

**CORPORATE TRUSTEE OF THE TEL OFFSHORE TRUST'S  
MOTION TO EXCLUDE THE TESTIMONY OF R. BRUCE WALLACE**

Pursuant to Texas Rule of Evidence 702 and other applicable Texas law, the Bank of New York Mellon Trust Company, N.A., (“BNYM”) as Corporate Trustee (“Corporate Trustee”) of the TEL Offshore Trust (“Trust”) hereby moves to exclude the testimony of R. Bruce Wallace, designated expert for the Attorney Ad Litem (“AAL”). In support of this motion, BNYM would respectfully show the Court the following:

## I. INTRODUCTION

R. Bruce Wallace has been designated as an expert by the AAL to testify about “various fiduciary matters at issue in the case.” Wallace’s opinions, however, extend beyond his qualifications, and even within the scope of his qualifications, are irrelevant and unreliable. His opinions are irrelevant because they are either naked conclusions of law that are not the proper subject of expert testimony, or conclusions of mixed questions of law and fact that are composed of irrelevant conclusory statements and naked legal conclusions, and unreliable opinions on mixed questions of fact and law that misstate the law. If the Court is not going to allow experts to testify about pure questions of law, Wallace’s testimony about pure questions of law must be excluded.

Wallace's expert report is full of legal conclusions, conclusions which he is unqualified to make, and conclusory statements about ultimate issues in this case. His report ignores the terms of the Trust Agreement that governs the duties and responsibilities of the Trustees that he

opines about, and so he misstates the duties that the Trustees were under and the standards by which the Trustees' actions must be judged.

## **II. ARGUMENT AND AUTHORITIES**

### **A. An expert may not testify regarding a pure question of law, and expert testimony about a mixed question of law and fact must be based on the proper legal standards.**

It is axiomatic that “[a]n expert witness may not testify to his opinion on a pure question of law.” *Lyondell Petrochemical Co. v. Fluor Daniel, Inc.*, 888 S.W.2d 547, 554 (Tex. App.—Houston [1st Dist.] 1994, writ denied). Such testimony is “inadmissible because it is not helpful under Rule of Evidence 702.” *United Way of San Antonio, Inc. v. Helping Hands Lifetime Found., Inc.*, 949 S.W.2d 707, 720 n.5 (Tex. App.—San Antonio 1997, writ denied). The existence of a duty “is a question of law to be determined by reference to the body of statutes, rules, and precedents that make up the law and must be determined only by the court.” *Otis Eng’g Corp. v. Clark*, 668 S.W.2d 307, 312 (Tex. 1983).

While an expert may “state an opinion on a mixed question of fact and law,” they may do so only if “the opinion is confined to the relevant issues and is based on proper legal concepts.” *Lyondell*, 888 S.W.2d at 554 (citing *Birchfield v. Texarkana Memorial Hosp.*, 747 S.W.2d 361, 365 (Tex. 1987)). Further, “expert opinion on a mixed question of fact and law must also meet the requirements applicable to expert testimony generally ... as required by Rule 702 of the Texas Rules of [ ] Evidence.” *Lyondell*, 888 S.W.2d at 554 (citing *Louder v. De Leon*, 754 S.W.2d 148, 149 (Tex. 1988)).

As demonstrated below in Section C, Wallace’s expert testimony contains numerous opinions on pure questions of law. These opinions are not the proper subject of witness testimony under Rule 702, and so they should be excluded. Further, as demonstrated below in

Section D, Wallace's expert testimony also contains opinions on mixed questions of law and fact that are not based on proper legal concepts, and so they should be excluded.

**B. Under Texas law, expert testimony is admissible only if the expert is qualified, and only if it is relevant and reliable under the standards set forth in Texas Rule of Evidence 702 and the Texas Supreme Court's holding in *Robinson* and its progeny.**

To the extent that Wallace's opinions are not impermissible opinions on pure questions of law or opinions on mixed questions of law and fact that are not based on legal concepts, they still must satisfy the requirements of Texas Rule of Evidence 702. Rule 702 sets forth the requirements for the admissibility of expert testimony, and the Texas Supreme Court has repeatedly adhered to those requirements. First, the expert must be qualified to testify about the specific subject matter that is the basis of his testimony. TEX. R. EVID. 702. Second, the expert's testimony must be relevant, which means that the testimony must be "sufficiently tied to the facts of the case [so] that it will aid the jury in resolving a factual dispute." *Gharda USA, Inc. v. Control Solutions, Inc.*, 464 S.W.3d 338, 348 (Tex. 2015) (quoting *E.I. DuPont de Nemours & Co., Inc. v. Robinson*, 923 S.W.2d 549, 556 (Tex. 1995)). "[T]estimony that is conclusory or speculative is not relevant evidence, because it does not tend to make the existence of a material fact 'more probable or less probable.'" *Coastal Transp. Co., Inc. v. Crown Cent. Petroleum Corp.*, 136 S.W.3d 227, 232 (Tex. 2004).

