

Deposition Testimony of:

Marshall Rose

Date: June 26, 2014

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Page 9:10 to 9:14

00009:10 Q. It's Dr. Rose?
11 A. Yes.
12 Q. Dr. Rose, can you state your name for the --
13 for the record, please.
14 A. Marshall Burgess Rose.

Page 10:17 to 12:06

00010:17 Q. Okay. You currently work for the Bureau of
18 Ocean Energy Management; is that correct?
19 A. Yes.
20 Q. And how do you pronounce it?
21 A. BOEM.
22 Q. BOEM, B-O-E-M, all caps, BOEM?
23 A. Yes.
24 Q. And what is your current position at BOEM?
25 A. I'm the Chief of the Economics Division there.
00011:01 Q. And we'll get back to that, but I want to turn
02 the clock back now and -- and have you tell us a little
03 bit about your educational background, starting with
04 college, please.
05 A. Okay. I went to Queens College in New York and
06 received a Bachelor of Science degree in accounting.
07 That was in 1963.
08 Subsequently, I came down to New Orleans
09 and attended Tulane University and received a -- a
10 Doctorate in economics in 1969.
11 Q. And after you left Tulane and got a PhD at
12 Tulane, what was your path, your career path, from
13 there?
14 A. From there, I took a position with a think tank
15 called the Center for Naval Analyses.
16 Q. Naval?
17 A. Naval Analyses, working on logistical problems
18 for the F4 aircraft, and worked there for four years.
19 Then in 1970, I took a position with the
20 Xerox Corporation as a systems analyst up in Rochester,
21 worked there for a couple of years.
22 In 1972, I learned about the formation of a
23 new Federal agency called the Environmental Protection
24 Agency. Came down and worked for Administrator
25 Ruckelshaus for four years.
00012:01 And then in 1975, I came to work in the
02 Office of the Secretary at the Department of the
03 Interior and have been there ever since.
04 Q. So you've really had various jobs within the
05 Department of Interior continuously since 1975?
06 A. Yes.

Page 12:12 to 12:12

00012:12 Q. (BY MR. LANGAN) So the next exhibit is 12147.

Page 13:04 to 13:10

00013:04 Q. And I -- and my question to you is: Does this
 05 accurately set forth, in your words, sort of your career
 06 path within the Department of the Interior?
 07 A. Yes.
 08 Q. And it's still an accurate description; is that
 09 right?
 10 A. Yes.

Page 14:10 to 15:03

00014:10 Q. And is it correct that, therefore, your
 11 Division reports to the Office of Strategic Resources
 12 Programs?
 13 A. Yes, that's correct.
 14 Q. What's -- what does the Office of Strategic
 15 Resources Programs do?
 16 A. We manage leasing on the Outer Continental
 17 Shelf and related responsibilities having to do with
 18 resource evaluation and economic analysis.
 19 Q. And that's -- so is it -- is it fair to say the
 20 Office of Strategic Resources Programs is primarily
 21 about leasing off the Outer -- Outer Continental Shelf
 22 in the Gulf of Mexico?
 23 A. No, no. Not just the Gulf of Mexico.
 24 Q. Where else?
 25 A. In Alaska as -- and -- well, I mean, in theory,
 00015:01 it -- it could involve, you know, other planning areas,
 02 but for this current five-year program, only the Gulf of
 03 Mexico and Alaska are involved.

Page 18:08 to 19:14

00018:08 Q. (BY MR. LANGAN) Okay. Dr. Rose, you
 09 understand you're being presented here today by the
 10 Department of Justice in the U.S. versus BP XP and
 11 Anadarko Clean Water Act civil penalty case, right?
 12 A. Yes, I do.
 13 Q. That's why you're here, right?
 14 A. Yes, I do.
 15 Q. And -- and you're here as a representative of
 16 the United States on certain topics, correct?
 17 A. Yes.
 18 Q. And you have an understanding about that?
 19 A. Yes.
 20 Q. Let's take a look at Tab 4, which has been
 21 previously marked as Exhibit 11889.
 22 Do you see that?
 23 A. Yes.
 24 Q. And then if you flip over to Pages 4 and 5 of
 25 Exhibit 11889, you will see Topics 9 and Topics 11.
 00019:01 Have -- have you seen those topics before?
 02 A. I'll need a clarification, when you say have I

03 seen those topics before.

04 Q. Right. Have you ever seen a writing that sets
05 forth the topics on which you're going to address?

06 A. You mean that address information related to
07 these topics?

08 Q. Correct.

09 A. Well, certainly 11, I have.

10 Q. And on 9, is it -- is it your understanding
11 you're here to talk about the Department of Interior's
12 analysis of the economic effect of the 2010 Moratorium?
13 You're here to talk about that, too?

14 A. Yes.

Page 19:23 to 20:08

00019:23 MR. ROBERS: Counsel, he's -- so the
24 witness has been designated to testify on Topic 11 in
25 its entirety.

00020:01 MR. LANGAN: Right.

02 MR. ROBERS: And on Topic 12 as to only the
03 Department of Interior analysis of the Moratorium --

04 MR. LANGAN: Don't you mean Topic 9?

05 MR. ROBERS: I'm sorry. Topic 9. I do
06 mean Topic -- Topic 9 only to the Department of
07 Interior's analysis of the Moratorium and Topic 11 in
08 its entirety.

Page 20:16 to 20:20

00020:16 Q. All right.

17 A. What I was trying to distinguish was the -- the
18 effects of the spill versus the effects the Moratoria.

19 Q. Correct. Two different things, right?

20 A. Yes, right.

Page 26:15 to 26:22

00026:15 Q. Well, let -- let me -- well, what was your
16 involvement -- let me ask this: What was your
17 involvement, if any, in the Drilling Moratorium before
18 Renee Orr contacted you about potentially giving
19 testimony in this proceeding?

20 A. The only role that we had was a request from
21 the Secretary's office that we evaluate the impacts of
22 the Moratoria after it had been promulgated.

Page 27:16 to 27:19

00027:16 Q. Okay. Thank you.

17 This was the Secretary of the Interior that
18 made this request?

19 A. This was his office.

Page 28:21 to 29:15

00028:21 Q. And, Dr. Rose, I think you told me earlier that
22 your role in this project was supervisory and review?
23 A. Correct.
24 Q. Okay. What was the end result? Was it a --
25 was it a written report or a draft report? What was the
00029:01 end result of this?
02 A. The end result was a written report.
03 Q. Okay. And -- and maybe they're in the notebook
04 here? I guess we'll find out, but, I mean, do -- can
05 you describe what that report looked like?
06 A. Sure. It -- it basically estimated the number
07 of -- of jobs that -- that we predicted would be
08 affected by the Moratoria, and calculated the potential
09 economic impacts to the region as a result of work not
10 being undertaken during the six-month period of the
11 anticipated length of the -- the drilling pause.
12 Q. All right. Did you have any other involvement
13 in the Moratorium other than what you've already
14 described?
15 A. Not that I can recall.

Page 30:09 to 31:11

00030:09 Q. Okay. We're going to come back to the details,
10 but focusing for a second on your part of Topic 9, can
11 you give me an overview about what you know about that?
12 I'm giving you a chance to give me a narrative, so go
13 for it.
14 A. Well, as I mentioned, we were asked to -- to
15 conduct a -- an assessment of what the potential effects
16 were of the Moratoria.
17 Q. Right.
18 A. And we undertook -- and there was a lot of
19 pressure to turn that around as -- as quickly as we
20 could.
21 We made an estimate of the number of
22 drilling rigs that were affected and the type of rigs
23 and -- and the estimated number of workers on those
24 rigs; and made some assumptions about how long the
25 Moratoria would last and how much those -- those workers
00031:01 got paid and what the costs were of -- of renting the
02 rigs and operating the rigs and -- and how much
03 production might have occurred if -- if the drilling
04 hadn't been precluded by the Moratoria; and then put all
05 that together in -- in a spreadsheet model and
06 calculated the overall direct effects of the Moratoria
07 on jobs, on income, and overall economic effects to the
08 region; and then made calculations of the indirect and
09 induced effects associated with -- with the initial
10 direct effects; and then provided that -- that -- a
11 draft of that paper to the Secretary's office.

Page 31:15 to 31:18

00031:15 Q. (BY MR. LANGAN) Was there ever a final version
16 of the report prepared?
17 A. There were subsequent versions of the report
18 prepared. I'm not aware of any final version.

Page 32:08 to 32:21

00032:08 Q. I'm sure we'll look at the documents, but
09 sitting here now, can you recite, in a narrative
10 fashion, what conclusions your office reached about the
11 effects of -- of the Moratorium?
12 A. Well, in -- in -- in retrospect, some of the
13 assumptions we made weren't entirely accurate relative
14 to what actually happened. And so the conclusions that
15 we made at the time, we thought, were -- were the best
16 that we can come up with. But in retrospect, the --
17 the -- those assumptions differed from what actually
18 happened.
19 Q. Not unusual in the -- in -- in the projection
20 business, right?
21 A. Right.

