trying to describe.

17 How -- how does your rate of
 18 leverage compare to your industry peer group?

19 A. It's generally a little bit
 20 higher. I don't know what they all -- where
 21 they all are today, but ours is -- has --
 22 over time it's been moderately higher than
 23 some of those peers. We've been moving over
 24 time by spending less in our cash flow and
 25 focusing on that debt ratio. We've been able
 00232:01 to close that gap and -- and our
 02 creditworthiness, you know, has approached
 03 that peer group.

04 Q. What is the -- what is the range
 05 of your peer group, can you tell me? Do you
 06 know?

07 A. Most -- I don't -- I don't know

08 exactly, but I think you can think of them as
 09 kind of what I think is traditionally called
 10 BBB risk, so that their credit ratings in an
 11 S&P vernacular might be BBB, BBB plus,
 12 perhaps some of them in the -- in the A minus
 13 category. And our credit rating has been in
 14 the BBB minus category other than when it was
 15 downgraded previously by -- by Moody's, as I
 16 mentioned.

17 Q. Okay. Now, I'm going to read
 18 you a statement from your 10-Q, which is
 19 Page 35. Again, turn to Tab 9. Actually,
 20 this is Exhibit 12387. Turn to Page 35.

21 A. Okay.

22 Q. And it's on the third paragraph,
 23 partway through. It says, The company has a
 24 variety of funding sources available,
 25 including cash on hand, an asset portfolio
 00233:01 that provides ongoing cash-flow-generating
 02 capacity, opportunities for liquidity
 03 enhancement through divestitures and
 04 joint-venture arrangements, and the Company's
 05 5.0 billion senior secured revolving credit
 06 facility maturing in September 2015.
 07 Management believes the company's liquidity
 08 position, asset portfolio, and continued
 09 strong operating and financial performance
 10 provide the necessary financial flexibility
 11 to fund the Company's current and long-term
 12 operations.

13 A. That's correct.

14 Q. Did I read that correctly?

15 A. You did.

16 Q. Is that a true and accurate
 17 statement?

18 A. It -- it is a statement that
 19 when it was made, it was -- it was -- it was,
 20 it was, and I think remains today, the way
 21 that we view the adequacy of our funding
 22 sources.

Page 238:09 to 239:12

00238:09 Q. Would Anadarko be able to pay a
 10 civil penalty of 4.6 billion if the Court
 11 were to rule in 2015?

12 A. It depends.

13 Q. Okay.

14 A. You said in 2015. I don't know
 15 what the factors are in 2015, where
 16 Anadarko's business is in 2015. Certainly,
 17 we have some projections that we have covered
 18 that talk about what we would assume based on
 19 the situation as it is today, but I can't
 20 look into the future and -- and say with any

21 amount of certainty, you know, how or what
22 our approach would be if we -- if we had a
23 payment to make at that point in time.
24 Q. Okay. Would you perform the
25 same kind of analysis that we saw when you
00239:01 were discussing the Tronox settlement with
02 the credit rating agencies, you'd look at
03 available cash on hand?
04 A. We would -- we would -- at that
05 time if we knew an amount and a date, we
06 would then look at our business at that point
07 and time and we would perform similar
08 analysis to look at our -- at the -- the
09 liquidity sources available to the company at
10 that point in time, cash on hand, borrowing
11 capacity, et cetera, and determine the
12 optimal path forward.

Page 244:08 to 244:14

00244:08 Q. (BY MS. FLICKINGER) Okay. Do
09 you have a position as to whether the fact
10 that Anadarko may pay a civil penalty, in
11 fact, it's probable that Anadarko will pay a
12 civil penalty, will impact its
13 decision-making about entering into
14 non-operating agreements in the future?