Finally, the expert's opinions must be reliable. *Gharda*, 464 S.W.3d at 348. To be reliable, the expert's chosen methodology must be reliable, and "each material part of an expert's theory must be reliable." *Id.*, at 348–49 (quoting *Whirlpool Corp. v. Camacho*, 298 S.W.3d 631, 637 (Tex. 2009)). Expert testimony is unreliable if "there is simply too great an analytical gap between the data [relied upon] and the opinion proffered." *Houston Unlimited, Inc. Metal Processing v. Mel Acres Ranch*, 443 S.W.3d 820, 835 (Tex. 2014). "Whether an analytical gap

exists is largely determined by comparing the facts the expert relied on, the facts in the record, and the expert's ultimate opinion.” *Gharda*, 464 S.W.3d at 349. Analytical gaps may include circumstances in which:

- the expert unreliably applies otherwise sound principles and methodologies, *Exxon Pipeline Co. v. Zwahr*, 88 S.W.3d 623, 629 (Tex. 2002);
- the expert's opinion is based on assumed facts that vary materially from the facts in the record, *Burroughs Wellcome Co. v. Crye*, 907 S.W.2d 497, 499 (Tex. 1995); or
- the expert's opinion is based on tests or data that do not support the conclusions reached, *City of San Antonio v. Pollock*, 284 S.W.3d 809, 818–19 (Tex. 2009).

To determine whether expert testimony is reliable, “courts are to rigorously examine the validity of facts and assumptions on which the testimony is based, as well as the principles, research, and methodology underlying the expert's conclusions and the manner in which the principles and methodologies are applied by the expert to reach the conclusions.” *Whirlpool*, 298 S.W.3d at 637 (citing *Exxon Pipeline Co.*, 88 S.W.3d at 629). “A trial judge does not abuse his discretion in excluding expert testimony when (i) the testimony was not based on a reliable foundation, (ii) no testing was conducted to exclude other possible causes, (iii) the expert's methodology was suspect, (iv) the expert's research was conducted for litigation, or (v) the expert's methodology had not been subjected to peer review or publication. *Neal v. Dow Agrosciences LLC*, 74 S.W.3d 468, 471 (Tex. App.—Dallas 2002, no pet.).

As demonstrated below, because Wallace is not qualified to render the opinions contained in his expert report, and because his testimony is neither relevant nor reliable, his opinions must be excluded under Rule 702.



**C. Wallace’s testimony should be excluded because he gives his opinion about pure questions of law that are properly reserved for the Court.**

A large portion of Wallace’s expert testimony is either directly opinion that a particular legal duty applies to the Trustees, or is directly based on his conclusion that a particular legal duty applies. But “[q]uestions on duty are for the court.” *Puente v. ASI Signs*, 821 S.W.2d 400, 402 (Tex. App.—Corpus Christi 1991, writ denied) (citing *Greater Houston Transp. Co. v. Phillips*, 801 S.W.2d 523, 525 (Tex. 1990)). Wallace also testifies about what particular terms of the Trust Agreement mean, but the construction of a trust agreement is also a question of law. *Coker v. Coker*, 650 S.W.2d 391, 393 (Tex. 1983). If the Court is not going to allow experts to testify on the construction of the Trust Agreement, such testimony by Wallace must be excluded.

Specifically, Wallace opines that “the Trustee owed the Beneficiaries fiduciary duties,” and that these duties specifically included:

- (a) a duty to act in good faith and in accordance with the purposes of the Trust;
- (b) a duty of loyalty;
- (c) a duty to place the interests of the Beneficiaries above the Trustee’s own interests;
- (d) a duty of full disclosure;
- (e) a duty of competence; [and]
- (f) a duty to comply with the Texas Uniform Prudent Investor Act, Chapter 117 of the Texas Trust Code (“UPIA”), except to the extent altered by the terms of the Trust.”

Ex. A, January 30, 2017 Letter from R. Bruce Wallace to Dan Bitting (“Wallace Report”), pp. 12-13. Questions on duty are pure questions of law for the court to decide, and so if the Court is not going to allow experts to testify on the duties owed by the Trustees, then Wallace’s testimony regarding the existence and formulation of duties owed by the Trustees must be excluded.

Wallace also states at least four opinions that purport to interpret the terms of the Trust Agreement:

- “The Trustee had a duty to administer the Trust in good faith and in accordance with its purposes, and that this duty could not be altered or diminished by the terms of the Trust Instrument,” *id.* at p. 13, ¶ 3;
- “the \$2.0 million future net revenue threshold for termination under the Trust Instrument is not proportionately reduced following a sale of a part of the royalty,” *id.* at p. 15, ¶ 15;
- “the damages Trustee caused by its breaches of trust must be paid in full into the trust estate of the Trust and are not limited to the proportion of damages sought by individual plaintiffs or Beneficiaries,” *id.* at p. 15, ¶ 21; and
- “[l]iability for [the Trustee’s breaches of its duties or the Trustee’s breaches of trust are] not excused by the exculpation provision of the Trust.” *Id.* at p. 15, ¶¶ 17, 18.