Page 33:04 to 34:01

00033:04 Q. (BY MR. LANGAN) And can you elaborate a little
05 bit more on sort of how the assumptions that you made
06 back in 2010 and I guess -- was it 2010 and early 2011?
07 A. Yes, that's correct.
08 Q. Okay. How they differ from the reality that
09 actually occurred, can you elaborate a little bit on
10 that?
11 A. Sure. Some of the -- the main differences were
12 in reviewing the -- the report in hindsight, we noticed
13 that -- we assumed that all of the fixed platforms would
14 be affected by the Moratoria, when, in fact, it -- it --
15 that wasn't the case. The fixed platforms weren't
16 affected. So we had an overestimate of the number of
17 rigs that were affected by the Moratoria.
18 Also, we assumed that all of the workers
19 would be laid off, when, in fact, it turns out that that
20 wasn't the case. Okay. A lot of workers retained their
21 jobs. So there was, again, an overestimate of -- of the
22 economic impacts based on that assumption.
23 Q. Again, I don't want to oversimplify this, but
24 is it fair to say that with the benefit of hindsight,
25 the effects of the Moratorium were not as negative as
00034:01 might have been initially feared?

Page 34:11 to 34:21

00034:11 A. In my opinion, the -- the work -- there were
12 other offsetting assumptions that we made to reflect

13 this sort of uncertainty, so that our estimate initially
14 was conservative to begin with.

15 Q. (BY MR. LANGAN) Okay.

16 A. Okay. And so to -- to say that the -- the
17 overall effects were -- were excessive may be
18 overstating the -- the case, because I had pointed out a
19 couple of assumptions that we made that weren't
20 accurate, but there were other assumptions we made which
21 were fairly conservative, which tended to offset that.

Page 37:24 to 38:07

00037:24 Q. Have you ever read -- read Exhibit 11888?

25 A. Yes.

00038:01 Q. I guess we'll come back to that.

02 But did -- did you read it in preparation
03 for your testimony today?

04 A. Yes.

05 Q. Okay. And you'd read it prior to that, as
06 well?

07 A. Yes.

Page 40:03 to 41:07

00040:03 I want to come back to my original

04 question, which was: Documents your office created that
05 were responsive to the Office of the Secretary's request
06 to create a Drilling Pause Economic Analysis. You know
07 what I'm talking about?

08 A. Yeah.

09 Q. Okay. So we have Exhibit 12150, right?

10 A. Yes.

11 Q. We have the one you've just talked about, which
12 was -- that had the drilling pause effect, as well as
13 the effect of the new regulations, right?

14 A. Yes.

15 Q. Any others?

16 A. Not that I can recall.

17 Q. So the -- it's really those two?

18 A. Right. But even the second one, like I said,
19 it simply took the -- the -- the results of this study
20 and added it to a new question that was added.

21 Q. Okay.

22 A. That wasn't directly related to the Moratoria.

23 Q. Fair -- fair enough. Okay.

24 So I'm just trying to make sure I have in
25 my mind the universe of work product --

00041:01 A. Right.

02 Q. -- from the Department of Economics -- Division
03 of Economics --

04 A. Division.

05 Q. -- responsive to the Secretary's request.

06 Have you now described them all?

07 A. As best as I can recall, yes.

Page 41:21 to 43:21

00041:21 Q. Okay. How many different drafts were sent on
22 to the Secretary's office?
23 A. I -- I don't know.
24 Q. Was Exhibit 12150 sent on to the Secretary's
25 office?
00042:01 A. I don't know.
02 Q. Do you know whether the version which is part
03 of Exhibit 12151 -- was that sent on to the Secretary's
04 office?
05 A. I don't know.
06 Q. Well, you know one was, at least one?
07 A. Certainly.
08 MR. ROBERS: Object to form.
09 Q. (BY MR. LANGAN) How many versions --
10 A. Oh --
11 Q. I'm sorry.
12 A. Yeah. Go ahead.
13 Q. How many versions of the --
14 A. I -- I mean, I -- I can't -- I can't be sure.
15 I mean, I -- I can't certify, you know, what was sent.
16 I mean, I --
17 Q. Well, who sent them?
18 A. We sent it -- sent it up the -- the chain of
19 command.
20 Q. Ah.
21 A. And, you know, actually, you know, one can
22 presume that, you know, it goes to the requester, but I
23 can't be sure of that.
24 Q. I'm forgetting your boss's name. Renee --
25 A. Renee Orr.
00043:01 Q. Renee Orr. Okay. So how many versions did you
02 send to her?
03 A. Well, she wasn't the -- in this particular
04 exercise, as I mentioned, there was a staff person
05 working for the Secretary's office that was involved in
06 this.
07 Q. And who was that?
08 A. That was a person named Brian Srenar.
09 Q. How do you spell it?
10 A. S-c-r-e-n-n-a-r [sic].
11 Q. Uh-huh.
12 A. That's as best I can recall. I'm not -- not
13 100 percent sure of the spelling.
14 Q. Okay. And were you interacting with Brian --
15 A. Yes.
16 Q. -- on this project?
17 A. Yes.
18 Q. Did you send Brian drafts?
19 A. Yes.
20 Q. How many drafts did you send Brian?
21 A. Maybe three.

Page 44:08 to 44:23

00044:08 Q. Dr. Rose, when we started this conversation, I
 09 remember you told me that when you were asked to take
 10 this project on, I think your words were, there was a
 11 lot of pressure about this. You recall that?
 12 A. Yes.
 13 Q. Can you expand on that? What do you mean by a
 14 lot of pressure?
 15 A. There was a time pressure to get these
 16 estimates done quickly.
 17 Q. And did you have an impression as to why there
 18 was such time pressure? Was there a political interest
 19 in this?
 20 A. Certainly.
 21 Q. Explain that. What kind of political interest?
 22 It may be fairly obvious to everyone in the room, but I
 23 need you to say it.

Page 44:25 to 45:11

00044:25 A. Well, in my -- in my opinion, there were a lot
 00045:01 of questions being posed at the Secret- -- to the
 02 Secretary by the press, by other politicians about the
 03 costs of the Moratorium and the adverse effects it might
 04 have on the economy in the -- in the Gulf Coast.
 05 And he was being pressured to identify his
 06 understanding of -- of what those impacts were likely to
 07 be.
 08 Q. (BY MR. LANGAN) Okay. And did you get any
 09 sense from the Secretary's office, either from Brian or
 10 whomever, about what the expectations were about what
 11 the answers were going to be?

Page 45:13 to 45:13

00045:13 A. Never.

Page 45:16 to 45:17

00045:16 So you were given free rein to give your
 17 best shot; is that correct?

Page 45:19 to 45:22

00045:19 A. Yes.
 20 Q. (BY MR. LANGAN) To provide -- to provide
 21 professional judgement and come up with the best answer
 22 you could, right?

Page 45:24 to 45:24

00045:24 A. Yes.

Page 47:20 to 47:23

00047:20 Q. Okay. Dr. Rose, when questions would come in
21 from or through Brian, were you left with an impression
22 that the people asking the questions were hoping the
23 numbers would be lower or higher, or did it depend?

Page 47:25 to 48:05

00047:25 A. There was no hint that -- that they wanted the
00048:01 numbers to come out one way or the other, just that --
02 that they wanted them to be defensible.
03 Q. (BY MR. LANGAN) So they were just, as often
04 happened, sort of pressure testing your analysis, if you
05 will?

Page 48:07 to 48:08

00048:07 A. I -- I wouldn't say they were press- --
08 pressure testing the analysis.

Page 48:10 to 48:14

00048:10 A. They were just questioning certain assumptions
11 and making sure that -- that we were doing the best
12 analysis that we could, and that the analysis would
13 withstand the scrutiny of those who would be reviewing
14 it.

Page 49:17 to 50:10

00049:17 Q. Do you have anything else to add to my question
18 to you to tell me what you know about your portion of
19 Topic 9?
20 A. Just that when we undertook this -- this
21 analysis, we had no idea that it would have as much
22 scrutiny as apparently it -- it did. The sense I had
23 was this was almost in the nature of a -- just some
24 information that would -- would be used informally by
25 the Secretary's office; that it wasn't a legal document,
00050:01 where -- where we would be, perhaps, a little bit more
02 careful and spend more time, which we didn't have, to --
03 to -- to validate the assumptions and become more
04 expert, which we weren't, about rigs and employment on
05 these rigs and so on.
06 So we viewed this as sort of a first cut,
07 give us a rough estimate of what the effects might be,
08 order of magnitude kind of effects, rather than a
09 precise, rigorous estimate that might be used for legal
10 purposes.

Page 50:13 to 51:12

00050:13 Q. Thank you. I just want to make sure I
14 understand.
15 When you -- what kind of scrutiny are you
16 talking about? This deposition or something else?
17 A. This deposition.
18 Q. Anything else besides that? In other words,
19 was there scrutiny from Capitol Hill or the media or the
20 Secretary's office or any other source about this?
21 A. No, because I wouldn't think those sorts of
22 interests would be that concerned about precise issues
23 of counts of rigs and the precise number of workers
24 and -- and things like that.
25 That -- you know, rough estimates of, you
00051:01 know, what the impacts would be might be would be
02 sufficient to answer questions like that.
03 Q. Okay. So do I understand you to be saying that
04 it was never your understanding, back in the Summer of
05 2010, that the analysis that was done at the Secretary's
06 request would somehow become an issue in civil
07 litigation?
08 A. Right.
09 Q. Is that fair?
10 A. Yes.
11 Q. And if you had known that, you sure would have
12 liked to have had more time?