Page 244:17 to 246:02

00244:17 A. When we make investments as a
18 company and, frankly, my opinion, as an
19 industry, we make investments with an
20 expectation as to the risk profile of the
21 investment and the opportunities afforded the
22 company for making that investment. As an
23 operator, you control your actions, you're
24 responsible for your actions, and,
25 accordingly, you're able to control certain
00245:01 of those risks by taking the proper actions.
02 As a non-operator, if you are
03 subject to being punished for something that
04 you didn't do, it goes into your calculus for
05 the next investment that you would make. If
06 you are fined and that fine has a negative
07 economic impact on the company, it has a
08 negative economic impact on the investment,
09 and it changes the risk and return trade-offs
10 associated with the investment.
11 Given that a company, at least a
12 company such as Anadarko has lots of
13 investment opportunities around the world and
14 lots of places to go put its money to work,
15 it would certainly affect future investment
16 decision-making, because you have to then

17 take into account the fact that through no
 18 actions of your own, as a passive investor,
 19 you could be fined money that materially
 20 changes the economic profile associated with
 21 that next investment decision.

22 It is -- it is unambiguous to me
 23 that it would have an impact on future
 24 decision-making.

25 Q. (BY MS. FLICKINGER) So are you
 00246:01 aware that Anadarko was held liable under the
 02 Clean Water Act --

Page 246:04 to 246:09

00246:04 Q. -- several years ago, right, in
 05 2012? Are you aware of that?

06 A. I am aware that Anadarko had
 07 strict liability as an owner in the lease
 08 252, I believe it is, on which the Macondo
 09 well was located.

Page 247:09 to 248:22

00247:09 Q. (BY MS. FLICKINGER) Okay. Have
 10 you entered into any non-operating agreements
 11 since that time?

12 A. I don't know if we've entered
 13 into non-operating agreements since that
 14 time. It wouldn't surprise me if we've
 15 entered into some.

16 Q. Okay.

17 A. We do it from time to time,
 18 although we predominantly are an operating
 19 entity.

20 Q. Okay. Can you identify any -- I
 21 mean, we've looked at a lot of your
 22 decision-making here, and we've been talking
 23 about it all day. Can you identify any
 24 projects or leases that you have decided not
 25 to enter into solely because of the
 00248:01 possibility that there might be a Clean Water
 02 Act asso- -- penalty associated with it?

03 A. Well, I think what I can tell
 04 you is that I don't know of any that we have
 05 looked at and said, wow, there might be a
 06 Clean Water Act penalty associated with that
 07 new investment; let's don't invest.

08 If -- if we saw something where
 09 we thought that it could lead to something,
 10 if there was unsafe behavior, we wouldn't be
 11 considering that investment in the first
 12 place.

13 Q. Okay. Are there any other facts
 14 that you want to point to to support the --
 15 what you've just described to me about your

16 view of the potential impact of a civil
17 penalty on Macondo going forward as a -- as a
18 non-operator?

19 MS. KIRBY: You mean civil penalty on
20 Anadarko going forward?

21 Q. (BY MS. FLICKINGER) Any facts
22 to support Anadarko's contention.

Page 249:05 to 250:25

00249:05 Q. (BY MS. FLICKINGER) Anadarko.

06 A. Yeah, so -- so the question, so
07 are there any facts I want to point out about
08 the potential impact of a civil penalty on
09 Anadarko going forward?

10 Q. Yes.

11 A. Just to make clear that, you
12 know, we take our operations, obviously, very
13 seriously. As a non-operating, passive
14 investor, you know, we -- we believe that --
15 that we're -- we're responsible when we're an
16 operating; when we're a non-operator, though
17 understanding there is strict liability,
18 certainly the concept of -- of the penalty
19 suiting the facts and circumstances
20 associated with -- with our actions is
21 appropriate.

22 And -- and, quite frankly, if --
23 if those things get out of whack, I think
24 that it's very likely that our investment
25 decisions on a non-operating basis change in
00250:01 the future, for reasons I identified earlier
02 relative to assessing risk and -- and, you
03 know, reasons for investing as a
04 non-operating partner in the first place.

05 Q. As you sit here today, can you
06 identify any instances in which -- I mean, I
07 think you've already said that Ana- -- that
08 you can't think of an example of Anadarko to
09 date turning down an otherwise commercially
10 acceptable project solely on grounds that
11 there might be a Clean Water Act penalty,
12 correct?

13 A. I don't know of anything that is
14 solely on those grounds. The -- the form of
15 the question is -- is, frankly, a bit odd to
16 me, because if there was a reason to believe
17 that there were actions that would lead to a
18 future Clean Water Act penalty in a
19 theoretical new investment opportunity, we
20 wouldn't be considering that investment
21 opportunity, anyway.