But, like questions on duty, the interpretation of a trust agreement is a pure question of law for the court to decide. If the Court is not going to allow experts to interpret the Trust Agreement, then these opinions should be excluded.

**D. Wallace’s testimony should be excluded because his opinions as to mixed questions of law and fact are based on improper legal concepts.**

Nearly all of Wallace’s legal conclusions are incorrect, and so they cannot form the basis of admissible expert testimony on mixed questions of law and fact.

**1) The Trustees’ common-law duties were eliminated by the Trust Agreement to the fullest extent allowed by Texas law, including the duty of loyalty, the duty of full disclosure, and the duty of competence.**

Of the six duties that Wallace claims that the Trustees owed to the Beneficiaries, only one actually applies under the terms of the Trust Agreement. Texas law permits a settlor to modify or to completely eliminate a trustee’s fiduciary duties with the limited exceptions set forth in Section 111.0035(b) of the Texas Trust Code, which include the duty to act in good faith and in accordance with the purposes of the trust. Indeed, Paragraph 7.09 of the Trust Agreement expressly relieves the Trustees “from any and all duties, restrictions, and liabilities otherwise imposed upon the Trustees by the Texas Trust Act.” *See* Ex. B, Trust Agreement, p. 20. The result of this Paragraph is that any duty imposed on the Trustees must be specifically provided by

the Trust Agreement or must be one of the exceptions provided in Section 111.0035(b). But Wallace's expert report does not even reference Paragraph 7.09. Instead, he assumes that the common-law duties that otherwise apply to trustees under the Texas Trust Code apply to the Trustees in this case, but cannot cite to any statutory provision, case, or provision of the Trust Agreement that provides such a duty.

**a) The Duty of Loyalty**

Wallace assumes without support that the common-law fiduciary duty of loyalty applies in this case. *See* Ex. A., Wallace Report, at pp. 12-15. Specifically, Wallace claims that:

- “the Trustee’s failure to take action to protect the Beneficiaries’ interest and instead taking action to benefit it constitutes a breach of its fiduciary duties,” *id.*, p. 13, ¶ 6;
- “[t]he decision of the Trustee to borrow money from Bank of New York Mellon ... constitutes a conflict of interest,” *id.*, p. 14, ¶ 10;
- “[t]he Trustee’s decision to keep the Trust alive resulted in benefits for the Trustee and no benefits to the Beneficiaries. By placing its own interests ahead of the Beneficiaries, the Trustee clearly breached its duty of loyalty,” *id.*, p. 14, ¶ 12;
- “the Trustee’s decision not to recognize the DeGolyer & MacNaughton March 2009 report as a possible terminating event and failure to explore other means available to terminate the Trust is a breach of the Trustee’s duty of loyalty,” *id.*, p. 14, ¶ 14; and
- “Trustee’s intentional miscalculation of fees constitutes self-dealing.” *Id.*, p. 15, ¶ 20.

But the common-law fiduciary duty of loyalty that would otherwise apply to the Trustees was effectively eliminated because the Trust Agreement expressly authorizes the Trustees to engage in self-dealing. Specifically, Paragraphs 7.08 and 7.09 generally eliminate the duty of loyalty, while Paragraph 6.08 permits the Corporate Trustee to “self-deal” in making loans to the Trust. All of Wallace’s above-referenced opinions are thus expert opinions on mixed questions of fact and law that are not based on proper legal concepts. Accordingly, they should be excluded.

### **b) The Duty of Full Disclosure**

Similarly, Wallace assumes without support that the common-law duty of full disclosure applies in this case. Specifically, Wallace claims that:

- “Under the Trust Agreement and Texas common and statutory law—including the Texas Trust Code—the Trustee owed the Beneficiaries fiduciary duties. These include: ... (d) a duty of full disclosure,” Ex. A., Wallace Report, p. 13, ¶ 1(d);
- “The Trustee’s failure to disclose the March 2009 DeGolyer & MacNaughton report as well as other reasonable courses of action available is a breach of the Trustee’s duty to disclose material information.” *Id.*, p. 14, ¶ 13.

But the Trust Agreement modifies the Trustees’ duty to keep the Beneficiaries informed, and specifically provides for a specific reasonable method by which they should do so — by making annual and quarterly SEC disclosures. Wallace does not opine that the Trustees failed to make their annual and quarterly SEC disclosures in accordance with the Terms of the Trust Agreement, and so his opinion is not based on proper legal concepts, and must be excluded.