Page 51:16 to 51:17

00051:16 A. Well, I -- I would have perhaps spent more of
17 my time on this issue.

Page 51:22 to 51:25

00051:22 Okay. And so had I known the legal
23 ramifications and implications, I might have spent more
24 of my time focusing on -- on this particular effort
25 compared to distributing it as I did.

Page 52:08 to 53:03

00052:08 Now, Dr. Rose, I'll represent to you that
09 Tab 5 has been previously marked as Exhibit 11890, and
10 it is a copy of a document called the United States'
11 First Supplemental Response to the Defendants' First Set
12 of Discovery Requests to the United States of America
13 Relating to the Clean Water Act Penalty Phase.
14 Do you see that?
15 A. Yes.
16 Q. My first question is: Have you ever seen this
17 document before?
18 A. No, not that I recall.
19 Q. Okay. With that in mind, is it fair to say

20 that you're -- you're not the author of this document or
 21 any portion of it, as far as you know?
 22 A. As far as I know.
 23 Q. And you've never commented on it, as far as you
 24 know; is that correct?
 25 I'm going to direct you to a page or two,
 00053:01 but, I mean, just in general, you just don't recognize
 02 it at all; is that fair?
 03 A. That's fair.

Page 53:12 to 54:07

00053:12 Q. And, again, for the record, we're looking at
 13 Exhibit 11890.
 14 Now, Question 6 in this exhibit asks a
 15 bunch of things, but it does ask about analyses,
 16 studies, assessments, or evaluations regarding the
 17 nature, extent, or degree of effectiveness of the
 18 efforts to respond to or otherwise mitigate, minimize,
 19 prevent any environmental health, human health,
 20 economic, or other effects of the DEEPWATER HORIZON
 21 spill.
 22 And it says some other things, but that's
 23 the -- the thrust of it.
 24 Do you see that?
 25 A. Yes.
 00054:01 Q. All right. Over on Page 61 and 62, there's a
 02 supplemental response of the United States.
 03 Do you see that?
 04 A. The middle of the page?
 05 Q. Yes, at Page 61. And that has some bullet
 06 points with a bunch of documents listed that go -- goes
 07 over onto Page 62.

Page 54:13 to 54:16

00054:13 Q. My question for you is: Do any of the listed
 14 documents here, in your view, bear any relevance to the
 15 portion of Topic 9 you're here to testify about today?
 16 A. It doesn't appear so.

Page 66:12 to 66:20

00066:12 Q. (BY MR. LANGAN) Okay. Let's go to Tab 8 and
 13 mark this as 12155, Exhibit 12155.
 14 (Exhibit No. 12155 Marked.)
 15 Q. (BY MR. LANGAN) Have you ever seen this
 16 one-page document, Exhibit 12155, before?
 17 A. No.
 18 Q. Did the Secretary of the Interior direct the
 19 MMS, in May of 2010, to impose a six-month Moratorium on
 20 deep water drilling --

Page 66:22 to 66:24

00066:22 Q. (BY MR. LANGAN) -- in the GoM and Pacific
23 regions of the United States and to halt related
24 permitting?

Page 67:01 to 67:01

00067:01 A. I don't have any knowledge on that.

Page 67:11 to 67:15

00067:11 Q. Okay. Earlier, Dr. Rose, you talked about the
12 fact that the precise scope of the Drilling Moratorium
13 may have changed from time to time and had different
14 definitional aspects.
15 A. Yes.

Page 67:18 to 68:02

00067:18 Q. Okay. Sitting here now, can you give me those
19 details, or do you need to look at documents to talk
20 about those?
21 A. Yeah. I'm not that -- that familiar with all
22 the details. I just recall that the -- the scope was --
23 of the original Moratoria was fairly broad, and as I
24 mentioned, we were sued.
25 Q. Yeah.
00068:01 A. And the Secretary narrowed the scope of -- of
02 the Moratoria.

Page 68:08 to 68:17

00068:08 Q. (BY MR. LANGAN) Let me first ask you,
09 Dr. Rose: Have you ever seen Exhibit 12156 before, this
10 July 12, 2010, memorandum from the Secretary of the
11 Interior, decision?
12 A. No, I've never seen this had before.
13 Q. Did you ever see the -- the document, which
14 was, if you will, the second Moratorium Directive from
15 the Secretary of the Interior? You've never seen that
16 before?
17 A. No.

Page 74:22 to 74:23

00074:22 Q. (BY MR. LANGAN) Well, wasn't there an
23 injunction against the Moratorium? Do you recall that?

Page 74:25 to 75:02

00074:25 A. I remember there was a suit, and then, yes, I

00075:01 believe the court ruled in favor of plaintiffs in -- in
02 that situation.

Page 75:06 to 75:15

00075:06 Q. (BY MR. LANGAN) I'll represent to you that
07 Tab 10, Exhibit 12158, is an Order and then an -- a
08 document called Order & Reasons from Judge Feldman in
09 the United States District Court with the Eastern
10 District of Louisiana, in the Hornbeck case, which is
11 the injunction against the first Moratorium.
12 Have you ever seen this document before?
13 A. No.
14 Q. How did you learn that there had been an
15 injunction against the first Moratorium?

Page 75:17 to 75:18

00075:17 A. I don't recall. Probably reading about it in
18 the newspaper.

Page 76:22 to 76:23

00076:22 Q. All right. Do you know when the Macondo Well
23 was capped?

Page 76:25 to 76:25

00076:25 A. No, I don't know the exact date.

Page 77:08 to 77:13

00077:08 Q. (BY MR. LANGAN) Was it, in fact, capped, as
09 far as you know, or is it still flowing today?
10 A. No. It's not still flowing, but it's not
11 because of the cap.
12 Q. And do you know when the well was permanently
13 sealed?

Page 77:15 to 77:18

00077:15 A. No, I don't know the date of it.
16 Q. (BY MR. LANGAN) Did both those events, the
17 capping and the permanent sealing, occur in 2010? Do
18 you know that much?

Page 77:20 to 77:20

00077:20 A. I'm not 100 percent sure of that.

Page 84:24 to 85:03

00084:24 Q. Okay. Is it fair to say that no work was done
25 by your group on the economic analysis of the Drilling
00085:01 Moratorium before Secretary Salazar had announced there
02 would be one?
03 A. It's my recollection that that's true.

Page 91:08 to 91:10

00091:08 Q. Was the -- Exhibit 12150, the June 10th report,
09 intended to be a final version?
10 A. No.

Page 91:23 to 92:01

00091:23 Q. Okay. But you believe that what we see here as
24 12150 was forwarded up the chain of command, I think you
25 put it?
00092:01 A. Oh, yes.

Page 93:20 to 94:05

00093:20 Q. So -- so, Dr. Rose, when you were giving me
21 your earlier testimony about the topic of DOI analysis
22 of the economic effect of the Moratorium, you made some
23 comments about assumptions that were made that with the
24 benefit of hindsight -- which we all wish we had,
25 always -- that you might have done a little bit
00094:01 differently if you had -- if you'd known, right?
02 Now that we have the document in front of
03 us, are you able to provide examples of -- of things in
04 the document here that, with the benefit of hindsight,
05 you wish you might have done differently?

Page 94:07 to 94:12

00094:07 A. Well, in -- in my opinion, I think that we
08 probably mischaracterized the -- the number of platforms
09 that were affected by the -- the second Moratorium as
10 including platform rigs, as opposed to just the
11 semi-submersibles and drill ships. So that would have
12 reduced the count by -- by ten.

Page 94:24 to 95:08

00094:24 Q. Do you recall making any changes to your
25 Division's work, an early draft -- or the June 10th
00095:01 draft we see as Exhibit 12150, as a result of the
02 parameters of the second Moratorium Directive from
03 Secretary Salazar?
04 A. No, I don't -- I don't recall. We went on to
05 other things after we completed this -- this work, and
06 I -- I don't recall making that adjustment --

07 Q. Okay.
08 A. -- for the second Moratoria.

Page 96:14 to 96:20

00096:14 Q. Dr. Rose, I -- I'm afraid I interrupted you
15 when you were answering my earlier question about, with
16 Exhibit 12150 in front of you, expanding upon or giving
17 details around the concept of what assumptions you now,
18 with the benefit of hindsight, might have approached
19 differently or -- or -- or written differently, now that
20 you know.

Page 96:22 to 96:22

00096:22 Q. (BY MR. LANGAN) Any others?

Page 96:24 to 97:03

00096:24 A. Well, in my opinion, had we known that the
25 workers -- not all of the workers would be laid off --
00097:01 Q. (BY MR. LANGAN) Uh-huh.
02 A. -- we may -- may have made some additional
03 modifications in the anticipated economic impacts.