22 I think it -- I think your
23 question calls for a lot of speculation on
24 our part just to the concept of what -- of

25 how we look at investments. It just -- it's

Page 251:19 to 251:20

00251:19 MS. FLICKINGER: Okay. Thank you,
20 Mr. Gwin. I have no further questions at

Page 252:08 to 257:08

00252:08 E X A M I N A T I O N

09 BY MS. KIRBY:

10 Q. Mr. Gwin, I want to begin by
11 sort of stepping back for a moment to
12 understand a little bit more why cash plays
13 such a role in the oil and gas industry. Is
14 it important to that industry?

15 A. Cash is critically important to
16 exploration and production companies.

17 Q. Why?

18 A. Well, our assets, virtually all
19 of our assets are depleting assets. Our oil
20 and gas assets, from the minute they're
21 brought on production, they shrink. The
22 remaining amount of oil, the remaining amount
23 of gas is lower. And, accordingly, you're
24 working against a shrinking asset and trying
25 to preserve the size of the company, if not
00253:01 grow it. We -- that's -- that's a reality we
02 face every day.

03 Well, the only way you're able
04 to replace the production and to offset those
05 declines and to, hopefully, grow the company
06 and to keep essentially from depleting your
07 way out of business or to a much less
08 valuable firm is to have cash available to
09 you and to reinvest that cash to try to
10 replace your production.

11 If you're -- if you're good at
12 it, you can do more than replacing the
13 production. But if you don't have adequate
14 capital -- and this is one of the biggest
15 problems that exploration and production
16 companies that have failed over time have
17 faced. They don't have adequate capital,
18 adequate access to capital, then they fail.
19 And there is no better example of that than
20 when commodity prices decline. We've seen
21 that happen many times, that when commodity
22 prices decline, company has less access to
23 the debt and equity markets. At the same
24 time its cash flow is going down, its access
25 to the capital markets is decreasing. There
00254:01 is no way to replace the production that is
02 currently occurring.

03 A company is in many cases

04 facing a restructuring, or, you know, we've
05 seen several times in downturns in this
06 industry failure.

07 Q. We've heard a lot today about
08 the forecast of discretionary cash flow for
09 Anadarko over the coming years, including
10 this year. Would you characterize that what
11 seems like a lot of cash oftentimes in the,
12 what, 8-billion-dollar range, or what have
13 you, as being a fund from which Anadarko can
14 just pluck a large sum of money to pay, for
15 instance, a penalty?

16 A. Well, let me -- let me review
17 discretionary cash, if I could, first. It is
18 a metric. It's a non-GAAP metric, as I
19 believe we -- we covered earlier today. Its
20 purpose and the reason the investment
21 community likes to hear about it is that it
22 tends to normalize operations. It looks past
23 the realities of the business at times. For
24 instance, you know, if you have a gain or a
25 loss or a penalty that is essentially
00255:01 non-recurring, then that number sometimes
02 mutes or confuses the year-to-year
03 comparisons. Accordingly, the way that we
04 talk about discretionary cash is trying to
05 normalize for certain of these abnormal
06 events.

07 Now, that's -- it's very easy to
08 confuse discretionary cash with cash that is
09 actually available to the company. In the
10 case of our 2014 numbers, our forecast for
11 discretionary cash flow, which I believe is
12 \$8.8, includes \$5.2 billion of a payment that
13 we expect to make in 2014, a cash payment
14 that we expect to make in 2014. Now, that --

15 Q. Okay. If I could -- if I could
16 just stop you right there, because I do want
17 to look -- there was an exhibit that --

18 A. I believe it's Exhibit 8.

19 Q. Well, it's Tab 8, Exhibit --

20 A. Tab 8, yes.

21 Q. Exhibit 12393.

22 A. Yeah, I'm sorry, I was speaking
23 to that without turning to it.

24 Q. All right. Do you recall
25 discussing -- or testifying regarding the
00256:01 dis- -- discretionary cash flow figures in
02 this particular exhibit?