### **c) The Duty of Competence**

Finally, Wallace assumes without support that the duties “to administer the Trust competently” and “to manage Trust asserts with care skill and caution” apply in this case. Ex. A., Wallace Report, p. 15, ¶ 16. However, Paragraph 7.09 of the Trust Agreement expressly eliminates these duties, and Paragraph 6.01 replaces them with a reasonable discretion standard and/or the business judgment rule. Because Wallace’s opinion is not based on proper legal concepts, it should be excluded.

### **2) The Trustees’ statutory duties were eliminated by the Trust Agreement to the fullest extent allowed by Texas law, including the any duty under the Uniform Prudent Investor Act.**

As noted above, Paragraph 7.09 of the Trust Agreement eliminates all duties imposed on the Trustees by the Texas Trust Code, including the duties imposed by Chapter 117 of the Texas Trust Code — the Uniform Prudent Investor Act (“UPIA”). Wallace assumes, without support,

that UPIA requires the Trustees to “exercise reasonable care, skill and caution managing the trust as a prudent investor would,” Ex. A., Wallace Report, p. 12. Based on this naked and erroneous assumption, Wallace opines that “the Trustee breached his duty to investigate under UPIA by failing to sufficiently engage with Chevron following the damages caused by Hurricane Ike.” *Id.*, p. 13, ¶ 6. This opinion is not only factually baseless, *see* Section F *infra*, but it is not based on proper legal concepts. Thus, it should be excluded.

**E. Wallace’s testimony should be excluded because he is not qualified to testify about securities laws, rules, or regulations.**

In his expert report, Wallace twice opines about what information the Trustees were under a duty to disclose to the Trust beneficiaries. *Id.* at p. 6 (“The Trustee was aware of many facts material to the interests of the Beneficiaries, yet failed to make disclosures”); p. 14 (“The Trustee’s failure to disclose the March 2009 DeGolyer & MacNaughton report [in the Trust’s public SEC disclosures] ... is a breach of the Trustee’s duty to disclose material information”).

But Wallace is not, and does not claim to be, a securities lawyer or otherwise an expert in securities law. Wallace does not state in his expert report or in his deposition that he has any expertise in making SEC disclosures, or any knowledge about what would constitute material information that must be disclosed under SEC rules and regulations. *See generally* Ex. A., Wallace Report; Exhibit C, March 22, 2017 Deposition of R. Bruce Wallace (“Wallace Dep.”).

**F. Wallace’s testimony should be excluded because it is speculative and conclusory, and therefore is not relevant.**

Texas courts have consistently held that expert testimony that is speculative or conclusory is not relevant and cannot support a judgment. *See, e.g., Sw. Energy Prod. Co. v. Berry–Helfand*, 491 S.W.3d 699, 717 (Tex. 2016); *Houston Unlimited*, 443 S.W.3d at 834; *Qui Phuoc Ho v. MacArthur Ranch, LLC*, 395 S.W.3d 325, 332–33 (Tex. App.—Dallas 2013, no

pet.). An expert’s “opinion is conclusory and cannot be considered probative evidence if it lacks a factual basis or is made in reliance on a basis that does not support the opinion.” *Berry-Helfand*, 491 S.W.3d at 717 (citing *City of San Antonio v. Pollock*, 284 S.W.3d 809, 818 (Tex. 2009)). Where “no basis for the opinion is offered, or the basis offered provides no support, the opinion is merely a conclusory statement and cannot be considered probative evidence . . . . Stated differently, an expert’s simple *ipse dixit* is insufficient to establish a matter; rather, the expert must explain the basis of the statements to link the conclusions to the facts.” *Qui Phuoc Ho*, 491 S.W.3d. at 333.

In *Volkswagen of America, Inc. v. Ramirez*, 159 S.W.3d 897, 911 (Tex. 2004), an expert’s opinion was excluded as irrelevant where the expert gave a basis for his opinion, but the facts upon which he relied did not support his conclusion. There, the plaintiff’s car collided with another vehicle traveling in the same direction, then careened across the grass-covered median and hit another car traveling in the opposite direction. *Id.* at 901-02. The plaintiff introduced expert testimony that the rear wheel of the plaintiff’s car had come loose from its axle before the collision, and that was the cause of the collision. *Id.* at 902. The expert supported his conclusion with several facts showing how the wheel bearing had failed, and noted that grass was found in the hub of the detached wheel after the accident. *Id.* But the expert could not explain how the wheel detached prior to the car careening across the median, and yet remained in the car’s wheel well long enough to accumulate the grass. *Id.* Because the expert failed to explain the presence of the grass, the facts upon which he relied did not support his opinion, and the Texas Supreme Court held that his opinion was conclusory and, thus, irrelevant. *Id.* at 911.