Page 103:06 to 104:18

00103:06 Q. (BY MR. LANGAN) Dr. Rose, let's go back to
07 Exhibit 12151, which is Tab 16.
08 So I want to focus now on the e-mail
09 traffic from July, 2010 which precedes the attachment of
10 the "Effects of Drilling Pause for 6 Months" report that
11 your office prepared.
12 A. You mean July 29th?
13 Q. Yeah, July 29th and 30th, 2010.
14 Do you see those e-mails?
15 A. Yes.
16 Q. I -- I know you're not copied on any of these
17 e-mails; is that -- is that correct?
18 A. Yes.
19 Q. Is anyone from your office copied on any of
20 these e-mails? You may have to flip to Page 2. Just
21 take your time.
22 A. I don't see anybody from my staff copied on
23 these e-mails.
24 Q. So do you recognize any of the names, Richard
25 Alt? Krishna Pillow? Lindsey Grandburn -- Grayburn?
00104:01 Tiffany Hicks? Any of those names? Do you recognize
02 any of them?
03 A. I don't.
04 Q. It's a big government.
05 A. Right. But usually I'd recognize some of them,
06 but I don't recognize any of those people.

07 Q. How about Jully, Ju- -- J-u-l-l-y, McWilliams?
 08 A. Yes. I recognize her.
 09 Q. Who is Jully McWilliams?
 10 A. She is a -- an employee of the Bureau, and she
 11 originally came to the Bureau -- and, in fact, I hired
 12 her.
 13 Q. You hired her?
 14 A. Yes.
 15 Q. I'm sorry. Since it's not second nature, can
 16 you tell me what "the Bureau" is.
 17 A. Oh, the -- the Bureau of Ocean Energy
 18 Management.

Page 104:24 to 105:02

00104:24 Q. Very good. And what was Jully McWilliams'
 25 function in July of 2010?
 00105:01 A. I believe she was working as a staff person
 02 for -- in the Office of the Assistant Secretary.

Page 106:01 to 106:09

00106:01 Q. Dr. Rose, you will see that in one of the
 02 e-mails, Mr. Alt refers to the fact that -- in his
 03 e-mail on July 29th, "Once this is finalized with WH."
 04 That's the White House, right?
 05 A. Yes.
 06 Q. Were you aware that at least some people in the
 07 government thought that your work, your staff's work, on
 08 "Effects of Drilling Pause for 6 Months" was going to be
 09 subject to finalization with the White House?

Page 106:11 to 106:20

00106:11 A. I don't believe we were aware of that, no.
 12 Q. (BY MR. LANGAN) Did you have -- ever have any
 13 discussions with anybody about the White House having
 14 some role in evaluating the "Effect of the Drilling
 15 Pause for 6 Months" study that your office had done?
 16 A. No. I don't recall anything like that.
 17 Q. Did you talk about that with Brian at any time?
 18 A. Well, I knew he was the liaison to the White
 19 House, but we didn't talk about what he planned to do
 20 with the -- the work that we gave him.

Page 108:08 to 108:17

00108:08 Q. No. I meant the second sentence.
 09 A. Oh, okay. "This is a preliminary estimate as
 10 of June, 2010, from DOE -- DOI/BOEM."
 11 Q. And -- and Jully goes on to say, "The Drilling
 12 Moratorium referenced is the original one, not the
 13 revised Moratorium."

14 Do you see that?
15 A. Yes.
16 Q. Was that a true statement?
17 A. Yes.

Page 108:19 to 108:21

00108:19 You never really updated, and Sarah never
20 updated, the Effects of the Drilling Pause Analysis to
21 take account of the second Moratorium parameters, right?

Page 108:23 to 109:02

00108:23 A. I do not recall updating the analysis in the --
24 in the same form that was presented in these papers.
25 Q. (BY MR. LANGAN) Okay. How about any other
00109:01 form?
02 A. I -- I can't recall any other form either.

Page 110:01 to 110:04

00110:01 Q. (BY MR. LANGAN) Did you ever have any
02 interactions with the Economic Solutions Team of the
03 National Incident Command?
04 A. I did not.

Page 112:13 to 112:16

00112:13 Q. Okay. Doc- -- Dr. Rose, would you agree with
14 me that the work done by Sarah and your staff was
15 essentially or substantially complete as of June 10,
16 2010, on this project?

Page 112:18 to 113:01

00112:18 A. What exactly do you mean by "complete"?
19 Q. (BY MR. LANGAN) Well, substantially complete.
20 In other words, you know, the vast majority
21 of the analysis was complete by June 10, 2010, and what
22 happened thereafter were minor corrections or minor
23 modifications.
24 A. There were some modifications subsequently that
25 appear to be relatively small compared to the existing
00113:01 document generated on June 10th.

Page 113:15 to 113:23

00113:15 Q. (BY MR. LANGAN) Are there any other documents,
16 besides the exhibits we've marked here today, that are
17 work product from the work done by your staff regarding
18 the "Effects of the Drilling Pause for 6 Months," or
19 have we now seen them all?

20 A. You've seen as many as I've seen.
21 Q. You're not aware of any -- any others; is that
22 correct?
23 A. That's correct.

Page 117:09 to 118:01

00117:09 Q. (BY MR. LANGAN) Let's turn, if we could, to
10 the second page of Exhibit 11888.
11 And in the third full paragraph in the
12 Executive Summary there, there's a sentence that -- that
13 says this: "Based on conversations with a number of rig
14 operators, along with other publicly-available
15 information, we estimate that during the six-month
16 period of the Moratorium, average employment of rig
17 workers in the Gulf of Mexico fell by about 2,000."
18 Do you see that?
19 A. I do.
20 Q. Is that consistent or inconsistent with the
21 conclusion that your group had reached?
22 A. Inconsistent.
23 Q. How so?
24 A. It's quite a bit less than the -- the numbers
25 that we came up with.
00118:01 Q. Do you have an understanding of why that is so?

Page 118:03 to 118:03

00118:03 A. Yes.

Page 118:05 to 118:05

00118:05 Q. (BY MR. LANGAN) What is your understanding?

Page 118:07 to 118:15

00118:07 A. My understanding is that -- and I had mentioned
08 this earlier --
09 Q. (BY MR. LANGAN) Yes.
10 A. -- that -- that we had assumed that all of the
11 workers would be idle as a result of the Moratorium.
12 And this study, which was done many months later,
13 basically incorporated the assumption that not all of
14 the workers, in fact, would be idle, and made its
15 calculations based on those that were actually idle.

Page 120:07 to 120:12

00120:07 Q. Have you seen any analysis of the fate of
08 the -- of the workers that lost their job, if any, due
09 to the Moratorium, what they might -- what -- what other
10 tasks they might have done? Have you seen any analysis
11 of that?

12 A. I have not.

Page 120:14 to 120:16

00120:14 Q. (BY MR. LANGAN) Is it possible that some of
15 those rig workers took on other employment, such as in
16 the spill response itself?

Page 120:18 to 120:24

00120:18 A. I -- I don't know about -- whether they did or
19 not.
20 Q. (BY MR. LANGAN) Have you seen any suggestion
21 in any studies that you've seen that, in fact, the spill
22 response itself, and the employment of people in the
23 spill response itself, may have mitigated the economic
24 effect from the Moratorium?

Page 121:01 to 121:03

00121:01 A. I've seen comments to that effect.
02 Q. (BY MR. LANGAN) Where -- where have you seen
03 those?

Page 121:05 to 121:07

00121:05 A. Perhaps in this first study.
06 Q. (BY MR. LANGAN) Do you think that line of
07 thinking has validity?

Page 121:09 to 121:10

00121:09 A. I think -- I think it's misleading.
10 Q. (BY MR. LANGAN) How so?

Page 121:12 to 121:22

00121:12 A. It's equating sort of national benefits of
13 having a job and generating drilling and oil and gas
14 production with a job that cleans up an oil spill.
15 Q. (BY MR. LANGAN) Uh-huh.
16 A. And, you know, one is -- is basically a -- a
17 remedial action to try to restore the status quo, and
18 the other is basically an incremental improvement in the
19 country's wealth.
20 So it's true that you're substituting one
21 job for another, but the value of that job is -- is --
22 is not comparable.

Page 124:06 to 124:09

00124:06 Q. (BY MR. LANGAN) In other words, no discernable
07 effect on oil price -- oil prices as a result of the
08 Moratorium, right?
09 A. Right.

Page 128:02 to 128:04

00128:02 Q. Are you aware of what the actual experience was
03 in the real world, now with the benefit of hindsight,
04 about production?

Page 128:06 to 128:09

00128:06 A. I don't think we've made precise calculations
07 about what the -- the effects are.
08 Q. (BY MR. LANGAN) How about generally, general
09 calculations?

Page 128:11 to 128:14

00128:11 A. I'm not aware of -- of having done that.
12 Q. (BY MR. LANGAN) You don't have a conclusion
13 of -- in that regard about what the effects on
14 production really were from the Moratorium?

Page 128:16 to 128:16

00128:16 A. No, I don't.