03 A. I do.

04 Q. If I can turn your attention,
05 please, to Slide 28.

06 A. Okay.

07 Q. Are these the cash flow figures
08 that you were testifying about before?

09 A. Yes.

10 Q. And I -- I think you told
11 Ms. Flickinger that the discretionary cash
12 flow from operations that is forecast for
13 2014 is \$8.8 billion, right?
14 A. That's correct.
15 Q. Is that -- does that include the
16 Tronox settlement?
17 A. It.
18 Q. When you say it includes it,
19 what do you mean, the cash that you're going
20 to use is included in that?
21 A. No, the cash that we expect to
22 be generated in our operations is actually a
23 number higher on this page, \$2.7 billion.
24 And so that \$8.8 billion includes the -- kind
25 of the theoretical effect that says if you
00257:01 didn't have to pay this settlement of
02 \$5.2 billion, then you would theoretically
03 have that cash discretionary and available to
04 you to reinvest in your operations.
05 When, in fact, actual cash that
06 we have available to invest in our operations
07 is a much lower amount, and in this case,
08 that's what the \$2.7 billion represents.

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00257:12 Q. All right. So you didn't mean
13 that despite Tronox, you expected to have 8.8
14 billion?
15 A. No. In fact, that would have
16 been incorrect if -- if I stated it that way.

Page 258:22 to 260:13

00258:22 Q. With respect to exploration that
23 Anadarko conducts, are all of its drilling
24 endeavors exploratory successes?
25 A. In exploration?
00259:01 Q. Yes.
02 A. No, they're not. True
03 exploration wells, a minority of them are
04 successful.
05 Q. I see. So if you don't need to
06 have an exploration success for a few years
07 in order to maintain your current growth
08 trajectory, does that mean that you don't
09 need to drill any more wells -- wells
10 whatsoever?
11 A. No, you still have to drill
12 wells or the concept that I described earlier
13 will kick in, that the company will shrink.
14 You know, we have -- what we've tried to do
15 is to explain to the market what our
16 production profile will look like; in other

17 words, what -- how much oil and gas we will
18 produce, so that they can run their models
19 and try to determine how the company's
20 financial performance will look -- what it'll
21 look like in the future.
22 If we -- if we don't have any
23 drilling success over that period of time, at
24 the end of that period of time, then we find
25 ourselves in this substantially or
00260:01 significantly depleting framework.
02 So over that period of time,
03 even though you're not using the -- the
04 drilling success to drive your production
05 growth, you're using that drilling success to
06 find new resources that then have their own
07 development timeline that can provide that
08 production replacement and, hopefully, grow
09 at points in time in the future.
10 Q. All right. I want to turn, if
11 you will, to the settlement agreement that
12 Anadarko entered into with BP. You testified
13 about that a little bit earlier today. I

Page 260:18 to 262:14

00260:18 Q. All right. And how much did
19 Anadarko pay under that settlement agreement?
20 A. Let me turn to the relevant part
21 of the document. I believe it was \$4 billion
22 in cash.
23 Q. Would that be under
24 Paragraph 3.1?
25 A. Let me look. I turned right
00261:01 past it. Yes.
02 Q. All right. And were there --
03 A. Yes, in cash Anadarko paid --
04 paid \$4 billion.
05 Q. All right. And was BP free to
06 use that \$4 billion any way it wanted?
07 A. BP was not. In fact, we
08 stipulated in the agreement and it's actually
09 on the same page, 0018795. It's Paragraph
10 3.4 below. We stipulated in the agreement
11 that -- that BP must use the cash payment to
12 pay the claims of persons whose injuries and
13 damages arise out of or relate to the
14 Deepwater Horizon incident.
15 Q. Now, you testified earlier that
16 the -- this -- this agreement released
17 Anadarko from claims by BP. You recall that?
18 A. I do.
19 Q. Aside from the \$4 billion that
20 BP received to pay as damages to those
21 injured by the spill, were there any other
22 benefits that you saw to BP?