Similarly, in *Houston Unlimited, Inc. Metal Processing v. Mel Acres Ranch*, the Texas Supreme Court explained that “if the record contains no evidence supporting an expert’s material

factual assumptions, or if such assumptions are contrary to conclusively proven facts, opinion testimony founded on those assumptions is not competent evidence.” 443 S.W.3d at 833. “A contrary approach would allow parties with the burden of proof on a particular fact (such as causation) to avoid the obligation to put forth evidence by simply instructing their expert to assume the fact in forming their opinions.” *Id.* In that case, the expert’s damages opinion rested on “several assumptions and leaps of logic” which “entirely lack[ed] evidentiary support.” *Id.* at 834. The Court held that such testimony was “unreliable and incompetent to support a judgment.” *Id.*; *see also Sage Street Assocs. v. Northdale Constr. Co.*, 863 S.W.2d 438, 449 (Tex. 1993) (observing that an expert’s assumptions do not constitute evidence).

Here, Wallace makes several conclusions that either lack any factual basis or which are contrary to conclusively proven facts. First, Wallace twice insinuates that the Trustees “never approached Chevron to determine its plans or to explore potential alternatives [to the 2009 Arena farmout].” Ex. A., Wallace Report, p. 5; *see also id.* at p. 13, ¶ 6 (“The Trustee ... fail[ed] to sufficiently engage with Chevron following the damages caused by Hurricane Ike”); p. 14, ¶ 11 (“Following Hurricane Ike, it was imperative that the Trustee establish what combination of price and reserves was required for the Trust to ever be placed in a position of overcoming the projected loss carry forward. **There is no evidence that this was done.**”) (emphasis added). First, Wallace’s opinion, on its face, lacks any factual basis. Second, it is contrary to conclusively proven facts, namely the existence of at least 18 letters sent between the Trustees and Chevron between October 29, 2010 and March 20, 2014, regarding these very subjects. *See, e.g.,* Exs. D – U.

Other of Wallace’s opinions are unsupported by the facts in this case, and thus are conclusory and should be excluded. Wallace opines several times that the March 2009 DeGolyer

& MacNaughton report, which reflects a future net revenue interest of \$0 (the “March 2009 Report”), “represents a potential terminating event.” *See, e.g.,* Ex. A., Wallace Report, at pp. 8, 9, 13. Wallace reaches this opinion by concluding that the Section 9.01(a) of the Trust Agreement defines a “terminating event” as a reserve report reflecting future net revenue interests of less than \$2 million “as of the end of any year, and that the March 2009 Report is a year-end report. This opinion ignores the facts that (1) the Trust used October 31 as its year-end date to receive reserve reports, *see* Ex. C., Wallace Dep., 75:3-76:22; and (2) the year-end reserve reports received by the Trustees in both 2008 and 2009 reflected future net revenue interests substantially in excess of \$2 million, *see* Ex. C., Wallace Dep., 81:22-82:7; 82:17-23; Ex. V., DeGolyer and MacNaughton Letter Report as of October 31, 2008 on Reserves and Revenue, at TEL0001275 (showing \$24,149,991 in future net revenue); Ex. W, DeGolyer and MacNaughton Letter Report as of October 31, 2009 on Reserves and Revenue, at TEL0032196 (showing \$13,052,298 in future net revenue). Because Wallace’s opinion lacks a factual basis and is contrary to conclusively proven facts, it should be excluded.

Many of Wallace’s other opinions necessarily depend on his conclusion that the March 2009 DeGloyer & MacNaughton report represents a potentially terminating event. By way of example, Wallace opines that:

- “[i]n the wake of the devastation caused by Hurricane Ike, the Trustee had available several courses of action to preserve the value of the assets of the Trust Estate. These include ... treating the March 2009 DeGolyer & MacNaughton report as a potential terminating event,” Exhibit A, Wallace Report, p. 13, ¶ 4(c);
- “[b]ased on the facts available to the Trustee, beginning in at least May 2009, and at all times thereafter, the Royalty Interests should have been sold,” *id.*, p. 14, ¶ 9;
- “[h]ad the Trustee recognized the March 2009 DeGolyer & MacNaughton report as a potential terminating event, it would have placed the Trust in a wind up phase ... This potential terminating event was never disclosed to the Beneficiaries despite its obvious materiality,” *id.*, p. 14, ¶ 13;



- “the Trustee’s decision not to recognize the DeGolyer & MacNaughton March 2009 report as a possible terminating event ... is a breach of the Trustee’s duty of loyalty,” *id.*, p. 14, ¶ 14.

All of these opinions are based on a conclusion that lacks a factual basis and is contrary to conclusively proven facts. Accordingly, they should be excluded.