Page 128:24 to 129:08

00128:24 Q. There's a sentence in the middle of that
25 paragraph that says -- and I'm quoting now -- "Because
00129:01 production is delayed rather than permanently foregone,
02 the value of near-term production losses is likely to
03 significantly overstate impacts on the present value of
04 cumulative future Gulf of Mexico deepwater production."
05 Do you see that?
06 A. Yes.
07 Q. Is that consistent with your role and
08 understanding?

Page 129:10 to 129:11

00129:10 A. Certainly.
11 Q. (BY MR. LANGAN) So you agree with this?

Page 129:13 to 129:13

00129:13 A. Yes, I do.

Page 130:08 to 130:12

00130:08 Q. Yeah. I -- I gather, Dr. Rose, that you really
09 spend a large portion of your professional time managing
10 the leasing operations and bidding and lease sales and
11 that sort of thing? Do I have that right?
12 A. Correct.

Page 130:20 to 130:21

00130:20 Q. So looking at Exhibit 12152, can we flip over
21 to Page 116 and 117, please.

Page 130:25 to 131:03

00130:25 Q. So I'm going to really focus on the first
00131:01 bullet point on Page 117.
02 Do you see where it says "BOEMRE's estimate
03 of loss spending"?

Page 131:05 to 131:21

00131:05 A. Yes.
06 Q. (BY MR. LANGAN) Do you -- do you see that?
07 A. Yes, I do.
08 Q. Did you have any involvement, to your
09 knowledge, or your group have any involvement in that
10 estimate referred to here?
11 A. My staff may have had some involvement in that.
12 Q. Okay. Are -- are you familiar with that
13 calculation? Did you sign is off on it or anything like
14 that?
15 A. No, I don't -- I -- I don't recall.
16 Q. Can we go to Tab 19, please, which is
17 Exhibit 11923. I guess it has been previously marked in
18 another deposition recently.
19 Have you seen this document from the
20 Department of the Interior before?
21 A. No.

Page 131:23 to 132:01

00131:23 Q. (BY MR. LANGAN) So I gather that this document
24 played no role in your preparing to testify today; is
25 that right?
00132:01 A. No.

Page 133:21 to 133:25

00133:21 Q. Do you see the sentence that says, "Within the
22 industry, the fear of large scale layoffs was never
23 realized"?
24 A. I do.

25 Q. Do you believe that's accurate?

Page 134:02 to 134:10

00134:02 A. I don't have firsthand knowledge of that. I've
 03 read -- I've read that as it relates to employees on --
 04 on -- on rigs, but as far as the industry as a whole, I
 05 don't know.
 06 Q. (BY MR. LANGAN) Did you do any study of the
 07 effect of the rig compensation -- worker -- rig worker
 08 compensation fund that BP set up in the aftermath of the
 09 Macondo incident?
 10 A. No.

Page 134:20 to 135:11

00134:20 Page 26 of Exhibit 11923, do you see the
 21 summary?
 22 A. I do.
 23 Q. The first sentence of the summary says, Dr.
 24 Rose, "The offshore oil and gas industry in the Gulf of
 25 Mexico had entered a downturn prior to the DEEPWATER
 00135:01 HORIZON rig explosion. At the same time, the activity
 02 was expanding to the offshore oil and gas fields in the
 03 U.S. including Northern Louisiana, Texas, North Dakota,
 04 and Pennsylvania, as well as offshore fields off the
 05 coast of countries including China, Africa, Brazil, and
 06 the Middle East.
 07 "As a result, it is difficult to
 08 distinguish the effects of the DEEPWATER HORIZON
 09 disaster and its aftermath from other changes taking
 10 place within the petroleum industry."
 11 Do you agree with those statements?

Page 135:13 to 135:15

00135:13 A. No, I don't agree with those statements.
 14 Q. (BY MR. LANGAN) What part don't you agree
 15 with?

Page 135:17 to 135:20

00135:17 A. In my opinion, the evidence about a downturn
 18 in -- in the offshore oil and gas industry was
 19 problematic.
 20 Q. (BY MR. LANGAN) How do you mean?

Page 135:22 to 136:09

00135:22 A. There is growing activity in deepwater. It's
 23 true that there has been declining activity in shallow
 24 water, which accelerated around the time of the spill.
 25 It's -- gas production, for example, which is mostly a

00136:01 shallow water activity, has declined substantially since
 02 the spill.
 03 Whether the spill contributed to that or --
 04 or some other factors, but to imply that -- that there
 05 would have been a significant downturn absent the spill
 06 is speculative, in my -- in my judgment.
 07 Q. (BY MR. LANGAN) So what were the other factors
 08 you referred to that might conceivably account for a
 09 downturn in gas production?

Page 136:11 to 136:19

00136:11 A. The fact that gas prices have been -- were low,
 12 and a lot of the -- the large discoveries appeared to be
 13 in shallow water, and they had been exploited.
 14 Q. (BY MR. LANGAN) Just to follow up: Can you --
 15 I'm sure we can look it up, but can you give me your
 16 understanding generally about the decline in gas prices?
 17 A. Uh-huh.
 18 Q. Natural gas, I guess we're talking about,
 19 right?

Page 136:21 to 137:11

00136:21 A. Yes. Yes. Probably up until about 2008, 2009,
 22 gas prices had risen up to, perhaps, anywhere from six
 23 to eight dollars per MCF and --
 24 Q. (BY MR. LANGAN) Million cubic feet, as I
 25 recall?
 00137:01 A. A thousand cubic feet.
 02 Q. A thousand cubic feet.
 03 A. Right.
 04 Q. MCF.
 05 A. MCF.
 06 Q. Got it. Okay.
 07 A. Yes. And then -- then started to decline and
 08 declined to under two dollars -- two -- three dollars
 09 per MCF. And over the last year and a half or so, it's
 10 actually recovered up to perhaps anywhere -- in the low
 11 four dollars per MCF.

Page 137:19 to 137:22

00137:19 Q. (BY MR. LANGAN) Would you have expected, as an
 20 economist, that the decline in natural gas prices would
 21 have led to less economic activity in the production
 22 area?

Page 137:24 to 138:02

00137:24 A. Yes, I would have.
 25 Q. (BY MR. LANGAN) And that's a fairly commonly
 00138:01 understood phenomenon, right, in the industry, that the

02 decline in natural gas prices has had an effect?

Page 138:04 to 138:12

00138:04 A. To some extent, but the lead times are so long
 05 offshore, that it -- it would have to take more than --
 06 than just a temporary change in prices.
 07 It would have to take more of a
 08 long-lasting event for investment and ultimately
 09 production to decline.
 10 Q. (BY MR. LANGAN) Okay. But in any event,
 11 that's not a study you or your office have undertaken?
 12 A. No, we haven't.

Page 139:09 to 139:11

00139:09 Q. Okay. If you turn over to Page 143 of
 10 Exhibit 12165, you will see a letter from Mr. Bronwich,
 11 B-r-o-n-w-i-c-h.

Page 140:16 to 141:02

00140:16 Q. (BY MR. LANGAN) On the first page of the
 17 letter, it -- there's a reference to the Economic Impact
 18 Analysis performed by the former Mineral Management
 19 Service, MMS, in June, 2010.
 20 Do you know what Mr. Bronwich is referring
 21 to?
 22 A. Yes. It's the study that we talked about.
 23 Q. The -- the study your group did?
 24 A. I believe so.
 25 Q. Okay. He doesn't call it "Effect of Drilling
 00141:01 Pause for 6 Months," but you think it's the same thing?
 02 A. I believe it is.

Page 141:12 to 141:23

00141:12 Q. Okay. In the second full paragraph
 13 Mr. Bronwich says, "I have reviewed the MMS Economic
 14 Analysis, and it fully supports my testimony, and the
 15 prior testimony of Deputy Sec- -- Deputy Secretary
 16 Hayes, that last year's temporary Moratorium on
 17 deepwater drilling in response to the DEEPWATER HORIZON
 18 Oil Spill has not caused any significant increase in the
 19 current price of oil."
 20 That's what he says, right?
 21 A. Yes.
 22 Q. And you agree with it?
 23 A. Yes.

Page 141:25 to 142:02

00141:25 A. Yes, I do agree with him.

00142:01 Q. (BY MR. LANGAN) Okay.
02 A. It's consistent with the analysis we prepared.

Page 142:20 to 142:23

00142:20 Q. (BY MR. LANGAN) And is it your understanding
21 that the Moratorium, in its scope, was attempting to
22 alter behavior by operators which had equipment that
23 posed a perceived safety threat?

Page 142:25 to 143:08

00142:25 A. It was my understanding that -- that the
00143:01 purpose of the Moratorium was to give the Bureau time to
02 study the requirements that it needed to impose, either
03 through an NTL or regulations, to ensure that -- that
04 going forward, operations would be conducted in a safe
05 and environmentally sound manner.
06 Q. And the Moratorium's scope was designed to
07 reach operators regardless of their proximity to the
08 Macondo incident itself, right?