23 A. I believe -- I believe there
24 were several, one of which that had a clear
25 value component associated with it was the
00262:01 transfer of Anadarko's ownership in that
02 lease to BP, which I believe in the agreement
03 is valued or was valued at over \$87 million.
04 And then, quite significantly, Anadarko also
05 released BP from the claims that Anadarko
06 held against BP.
07 Q. You mentioned in your earlier
08 testimony that Anadarko had a duty to
09 cooperate. Does that mean that it was not --
10 it is not allowed under any circumstances to
11 ever say, for instance, that BP was grossly
12 negligent?
13 A. No, it does not mean that.
14 Nothing precludes us. In -- in fact, the

Page 264:06 to 267:21

00264:06 You said that you understood the
07 Judge has issued a decision that says
08 Anadarko is strictly liable under the Clean
09 Water Act as a lease holder in the Macondo
10 252, right?
11 A. Correct.
12 Q. And you were asked whether once
13 that decision came out, you were aware of any
14 instance in which Anadarko has declined to
15 enter into an operating agreement as a
16 non-operator, and you said no, right?
17 A. That's correct.
18 Q. Now, didn't the threat of a
19 penalty at that point enter into Anadarko's
20 considerations, you know, effective
21 immediately with that decision?
22 A. The threat of a penalty in the
23 Macondo situation?
24 Q. Yes.
25 A. Ah, okay. No, it didn't enter
00265:01 into it. And, in fact, you know, I'm not
02 aware of any situation where a non-operator
03 has been subjected to a Clean Water Act
04 penalty.
05 And, accordingly, when we look
06 at -- at our -- our decision-making as a
07 non-operated party, we aren't looking -- we
08 haven't looked at our investment decisions
09 with that as -- as a possibility.
10 Q. All right. And would your
11 considerations change if, for instance, there
12 was a civil penalty imposed as high as I
13 think Ms. Flickinger said \$4.6 billion in
14 this proceeding?
15 A. That would most certainly

16 change.

17 Q. How so?

18 A. Well, if -- we analyze -- this
19 is building off of some of the things I said
20 previously, but we analyze decisions to
21 invest in properties based upon certain
22 expected risks and certain opportunities.
23 And to the extent as a non- -- non-operated
24 party, a passive investor in -- in a well or
25 in -- in any other asset, if -- if that means
00266:01 that you're subjected to actions that were
02 not your own and you're subjected to the
03 actions of third parties to the tune of, you
04 know, potentially billions of dollars, as --
05 as -- as she mentioned, that would -- that
06 would certainly have an impact on the -- on
07 the analysis, the investment analysis that we
08 undertake when we're trying to decide whether
09 or not to invest as a -- as a non-operated
10 party.

11 Moreover, to the extent that
12 such a penalty was assessed to a
13 non-operating party, it could very well
14 affect our position as an operator, because
15 as an operator, we are -- we are regularly
16 seeking to bring in partners into our
17 projects. And I would believe that -- I
18 don't think we're unique in our form of
19 investment analysis and risk assessment. And
20 I would believe that many of the parties that
21 may be available to us today to bring in as
22 non-operated partners in our projects, where
23 we're the operator, would -- would change
24 their view of the risk associated with Clean
25 Water Act penalties for non-operators.

00267:01 You know, in particular, several
02 of these -- of these investors, you know,
03 simply would not have the financial
04 wherewithal to -- to participate -- in my
05 opinion, to participate in the Gulf of Mexico
06 in the future, and I think that could
07 significantly change our role even as an
08 operator.

09 Q. And, in fact, you already have
10 paid billions of dollars, haven't you?

11 A. Well, we've paid \$4 billion plus
12 some other moneys in the aggregate and -- and
13 value in the aggregate. Certainly those
14 types of dollars were not a part of the
15 investment decision when we invested
16 passively in 252. And, yes, those -- that
17 situation absolutely has affected our thought
18 process. It makes us very focused on
19 partnering with the right companies and --
20 and on continuing to be predominantly an
21 operator in our activities around the world.

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00268:14 FURTHER EXAMINATION

15 BY MS. FLICKINGER:

16 Q. I'm just going to follow up on a
17 few things, Mr. Gwin.

18 A. Okay.

19 Q. If you could turn to
20 Exhibit 12393, which is the rating agency
21 update, which is Tab -- from May 29th, which
22 is Tab 8. Turn to Slide 24.

23 A. Okay.

24 Q. And -- and Ms. Kirby pointed out
25 that there was a figure for discretionary
00269:01 cash flow of 8.8 billion, and she pointed out
02 that that did not take into account the
03 Tronox costs, correct?