**G. Wallace’s testimony should be excluded because it is not reliable.**

Texas law requires each material part of an expert’s theory—including the expert’s chosen methodology—to be reliable. *See Gharda*, 464 S.W.3d at 348–49; *Whirlpool Corp.*, 298 S.W.3d at 637. As demonstrated below, Wallace’s testimony is unreliable because it is: (1) conclusory and based on assumed facts that lack evidentiary basis; (2) based on improper principles of law; and (3) full of analytical gaps.

**1) Wallace’s testimony is conclusory and based on assumed facts that lack evidentiary basis.**

An expert’s opinion may be unreliable if it is based on assumed facts that vary from the actual facts or if it is based on tests or data that do not support the conclusions reached. *See Whirlpool Corp.*, 298 S.W.3d at 637 (citing *Burroughs Wellcome Co.*, 907 S.W.2d at 499 and *City of San Antonio*, 284 S.W.3d at 818). “In either instance, the opinion is not probative evidence.” *Id.*

As demonstrated above in Section F, Wallace’s testimony is speculative and conclusory on its face, and is based on assumptions that are contrary to actual facts. Such testimony is both irrelevant and unreliable; therefore, it must be excluded. *See Volkswagen of Am., Inc. v. Ramirez*, 159 S.W.3d 897, 904 (Tex. 2004) (“Expert testimony is unreliable if it is not grounded ‘in the methods and procedures of science’ and is no more than “subjective belief or unsupported speculation.”).

## **2) Wallace's testimony is based on improper principles of law.**

Courts are “not required [] to ignore fatal gaps in an expert's analysis or assertions that are simply incorrect.” *Volkswagen of Am.*, 159 S.W.3d at 912. If an expert “utilizes improper methodology or misapplies established rules and principles, the resulting testimony is unreliable and must be excluded. *Enbridge Pipelines, L.P. v. Avinger Timber, LLC*, 386 S.W.3d 256, 262 (Tex. 2012).

Here, as detailed in Section D above, Wallace's expert testimony is based on principles of law that do not apply to this case. Wallace ignores the fact that the Trust Agreement expressly eliminates the statutory and common-law duties that he assumes apply to the Trustees, yet offers no explanation for why the duties should still apply. Because his opinions misapply established rules and principles, they are unreliable, and should be excluded.

## **3) Wallace's testimony suffers from fatal analytical gaps.**

It is well established that expert testimony is unreliable if “there is simply too great an analytical gap between the data [relied upon] and the opinion proffered.” *Houston Unlimited*, 443 S.W.3d at 835; *see Volkswagen of Am.*, 159 S.W.3d at 906 (“It is well established that an expert must show the connection between the data relied on and the opinion offered.”). “An expert's bare opinion will not suffice.” *Volkswagen of Am.*, 159 S.W.3d at 906. For example, in *Volkswagen of America, Inc. v. Ramirez*, the Texas Supreme Court held that an expert's opinion was unreliable because his theory was “not supported by objective scientific analysis and [was] based solely upon his subjective interpretation of the facts.” *Id.* Similarly, in *Gammill v. Jack Williams Chevrolet, Inc.*, the Texas Supreme Court found an analytical gap where the expert failed to show how his observations supported his conclusions. 972 S.W.2d 713, 727 (Tex. 1998). The expert offered nothing to suggest that what he believed could have happened actually

did happen, which amounted to “little more than subjective belief or unsupported speculation.” *Id.* at 727–28.

Wallace’s opinion also suffers from major analytical gaps. Wallace concludes that the March 2009 DeGolyer & MacNaughton report is a potentially terminating event under the Trust Agreement because it reflects less than \$2 million in total future net revenues attributable to the Trust. Ex. A., Wallace Report, at p. 8. This conclusion underpins many of Wallace’s other opinions. *See* Section F, *supra*. But in order to be a potentially terminating event, the valuation of future net revenues valuation showing less than \$2 million must come at the end of a year. *See* Ex. B., Trust Agreement, ¶ 9.01.

Yet Wallace admits that the Trust’s year-end reports were always calculated as of October 31. Ex. C., Wallace Dep., 75:3-76:22. Wallace further admits that the Trustees received year-end reports on October 31, 2008 and October 31, 2009 showing that the present value of the Trust’s future net revenues greatly exceeded \$2 million, Ex. A., Wallace Report, p. 4; Ex. C., Wallace Dep., 81:22-82:7; 82:17-23. Wallace offers no explanation to close this analytical gap — how can a report that does not come at the end of a year constitute a year-end report?

Wallace also opines that the Trustees breached several statutory and common-law duties, including the duty of loyalty, the duty of full disclosure, the duty of competence, and the duty to act as a reasonably prudent investor. However, as described above, none of these duties apply to the Trustees under the terms of the Trust Agreement.

In sum, Wallace’s testimony is unreliable because there is too great of analytical gap between the underlying facts and law and his conclusions. *See Houston Unlimited*, 443 S.W.3d at 835. Wallace has failed to support his conclusions, which amount to “little more than

subjective belief or unsupported speculation.” *Gammill*, 972 S.W.2d at 727–28. Therefore, Wallace’s testimony must be excluded.