Page 143:10 to 143:13

00143:10 A. Right.
11 Q. (BY MR. LANGAN) It wasn't about being close to
12 the DEEPWATER HORIZON? It was about whether they were
13 performing operations in deepwater, right?

Page 143:16 to 143:20

00143:16 A. Well, my -- my own understanding was that the
17 intent was that we had a spill in deepwater involving
18 certain activities, and the intent of the Moratorium was
19 to study what regulatory actions needed to be undertaken
20 to prevent a recurrence of that sort of event.

Page 145:04 to 145:16

00145:04 Q. And your analysis didn't either include or
05 exclude any rigs based upon their proximity to oiling
06 from the DEEPWATER HORIZON, right?
07 A. Right.
08 Q. And your analysis did not include or exclude
09 any rigs based upon physical impact from the DEEPWATER
10 HORIZON and Macondo spill, correct?
11 A. Right.
12 Q. And it's your understanding that the Moratoria
13 itself was not a response to immediate physical threats
14 of the Macondo spill, but rather the potential for
15 future spills in other facilities unrelated to the
16 DEEPWATER HORIZON, right?

Page 145:18 to 146:07

00145:18 A. That's not quite true. There were resources
19 that were being devoted to mitigating the effects of the
20 spill. And certainly, there were concerns that -- that
21 there might be a scarcity of resources available should
22 there be another spill.
23 And so, you know, the purpose of the spill
24 wasn't simply looking forward to other activities that
25 were going on. It -- it was related to the fact that
00146:01 resources were being devoted to -- to the existing
02 spill.
03 Q. (BY MR. LANGAN) Did you mean to say the
04 purpose of the Moratorium?
05 A. Yeah.
06 Q. Okay. The Moratorium focus was an industrywide
07 focus, correct?

Page 146:09 to 146:13

00146:09 A. I'm not sure what you mean by "industrywide."
10 As opposed to -- to what?
11 Q. (BY MR. LANGAN) Particular operators.
12 A. Right. It wasn't limited to specific
13 operators.

Page 147:12 to 147:14

00147:12 Q. (BY MR. LANGAN) Okay. Did the fact of these
13 new safety requirements result in more spending on
14 safety by the industry?

Page 147:16 to 147:17

00147:16 A. It might be a little bit early to tell. I -- I
17 don't know. I haven't studied that.

Page 148:14 to 148:25

00148:14 Q. All right. Dr. Rose, you're probably familiar
15 with the fact that BP has entered into a settlement with
16 some of the plaintiffs' lawyers, a class action
17 settlement. You've probably read about it in the
18 papers. Is that fair?
19 A. Yeah.
20 Q. Have you ever read the Settlement Agreement?
21 A. No, I have not.
22 Q. Okay. So you haven't analyzed how
23 Moratorium-based claims are either included, excluded,
24 or how they're defined in any way, shape, or form in
25 that settlement; is that correct?

Page 149:02 to 149:02

00149:02 A. I haven't studied that issue.

Page 149:07 to 149:09

00149:07 Q. (BY MR. LANGAN) So you don't know how the
08 Moratorium or Moratorium claims may have been defined in
09 BP's settlement; is -- is that -- is that correct?

Page 149:11 to 149:11

00149:11 A. Yes. I'm not aware of that.

Page 162:25 to 163:21

00162:25 Q. Okay. Going to the next page of Exhibit 12166,
00163:01 you ask her a question, I believe, that begins, "You
02 also mention the short-term nature of the employment
03 effects."
04 Do you see that?
05 A. Yes. Uh-huh.
06 Q. You say, "The short-term nature of the
07 employment effects has justified a more conservative
08 multiplier such as the one you used. This seems
09 logical, but can you cite a source or further justify
10 this rationale," you say to her.
11 And then she says, "This was an assumption
12 used in the estimation process. It's impossible to be
13 able to estimate the true economic impact in a situation
14 like this."
15 And then she goes on to talk about the
16 justification of conservative multiplier.
17 Do you see that?
18 A. Yes, I do.
19 Q. Do you agree with her, that it's impossible to
20 estimate the true economic impact in a situation like
21 this?

Page 163:23 to 164:01

00163:23 A. I think what -- what she's saying there is to
24 estimate the -- the in- -- indirect and -- and induced
25 effects associated with the multiplier, and less so
00164:01 relating to the direct effects.

Page 168:18 to 169:03

00168:18 Turn, if you would, to Topic 11.
19 A. Tab 11?
20 Q. Tab 4.
21 A. Tab 4.
22 Q. Topic 11.

23 A. Okay.
 24 Q. It's on Page 5.
 25 A. Okay. Okay.
 00169:01 Q. Are you prepared today to testify about that
 02 topic?
 03 A. Yes.

Page 177:01 to 181:18

00177:01 Q. All right. Let me start by asking you to turn
 02 to Tab No. 5 of the Kirkland binder, which has been
 03 pre-marked as Exhibit 11890, and direct your attention
 04 to Page 49 of that exhibit, the document request at the
 05 very bottom of Page No. 19.
 06 Do you see that?
 07 MR. ROBERS: Do you mean Page 49, Counsel?
 08 MR. LOTTERMAN: Yes, Page 49.
 09 A. No. 19?
 10 Q. (BY MR. LOTTERMAN) Yes.
 11 A. Okay.
 12 Q. Just read that to yourself for a minute. I
 13 have a couple questions.
 14 Have you had a chance to review it?
 15 A. Yes.
 16 Q. My question is: Did you personally provide any
 17 documents in response to that request?
 18 A. No.
 19 Q. Okay.
 20 A. Not that I can recall, anyway.
 21 Q. Did your office, to your knowledge, provide any
 22 documents in response to that request?
 23 A. No.
 24 Q. Okay. Turn to the next page, which is Page 50,
 25 same exhibit.
 00178:01 And you'll see there's a Request No. 20,
 02 and I'll ask you to read that to yourself a moment.
 03 Have you reviewed that request?
 04 A. Yes, I have.
 05 Q. Same two questions: Have you personally
 06 provided any documents in response to that request?
 07 A. I personally haven't.
 08 Q. Okay. To your knowledge, has your office
 09 provided any documents in response to that request?
 10 A. I don't recall.
 11 Q. Okay. All right. Does the United States
 12 receive revenue from oil and gas production?
 13 A. Yes.
 14 Q. Okay. Let's mark this as the next exhibit.
 15 (Exhibit No. 12170 Marked.)
 16 MR. LOTTERMAN: I'll let Dr. Rose tell us
 17 where we are. I believe we are at 12170.
 18 Q. (BY MR. LOTTERMAN) Do you recognize this? Is
 19 this typical information?
 20 A. This is information, I believe, from the Office
 21 of Natural Resource Revenue.

22 Q. That's correct. It comes off their database,
 23 correct?
 24 A. Yes, I believe that's right.
 25 Q. And if my colleagues did their homework
 00179:01 correctly, they've typed in certain queries? Do you see
 02 that at the top of the exhibit, on data type?
 03 A. I do.
 04 Q. Single year, year type. Accounting year,
 05 fiscal year -- appears to be 2013. Is that right?
 06 A. Yes, it is.
 07 Q. Okay. Land category is Federal offshore, and
 08 then the geographic area we've queried was offshore
 09 Gulf.
 10 Do you see that?
 11 A. Yes, I do.
 12 Q. All right. As a general matter, is the
 13 information that the ONRR contains in its database
 14 accurate, to the best of its ability?
 15 A. Yes.
 16 Q. Okay. Let's walk through this exhibit on a
 17 very global basis.
 18 I want to start with bonus. Do you see
 19 the -- do you see the revenue type called "bonus" on the
 20 bottom left there?
 21 A. Yes, I do.
 22 Q. Okay. What is a bonus?
 23 A. A bonus is a cash -- a high cash bid that's
 24 paid for leases that are accepted in our auction.
 25 Q. All right. So if you're a successful bidder,
 00180:01 you pay bonus to the United States; is that right?
 02 A. That's correct.
 03 Q. Okay. And if I'm not mistaken, there are
 04 certain minimums set --
 05 A. There are.
 06 Q. -- for bids?
 07 A. There are.
 08 Q. And if I'm also not mistaken, those minimums
 09 are greater for depths, for example, 40 -- 400 meters
 10 and greater; is that right?
 11 A. Yes, it is.
 12 Q. Okay. Do you have to any role in establishing
 13 those -- those rates?
 14 A. I have some role in that, yes.
 15 Q. Okay. All right. What is your role?
 16 A. My role is to periodically evaluate the minimum
 17 bid levels and to recommend, when appropriate, changes
 18 in those levels.
 19 Q. Okay. And if I read Exhibit 12170 correctly,
 20 it looks like for the fiscal year 2013, the United
 21 States collected \$2.6 billion in bonus revenue; is that
 22 right?
 23 A. Yes.
 24 Q. All right. Let's -- let's go to the next
 25 category. I think, chronologically, that would be rent.
 00181:01 Do you see that right above bonus?
 02 A. I do.

03 Q. Okay. What does "rents" mean?

04 A. Rents are the holding costs we charge for
05 lessees after they acquire a lease. Between the time
06 they acquire a lease until they commence paying
07 production -- royalties on production, they have to pay
08 a rent.