04 A. That's correct.

05 Q. So that the action -- so that
06 would have an impact on the available cash --
07 on the cash available to Anadarko in 2014,
08 correct?

09 A. Correct, the discretionary cash
10 flow number added back the payment to Tronox
11 to create the -- the discretionary cash flow
12 number.

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14
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21

22 Q. Okay. You mentioned that you
23 were concerned that it would be difficult --
24 more -- more difficult for Anadarko as an
25 operator to have non-operators join them in
00270:01 certain projects because of the concern over
02 Clean Water Act penalties; is that --

03 A. I believe that to be the case,
04 yes.

05 Q. Okay. Have you had any
06 communications with other non-operators who
07 have said, you know, we don't want to join
08 this because we're very concerned about Clean
09 Water Act penalties?

10 A. No, we haven't. The -- the
11 issue I believe that the -- those -- those
12 parties view this very much like we do now,
13 that there haven't been penalties against
14 non-operators for Clean Water Act -- for
15 Clean Water Act violations of the operator in

16 the past. And, accordingly, I don't believe
 17 it's part of their decision-making today. My
 18 comment was that prospectively, I would
 19 presume it will affect their investment
 20 decisions, as it would our own.

21 Q. Okay. But to date you haven't
 22 had any communications --

23 A. We have not.

24 Q. -- with non-operators about
 25 those concerns? Okay.

00271:01 And I think you also mentioned
 02 that, you know, you -- you've paid 4 billion
 03 already to BP and that has affected your
 04 thought process and so you've got --
 05 Anadarko, I'm kind of paraphrasing, has
 06 become very focused on partnering with the
 07 right companies?

08 A. Sure, certainly.

09 Q. Do you recall that testimony?

10 A. We've always been focused on
 11 partnering with the right companies.

12 Q. Yes.

13 A. But, of course, when you have
 14 something like a 4-billion-dollar payment
 15 that you make, then you -- you're I think
 16 wise to sit and be introspective about, you
 17 know, the decision you made and is there
 18 anything you would change in the future,
 19 decisions you would make in the future.

Page 272:01 to 272:10

00272:01 A. Sure. One of the things that
 02 we've spent time on is looking at our
 03 non-operating partners and understanding
 04 their access to capital and to insurance.
 05 And, you know, we've tried to, for lack of a
 06 better word, to redouble our efforts around
 07 the financial analysis associated with the
 08 companies that we partner with. But no
 09 formal actions as it relates to, you know,
 10 decisions made as to who we partner with.

Page 272:22 to 273:10

00272:22 Q. Okay. In -- in the instances
 23 where you are a non-operator, are there any
 24 additional measures that you take with
 25 respect to the operator?

00273:01 A. There -- there may be. I'm not
 02 involved in those decisions. That's -- those
 03 are decisions that are made, you know, in our
 04 operations group. They aren't financial
 05 decisions.

06 Q. Okay. Is that something that

07 Darrell Hollek would be able to speak to?
08 A. I would expect he could, yes.
09 MS. FLICKINGER: Okay. Thank you. I
10 have no more questions.

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

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

1 THE STATE OF LOUISIANA :
2 PARISH OF ORLEANS :

3 I, PHYLLIS WALTZ, a Certified Court Reporter,
4 Registered Professional Reporter, and
5 Certified Realtime Reporter in and for the
6 State of Louisiana, do hereby certify that
7 the facts as stated by me in the caption
8 hereto are true; that the above and foregoing
9 answers of the witness, ROBERT GWIN, to the
10 interrogatories as indicated were made before
11 me by the said witness after being first duly
12 sworn to testify the truth, and same were
13 reduced to typewriting under my direction;
14 that the above and foregoing deposition as
15 set forth in typewriting is a full, true, and
16 correct transcript of the proceedings had at
17 the time of taking of said deposition.

18 I further certify that I am not, in any
19 capacity, a regular employee of the party in
20 whose behalf this deposition is taken, nor in
21 the regular employ of his attorney; and I
22 certify that I am not interested in the
23 cause, nor of kin or counsel to either of the
24 parties.