### **III. PRAYER**

For the foregoing reasons, BNYM respectfully requests that the Court exclude the testimony of R. Bruce Wallace. BNYM further requests all other relief to which it may be justly entitled.

Respectfully submitted,

THOMPSON & KNIGHT LLP

/s/ Craig A. Haynes

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Craig A. Haynes  
State Bar No. 09284020  
craig.haynes@tklaw.com

Greg W. Curry  
State Bar No. 05270300  
greg.curry@tklaw.com

Rachelle H. Glazer  
State Bar No. 09785900  
rachelle.glazer@tklaw.com

One Arts Plaza  
1722 Routh Street, Suite 1500  
Dallas, TX 75201  
Telephone: (214) 969-1700  
Facsimile: (214) 969-1751

James E. Cousar  
State Bar No. 04898700  
James.Cousar@tklaw.com

THOMPSON & KNIGHT LLP  
98 San Jacinto Blvd., Suite 1900  
Austin, TX 78701  
Telephone: (512) 469-6100  
Facsimile: (512) 469-6180  
*ATTORNEYS FOR THE BANK OF NEW YORK  
MELLON TRUST COMPANY, N.A., as  
CORPORATE TRUSTEE OF THE TEL  
OFFSHORE TRUST*

### **CERTIFICATE OF SERVICE**

I hereby certify that, on April 7, 2017, a true and correct copy of the foregoing has been served via Texas e-filing and email on Ad Litem, counsel for Ad Litem, counsel for Albert and Joyce Speisman, and counsel for RNR Production Land and Cattle. I hereby certify that all other interested parties in this matter will be served in accordance with the Court's Order Directing Method of Service dated January 21, 2016.

/s/ *Rachelle H. Glazer*

Rachelle H. Glazer

# **Exhibit A**

**EGGLESTON & BRISCOE, LLP**

A LIMITED LIABILITY PARTNERSHIP

ATTORNEYS AT LAW

4800 Three Allen Center  
333 Clay Street  
Houston, Texas 77002

January 30, 2017

Telephone (713) 659-5100  
Facsimile (713) 951-9920  
rbw@egglesonbriscoe.com

R. BRUCE WALLACE  
OF COUNSEL

Mr. Dan Bitting  
Scott Douglass McConnico  
303 Colorado Street, Suite 2400  
Austin, Texas 78701

RE: In Re: TEL Offshore Trust; In the Probate Court No. 1; Travis County Texas;  
Cause No. C-1-PB-14-001245

Dear Mr. Bitting:

I have been engaged by Glenn Karisch, attorney ad litem for the unit holders of the TEL Offshore Trust ("Trust") who were served by publication and did not answer or appear in the proceeding, to provide my expert professional opinions regarding various fiduciary matters at issue in the case, including, but not limited to, the exercise of fiduciary discretion, applicable fiduciary duties, standards of care imposed on fiduciaries and the Trustee's duties and obligations with respect to administration of the Trust created by instrument originally dated January 1, 1983. The current Co-Trustees of the Trust are Bank of New York Mellon Trust Company, N.A., Jeffery S. Swanson, Gary C. Evans, Thomas H. Owens, Jr. and former Trustee Danny Conwill (collectively "Trustees"). It is my understanding that the Trust has settled with the individual Trustees and that the remaining claims involves Bank of New York Mellon as Trustee. Thus, my opinions focus on the conduct of the corporate trustee, Bank of New York Mellon Trust Company, N.A. ("Trustee"). I have been asked to provide opinions relative to how a prudent fiduciary, in the usual and customary course of conduct, make decisions as to the duties, powers and obligations imposed on the Trustee under the Trust.

**Qualifications and Personal Information**

My opinions are based on my education and experience which include thirty-three years as a trust officer and private banker, managing litigation, complex transactions and large fiduciary relationships for both institutions and high net worth individuals. I joined the law firm of Eggleston & Briscoe, LLP in 2008, where my practice has centered on banking, fiduciary, real estate, energy and investment transactions as well as serving as an expert witness in complex litigation involving fiduciary administration, management of trusts and the exercise of fiduciary discretion by fiduciaries in the usual and customary course of conduct for the administration of trusts and estates.



Mr. Dan Bitting  
January 30, 2017

My experience in the trust and banking industry began with Texas Commerce Bank in 1976, managing fiduciary relationships with significant real estate and oil and gas holdings. I held management responsibility for the Real Estate and Oil and Gas Group for over twenty years. In 1988, I also assumed the role of Chief Administrative Officer for the Trust Department, where I was responsible for oversight of fiduciary policy as well as the acquisition and business integration of multiple bank and trust company mergers into Texas Commerce, Chase and JPMorgan Bank. In 1993, I was named to the management group responsible for creating the Private Bank for JPMorgan in Texas. Following the JPMorgan merger with Chase, I served as the Private Bank's Chief Operating Officer for the central and southeastern United States. In addition to these roles, I served as President of Matagorda Oil Company, a closely held corporation, and Trinity Petroleum, a publicly traded energy company.