09 Q. And that rent lasts until the -- the lease
10 begins producing in payable -- paying quantities,
11 correct?

12 A. No, not correct.

13 Q. Okay. What -- how long does -- when does the
14 rent end and the royalties begin?

15 A. The rent ends when royalty-bearing production
16 begins.

17 Q. Okay. All right. And do you know the current
18 rate per acre?

Page 181:20 to 184:11

00181:20 A. The current rate varies somewhat, depending
21 upon water depth and the year and the primary term of
22 the lease that the royalty payment is due.

23 Q. (BY MR. LOTTERMAN) Is it fair to say that the
24 rates are greater for deepwater production?

25 A. Yes.

00182:01 Q. Okay. Is it fair to say that the rates
02 escalate during the duration of the lease?

03 A. They escalate after -- they tend to escalate
04 after the first five years of the lease.

05 Q. Okay. All right. All right. Now let's turn
06 to the first category on Exhibit 12170. Reported
07 royalties, do you see that?

08 A. Yes.

09 Q. What is a -- what is a reported royalty?

10 A. A reported royalty is a proportion of the net
11 value of the wellhead that the lessee has to pay to the
12 Federal Government.

13 Q. And -- and just so I'm clear, those payments
14 are made to the ONRR; is that right?

15 A. Yes, That's correct.

16 Q. All right. And what is the current rate?

17 A. 18-3/4 percent.

18 Q. How is that calculated or derived?

19 A. The rate, initially, for -- for many years was
20 12-1/2 percent in deepwater and 16-2/3 in shallow water.
21 The 16-2/3 percent in shallow water was basically a
22 carryover from what the State was charging early on in
23 the program and maintained at that level for many years.

24 The 12-1/2 percent derived partly from --
25 from State experiences, adjusted for deep -- for
00183:01 deepwater, as well as the minimum amount allowed in the
02 OCS Lands Act.

03 Q. I guess what I'm wondering is: Who decides --
04 as of now, is 18.75 percent?

05 A. Well, the -- the Secretary makes that decision.

06 Q. Okay. And do you have input into that?

07 A. I do.

08 Q. Okay. And by the way, if I'm -- if I'm reading
09 Exhibit 12170 correctly, it looks like the total rents
10 collected in 2013 was about \$244 million; is that right?

11 A. Yes.

12 Q. All right. What were the total reported
13 royalties collected in 2013?

14 A. Four point -- almost 4.5 billion.

15 Q. All right. Now, how do you get from the
16 18.75 percent to the 24.5 billion, just in -- in
17 hypothetical terms or general terms?

18 A. For any -- for each lease, we -- the lessee is
19 obligated to calculate, on a monthly basis, the total
20 amount of oil and gas that it sells and to determine
21 the -- the price at which the product's sold for.

22 So it takes the price of the product and is
23 able to net out the transportation costs to bring the
24 product to shore. So one can say that's sort of the
25 netback price to bring it to shore.

00184:01 And the -- the resulting netback price is
02 multiplied by the royalty rate, which is, as I said,
03 18.75 percent.

04 Q. And as far as the netback price, is it also --
05 is it also reduced for pro- -- other processing costs
06 besides transportation?

07 A. Yes. For gas, that's true.

08 Q. Okay. All right. And can you tell from
09 Exhibit 12170 what the total amount of revenue from
10 Federal offshore Gulf exploration was in 2013?

11 A. Eight -- it looks like 8.7 billion.

Page 186:08 to 186:15

00186:08 Q. Are you aware of any other sources of monetary
09 payments or revenues, like this depicted on
10 Exhibit 12170, that the U.S. received as part of -- as
11 kind of oil and gas production in the Gulf of Mexico?

12 A. There are some cost recovery fees that we
13 charged to lessees that are not included here. I assume
14 they're not included under other revenues, but I
15 can't -- I can't tell.

Page 188:10 to 188:13

00188:10 Q. Okay. Suffice if it to say that given -- given
11 the dollar amounts shown on Exhibit 12170, there is some
12 economic benefit that the U.S. receives from oil and gas
13 production; is that right?

Page 188:15 to 188:23

00188:15 A. In my judgment, that's correct.

16 Q. (BY MR. LOTTERMAN) And I take it part of your

17 job is to forecast revenue increases; is that right?
 18 A. That's true.
 19 Q. Okay. And sitting here today, is it your
 20 forecast that the economic benefits to the U.S. of oil
 21 and gas production in the Gulf of Mexico will increase
 22 in the next two, three, four, five years?
 23 A. We're -- we're talking --

Page 188:25 to 189:12

00188:25 A. Yeah. We need to distinguish between the
 00189:01 difference between benefits and -- and revenues.
 02 Q. (BY MR. LOTTERMAN) Okay. Let's talk about
 03 revenues.
 04 A. Let's -- yeah. Let's talk about revenues.
 05 Q. I think you're more comfortable in that.
 06 A. Well, we -- we don't -- the -- the reason I'm
 07 more comfortable in it is that we don't really forecast
 08 benefits on -- on an annual basis. We do forecast the
 09 revenues.
 10 Q. And have you forecasted an increase in revenues
 11 from oil and gas production in the Gulf of Mexico in
 12 the -- in the near -- near future and the long term?

Page 189:14 to 189:22

00189:14 A. We're forecasting an increase in oil revenues
 15 in probably -- depending upon where your baseline is,
 16 kind of a flat level of revenues from the gas side of
 17 the picture.
 18 Q. (BY MR. LOTTERMAN) What about for the oil
 19 side?
 20 A. The oil side, I think we're focusing a modest
 21 increase in -- in both production and -- and prices, and
 22 hence, revenue would tend to increase from the oil side.

Page 190:04 to 190:06

00190:04 Q. All right. Is one of the goals of the
 05 Department of Interior's oversight of oil and gas
 06 production generally energy independence?

Page 190:08 to 190:10

00190:08 A. I -- I think -- I think that is true.
 09 Q. (BY MR. LOTTERMAN) Okay. Is one of the goals
 10 energy security?

Page 190:12 to 190:15

00190:12 A. Yes.
 13 Q. (BY MR. LOTTERMAN) Any other benefits that you
 14 can think of in -- in sort of facilitation of oil and

15 gas production in the Gulf of Mexico or elsewhere?

Page 190:17 to 190:23

00190:17 A. Yes. The -- the generation of -- of production
18 results in increased revenues to the Federal Government,
19 results in wealth to private companies who are lessees
20 on the OCS, and in addition to the national security and
21 implications of not having to import foreign --
22 unsecured sources of foreign oil.
23 Q. (BY MR. LOTTERMAN) All worthy goals, correct?

Page 190:25 to 191:11

00190:25 A. In my judgment, they are, yes, sir.
00191:01 Q. (BY MR. LOTTERMAN) Do you know what percentage
02 of the nation's natural gas supply comes from the --
03 from the OCS?
04 A. I believe it's about 10 percent.
05 Q. Okay. And what percentage of the nation's oil
06 comes from the OCS?
07 A. I believe that's about 20 percent.
08 Q. Okay. Does the Interior Department disburse
09 portions of those revenues from the oil and gas
10 production to State, Local, and Tribal Governments?
11 A. It does.

Page 192:01 to 192:17

00192:01 Q. (BY MR. LOTTERMAN) So why don't you take a
02 moment to review Exhibit 12171, and I'll ask you some
03 questions.
04 A. Do you want me to read the whole document?
05 Q. No. Actually, I'm going to direct you to a
06 couple of statements, but I just wanted to make sure
07 you're comfortable with it.
08 Have you -- are you familiar with this
09 document?
10 A. No.
11 Q. Okay. Was it your practice to provide input on
12 some of the data that's typically generated from the
13 Office of the Secretary along these lines?
14 A. My office would have provided very little or
15 any of the information provided here.
16 Q. Okay. Are you familiar with President Obama's
17 All-of-the-Above Energy Strategy?

Page 192:19 to 192:21

00192:19 A. Yes.
20 Q. (BY MR. LOTTERMAN) Does it include a goal to
21 increase domestic oil production?

Page 192:23 to 193:01

00192:23 A. It does so in -- in -- in an environmentally
 24 responsible way.
 25 Q. Does it include a goal to reduce U.S.
 00193:01 dependence on foreign oil?

Page 193:03 to 193:03

00193:03 A. My understanding is that it does.

Page 193:11 to 193:16

00193:11 Q. (BY MR. LOTTERMAN) Okay. Now, this document
 12 indicates that in fiscal year 2013, which I assume ended
 13 in October of 2013, that Interior collected and
 14 disbursed more than fourteen mill- -- \$14 billion.
 15 Do you know that to be true?
 16 A. Yes.

Page 193:18 to 193:22

00193:18 Q. (BY MR. LOTTERMAN) And, in fact, according to
 19 this press release issued by the Department of Interior,
 20 they collected \$2.77 billion in bonus bids from the Gulf
 21 of Mexico alone.
 22 Do you see that in Paragraph 4?