25 GIVEN UNDER MY HAND AND SEAL OF OFFICE, on
this, the 18TH day of JULY, 2014.

Phyllis Waltz

PHYLLIS WALTZ, RMR, CRR
TEXAS CSR, TCRR NO. 6813
Expiration Date: 12/31/14
LOUISIANA CCR NO. 2011010
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1 I, ROBERT GWIN, have read the
 2 foregoing deposition and hereby affix my
 3 signature that same is true and correct,
 4 except as noted above.

5 
 6 ROBERT GWIN

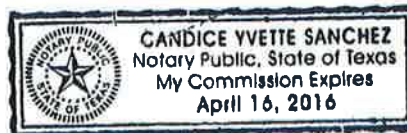
7 TEXAS
 8 STATE OF LOUISIANA)
 9 PARISH OF HARRIS)
 10 COUNTY

11 Before me, Candice Y. Sanchez
 12 on this day personally appeared ROBERT GWIN,
 13 known to me, or proved to me under oath or
 14 through _____) (description of
 15 identity card or other document)), to be the
 16 person whose name is subscribed to the
 17 foregoing instrument and acknowledged to me
 18 that they executed the same for the purposes
 19 and consideration therein expressed.

20 Given under my hand and seal of
 21 office on this, the 18 day of August,
 22 2014.

23 
 24 NOTARY PUBLIC IN AND FOR THE
 25 STATE OF LOUISIANA TEXAS

My Commission Expires: April 16, 2016



WITNESS CORRECTIONS AND SIGNATURE

ROBERT GWIN

JULY 11, 2014

Please indicate changes on this sheet of paper, giving the change, page number, line number and reason for the change. Please sign each page of changes.

PAGE/LINE	CORRECTION	REASON FOR CHANGE
14:19	"was -- remained" sb "remained"	clarification
20:4	"APC is" sb "APC's"	transcription error
22:12	"non-privilege" sb "non-privileged"	transcription error
27:22	"admit" sb "omit"	transcription error
28:10	"statement or" sb "statement of"	transcription error
38:7	"the management" sb "management"	clarification
40:8	"begins in" sb "begins with"	clarification
60:21	"well, follow-up" sb "well -- follow-up"	transcription error
61:3	"discoveries in" sb "discoveries and"	transcription error
72:3	"suspending" sb "spending"	transcription error
73:13	"amount is has" sb "amount is -- has"	transcription error
74:21	"that's are" sb "those are"	transcription error
77:3-4	"employees. We're" sb "employees -- we're"	transcription error
78:6	"company, so" sb "company so"	transcription error
81:17	"raise cap" sb "raise capital"	clarification
83:24	"had" sb "have"	transcription error
97:1	"the net were" sb "net or"	transcription error



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WITNESS CORRECTIONS AND SIGNATURE

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PAGE/LINE	CORRECTION	REASON FOR CHANGE
98:8	"matter" sb "metric"	transcription error
101:17	"strict prices" sb "strip prices"	transcription error
101:18	"you know," sb "you know, are"	transcription error
104:7	"relevant" sb "accurate"	clarification
108:7	"in offshore" sb "and offshore"	transcription error
128:24	"use the word" sb "I wouldn't use the word"	clarification
136:12	"about, carried" sb "about carried"	transcription error
143:22	"shear" sb "sheer"	transcription error
159:6	"productions" sb "projections"	transcription error
159:22	"or the future of" sb "for the future or"	clarification
199:3	"suffer" sb "sell for"	transcription error
202:1	"self cash" sb "sell to"	clarification
203:8	"Co." delete	transcription error
203:22	"shows a buy" sb "shows a value"	clarification
212:14	"is subset" sb "is a subset"	transcription error
228:1	"inherit" sb "inherent"	transcription error
231:10	"low" sb "below"	transcription error


 ROBERT GWIN

WITNESS CORRECTIONS AND SIGNATURE

ROBERT GWIN

JULY 11, 2014

Please indicate changes on this sheet of paper, giving the change, page number, line number and reason for the change. Please sign each page of changes.

PAGE/LINE	CORRECTION	REASON FOR CHANGE
249:16	"operating;" sb "operator;"	transcription error
253:22	"company has" sb "a company has"	transcription error
254:4	"we've" sb "as we've"	transcription error
254:6	"industry failure" sb "industry, failure"	transcription error
256:17	"It." sb "It does."	clarification


 ROBERT GWIN