

From: Bucknall, David
Sent: Wed Aug 21 12:23:46 2013
To: Bamfield, Nick MH
Subject: RE: Takeaways from SIG's Macondo Expert Events
Importance: Normal
Attachments: image001.jpg; image002.jpg

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From: Bamfield, Nick MH
Sent: 21 August 2013 12:48
To: Bucknall, David
Subject: RE: Takeaways from SIG's Macondo Expert Events

David

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Nick

From: Bucknall, David
Sent: Wednesday, August 21, 2013 12:04 PM
To: Bamfield, Nick MH
Subject: FW: Takeaways from SIG's Macondo Expert Events

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From: Bucknall, David
Sent: 21 August 2013 10:53
To: Gilvary, Brian

Subject: RE: Takeaways from SIG's Macondo Expert Events

Brian

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David

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From: Gilvary, Brian
Sent: 20 August 2013 20:44
To: Bucknall, David
Subject: Fwd: Takeaways from SIG's Macondo Expert Events

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Begin forwarded message:

From: "Sanyal, Dev" <dev.sanyal@uk.bp.com <<mailto:dev.sanyal@uk.bp.com>>>
Date: 20 August 2013 17:49:41 BST
To: "Morrell, Geoff" <Geoff.Morrell@bp.com <<mailto:Geoff.Morrell@bp.com>>>, "Gilvary, Brian" <brian.gilvary@uk.bp.com <<mailto:brian.gilvary@uk.bp.com>>>, "Dudley, Robert" <DudleyRW@bp.com <<mailto:DudleyRW@bp.com>>>
Subject: RE: Takeaways from SIG's Macondo Expert Events

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Dev

From: Morrell, Geoff
Sent: 20 August 2013 11:36
To: Ward, Donna B; Dudley, Robert; Morrell, Geoff; Minge, John C; Henshaw, Peter; Bondy, Rupert; Gilvary, Brian; Campbell, David SM; Sanyal, Dev; Fitzgerald, Jerome; Cross, Joanne; Lynch, John E Jr. (Jack)
Subject: Fw: Takeaways from SIG's Macondo Expert Events

Geoff Morrell
BP
VP, Head of US Communications
202-486-0579

From: Thomas Claps [<mailto:tom.claps@sig.com>]
Sent: Tuesday, August 20, 2013 05:17 AM
To: Morrell, Geoff

Subject: Takeaways from SIG's Macondo Expert Events

AUGUST 20, 2013

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Event Driven/Special Situations

Takeaways from SIG's Macondo Expert Events

(BP, RIG, HAL and APC)

Call to Action:

Susquehanna hosted two recent Macondo Trial events with prominent national experts: David Uhlmann (former Chief of the U.S. DOJ Environmental Crimes Section) and Blaine LeCesne (law professor and author of recent treatise on gross negligence as it pertains to the Gulf Oil Spill).

We believe that a near-term catalyst for BP, Transocean (RIG) and Halliburton (HAL) may be on the horizon, as it appears likely that Judge Barbier could issue his critical, Phase 1 gross negligence ruling before the start of the Phase 2 trial (set to begin on September 30, 2013).

General Thoughts from the Expert Events

1. **Phase 1 Trial Ruling - Will the Parties Be Found Grossly Negligent?:** Both experts believe that Judge Barbier will rule that BP was grossly negligent, which could trigger possible punitive damages and high end penalties under the Clean Water Act. Both experts also believe that RIG and HAL will not be found grossly negligent. We continue to believe that Judge Barbier will likely find some aspect of BP's conduct to be "grossly negligent," but we do not believe that he will issue an "across the board" finding of gross negligence against BP for each and every possible cause of the incident, which could serve to limit its ultimate financial exposure. We also believe that RIG and HAL will likely escape a finding of gross negligence.

2. **Timing of the Phase 1 Ruling on Gross Negligence:** Both experts strongly believe that Judge Barbier will issue a Phase 1 ruling on gross negligence prior to the start of Phase 2 (September 30, 2013). We agree. We believe that Judge Barbier would like to see this case eventually settle, and it is our view that the greatest influence he has over a settlement comes in the form of a near-term ruling (or "threat" of a ruling), as opposed to waiting until after all phases of the trial have been completed (sometime in 2014-2015).

3. **Clean Water Act Exposure for BP and Anadarko:** The experts generally view BP's exposure under the Clean Water Act (CWA) to be in the \$8-\$12B range (we are slightly lower - \$7-\$11B). However, it should be noted that a possible "global" settlement between BP and the DOJ could also incorporate Natural Resource Damage Assessment (NRDA) costs. Because CWA fines are not tax deductible (and NRDA costs are tax deductible), BP would rather see a settlement that is more heavily weighted towards NRDA costs, which could change the structure of the settlement. As for Anadarko (APC), we are of the view that its exposure is likely around the midpoint of the \$225-\$875M range.

4. **Possible Exposure for Transocean and Halliburton:** While both experts agree that a gross negligence finding against RIG and HAL is unlikely, it certainly remains a possibility. If gross negligence is found against either RIG or HAL -- which would trigger potential punitive damages -- one expert estimated the "worst case scenario" for either party to be \$1B (and the likely exposure to be "hundreds of millions"). We focus on another aspect of RIG and HAL's exposure, namely HAL's current reserve of \$1.3B. When HAL recently raised its reserve by \$1B to a total of \$1.3B, it stated that its settlement talks were in an "advanced stage." More recently, HAL stated that "the pace of those settlement discussions has recently slowed" yet has kept its reserve at the \$1.3B mark, despite settling its criminal case with the DOJ for a mere

\$200,000. Therefore, it appears that even though HAL may ultimately escape a finding of gross negligence, it seems willing to pay at least \$1.3B to settle some of its remaining claims (HAL recently stated that "the settlement discussions do not cover all parties and claims relating to the Macondo well incident"). As such, we believe that HAL's ultimate exposure could fall within the \$1-\$2B range. We further believe that RIG, whose current Macondo reserve is \$454M, will likely have to match (or come close to) any settlement number put up by HAL.

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