Page 193:24 to 194:08

00193:24 A. I do.
 25 Q. (BY MR. LOTTERMAN) Okay. And, you know, in --
 00194:01 and I guess in response to one of my earlier questions,
 02 you see right in the first paragraph where the
 03 Department touts a 17 percent increase in revenues over
 04 the previous year?
 05 A. I do.
 06 Q. And if I understand this press release
 07 correctly, that money is distributed to 35 states; is
 08 that right?

Page 194:10 to 194:15

00194:10 Q. (BY MR. LOTTERMAN) Page 2, Paragraph 1.
 11 A. That's what it says.
 12 Q. Okay. Including Louisiana?
 13 A. Uh-huh.
 14 Q. Okay. 43 counties, local counties, the next
 15 paragraph?

Page 194:17 to 194:21

00194:17 A. Yes. That's what it says.
 18 Q. (BY MR. LOTTERMAN) Yeah. And a number of --
 19 34 American Indian tribes and nearly 30,000 individual
 20 Indians.
 21 Do you see that?

Page 194:23 to 195:06

00194:23 A. No, I don't see the part about the Indians.
 24 Q. (BY MR. LOTTERMAN) Okay. Look at the -- the
 25 one, two -- the fourth paragraph.
 00195:01 A. Okay. Got it.
 02 Q. Okay.
 03 A. Okay. I do see it.
 04 Q. Okay. And -- and if you look one paragraph up,
 05 it appears that the Federal Government keeps about
 06 \$8.6 billion itself, right?

Page 195:08 to 195:11

00195:08 A. According to this press release, yes.
 09 Q. (BY MR. LOTTERMAN) And it characterizes that
 10 money as one of the largest sources of nontax revenue
 11 money that it gets?

Page 195:13 to 195:13

00195:13 A. That is true.

Page 195:22 to 195:24

00195:22 Q. (BY MR. LOTTERMAN) All right. Are you aware
 23 that -- that the money that's collected generally is
 24 used for reclamation projects?

Page 196:01 to 196:05

00196:01 A. I believe a -- a minority portion of the money
 02 is --
 03 Q. (BY MR. LOTTERMAN) Okay.
 04 A. -- used for that.
 05 Q. Also used for conservation projects?

Page 196:07 to 196:08

00196:07 A. Yes.
 08 Q. (BY MR. LOTTERMAN) Recreation projects?

Page 196:10 to 196:13

00196:10 A. Some amount, I believe, that goes to the Land

11 and Water Conservation Fund is used for those purposes.
 12 Q. (BY MR. LOTTERMAN) And historic preservation
 13 projects?

Page 196:15 to 196:18

00196:15 A. Yes.
 16 Q. (BY MR. LOTTERMAN) Okay. And, in fact,
 17 according to this press release, it's even used to fund
 18 schools; is that right?

Page 196:20 to 197:03

00196:20 A. That may well be true.
 21 Q. (BY MR. LOTTERMAN) Okay. Well, look at Page
 22 one, Paragraph 2, right up front.
 23 A. Uh-huh.
 24 Q. You see where it says, "ranging from school
 25 funding to infrastructure improvements and water
 00197:01 conservation projects."
 02 A. Uh-huh.
 03 Q. Is that correct?

Page 197:05 to 197:06

00197:05 Q. (BY MR. LOTTERMAN) Is that your understanding?
 06 A. Yes.

Page 197:20 to 198:02

00197:20 Q. Do you -- is it your understanding that BP is a
 21 publicly-traded company?
 22 A. Yes.
 23 Q. Is it your understanding that Anadarko is a
 24 publicly-traded company?
 25 A. Yes.
 00198:01 Q. Do you have an understanding of the purpose of
 02 publicly traded companies?

Page 198:04 to 198:14

00198:04 A. The purpose of a publicly-traded company is to
 05 maximize profit and sharehold equity.
 06 Q. (BY MR. ROBERS) What is your understanding of
 07 BP's purpose in operating and investing in the Gulf of
 08 Mexico region?
 09 A. BP's purpose is the same as any other company,
 10 is to maximize its profit and -- and to sharehold the
 11 equity.
 12 Q. And what is your understanding of Anadarko's
 13 purpose in investing in and operating in the Gulf of
 14 Mexico region?

Page 198:17 to 198:25

00198:17 A. The -- investing in -- in the Gulf of Mexico
18 is -- is -- is an attractive proposition for oil
19 companies, in general, and -- and BP and Anadarko, in
20 particular.
21 It's an attractive hydrocarbon province.
22 It has favorable fiscal terms, and has the
23 infrastructure and history to suggest that a profitable
24 return can be generated from activities in the Gulf of
25 Mexico.

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

ORAL AND VIDEOTAPED DEPOSITION OF
MARSHALL B. ROSE, PH.D.
JUNE 26, 2014

Deposition of MARHALL B. ROSE, PH.D., taken at
the Pan-American Building, 601 Poydras Street, 26th
Floor, New Orleans, Louisiana, 70130, on the 16th day of
June, 2014.

1 UNITED STATES DISTRICT COURT
2 EASTERN DISTRICT OF LOUISIANA

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5 "DEEPWATER HORIZON" IN) SECTION "J"
6 THE GULF OF MEXICO, ON)
7 APRIL 20, 2010) JUDGE BARBIER
8) MAG. JUDGE SHUSHAN

9 REPORTER'S CERTIFICATION
10 ORAL AND VIDEOTAPED DEPOSITION OF
11 MARSHALL ROSE, PH.D.
12 JUNE 26, 2014

13 I, Kateri A. Flot-Davis, Certified Shorthand
14 Reporter in and for the State of Texas, hereby certify
15 to the following:

16 That the witness, MARSHALL ROSE, PH.D., was duly
17 sworn by the officer and that the transcript of the oral
18 deposition is a true record of the testimony given by
19 the witness;

20 There was a request for examination and signature
21 of the witness to the deposition transcript. The
22 original transcript was sent for review on
23 July 2, 2014 to the witness or to the attorney
24 for the witness for examination, signature and return to
25 me by August 17, 2014;

I further certify that I am neither counsel for,
related to, nor employed by any of the parties or

1 attorneys in the action in which this proceeding was
2 taken, and further that I am not financially or
3 otherwise interested in the outcome of the action.

4 Certified to by me this Jul of July ,

5
6 Kateri A. Flot-Davis



7 Kateri A. Flot-Davis

8 Texas CSR No. 8462

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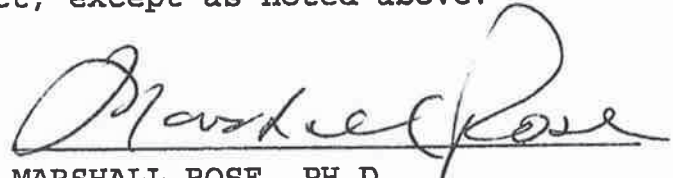
WITNESS NAME: MARSHALL ROSE, PH.D.

DATE OF DEPOSITION: JUNE 26, 2014

PAGE	LINE	CHANGE	REASON
39	13	"MTLS" to "NTLS"	<Typo>
59	1	"a d" to "and"	<Typo>
60	18	"20th" to "20 th"	<Typo>
68	12	remove the word "had"	<Typo>
88	13	"the" to "been"	<Typo>
121	23	"Q." to "A."	<Typo>
121	23	Starting with "Dr. Rose" is	<Typo>
Actually the next question, so			
this should appear on the next			
line as: "Q. Dr. Rose,"			
131	12	"yu" to "you"	<Typo>
181	22	"royalty" to "rental"	<Missp>
182	11	"of" to "AT"	<Typo>
183	16	"24.5" to "4.5"	<Typo>
185	13	"qualities" to "quantities"	<Miss>
185	25	remove the second "four"	<Typo>
198	10 and 11	"to shareholder the equity."	<Ty>
		to "its shareholder's equity."	

MBR

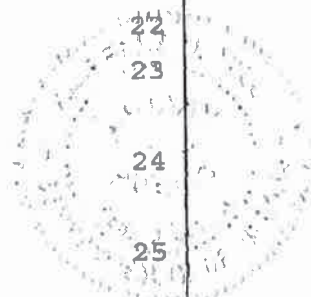
1 I, MARSHALL ROSE, PH.D., have read the
 2 foregoing deposition and hereby affix my signature that
 3 same is true and correct, except as noted above.
 4

5 
 6 MARSHALL ROSE, PH.D.
 7
 8
 9
 10

11 THE STATE OF Virginia)
 12 COUNTY OF Frederick)
 13
 14

15 Before me, Kimberly Hill, on
 16 this day personally appeared MARSHALL ROSE, PH.D., known
 17 to me (or proved to me under oath or through
 18 government issued ID) (description of identity
 19 card or other document)) to be the person whose name is
 20 subscribed to the foregoing instrument and acknowledged
 21 to me that they executed the same for the purposes and
 22 consideration therein expressed.

23 Given under my hand and seal of office this
 24 10 day of July, 2014.
 25

26 
 27 Kimberly Hill #301344
 28 NOTARY PUBLIC IN AND FOR
 29 THE STATE OF Virginia
 30 COMMISSION EXPIRES: 10/31/2017

MBR