During my trust banking career, I have held many administrative, managerial and oversight roles, including chair or co-chair of the Trust Investment Committee, Account Investment Review Committee, Fiduciary Risk Committee, Fiduciary Fee Committee, Trust Audit Committee and Trust Administrative Committee. My curriculum vitae is attached and is incorporated fully herein.

Based on my many years of administering trusts and estates, I will provide testimony with regard to the duties and responsibilities of the Trustee, including its obligation to meet the standards of such basic fiduciary duties as the duty of loyalty, duty of care, duty of competency, duty to fully disclose material information, duty of good faith and duty of fair dealing. In addition, I will address issues of self-dealing and conflicts of interest present in this case.

I earned a Bachelor of Arts degree from The University of Texas at Austin in 1976, and a Doctor of Jurisprudence from South Texas College of Law in 1980.

A true and correct copy of my resume/C.V. is attached.

In preparing for this report, I reviewed the documents listed in the attachment to this report.

### **Factual Summary**

Below I set forth some (but not all) all the most salient facts.

The TEL Offshore Trust is an express trust created under the laws of the State of Texas in 1983. The principal asset of the Trust consists of a 99.99% interest in the TEL Offshore Trust Partnership (the "Partnership"). Thousands of investors hold units of the Trust and are the Beneficiaries of the Trust. Chevron U.S.A., Inc., ("Chevron,") owns the remaining .01% interest in the Partnership. Until October 27, 2011, the Partnership owned 100% of an overriding royalty interest equivalent to a 25% net profits interest (the "Original Royalty"), in certain oil and gas properties located offshore Louisiana, including Eugene Island 338, Eugene Island 339 and Ship Shoal 182/183.

In September of 2008, Hurricane Ike completely destroyed all of the wells, production platforms, sales platforms and other infrastructure on Eugene Island 339 and infrastructure, including the

pipeline necessary to deliver product for sale of production, from Ship Shoal 182/183. These two fields were responsible for approximately 98% of the Trust's revenue.

Over the years, Chevron and others initiated sales of interests that conveyed working interests to third parties. Until December of 2009, the acquiring party assumed the obligations of the Original Royalty with respect to the property sold. However, on December 15, 2009, Chevron entered into a participation agreement with Arena Offshore, LP, ("Arena"), following destruction caused by Hurricane Ike, as a farmout of portions of Eugene Island 338 and 339. Pursuant to the terms of the Arena Agreement, Arena could earn an assignment of 65% of Chevron's working interests in Eugene Island 338 and Eugene Island 339.

Under the Arena Agreement, following completion of a well, Chevron assigned 65% of its working interest in Eugene Island 338 and Eugene Island 339 to Arena, effective as of December 15, 2009. In accordance with the Conveyance and the Arena Agreement, the working interest assigned to Arena was not burdened by the Original Royalty, and the Royalty held by the Partnership with respect to such properties was reduced proportionately. As a result of the Arena farmout, the Royalty held by the Partnership on Eugene Island 339 was reduced by 65% in perpetuity. The Trustee did not know of the Arena farmout until after it occurred.

On October 27, 2011, the Trust announced that the Partnership had sold 20% of the partnership's interest in the Original Royalty generating \$1,600,000 in gross proceeds. The Trust received from the Partnership a distribution of approximately \$1,485,851, representing 99.99% of the net proceeds from the sale. The Trust used the proceeds solely for the payment of expenses of the Trust. No distributions were made to the Beneficiaries.

On October 31, 2013, the Trust announced that the Partnership had sold 25% of its remaining interest in the Original Royalty. As a result, the Partnership holds 60% of the overriding royalty interest, and the Partnership is only entitled to receive 15% of the Net Proceeds. The 2013 Royalty Sale generated \$1,200,000 in gross proceeds. The Trust used approximately \$300,000 of the net proceeds received in October of 2013 to repay the Trust's outstanding loan dated May 23, 2013, in the original principal amount of \$300,000 executed by the Trust and payable to Bank of New York Mellon. The remaining proceeds were allocated to the payment of expenses of the Trust. Once again, no distributions were made to the Beneficiaries.

On October 1, 2014, Bank of New York Mellon loaned the Trust \$363,000. Following the 2014 Note, Bank of New York Mellon made additional loans in the amount of \$209,885 and \$484,000. Pursuant to the terms of the 2015 Note, all amounts outstanding under the 2015 Note including accrued and unpaid interest were due and payable on the earliest to occur of (i) the date written demand for payment is made by Bank of New York Mellon or (ii) December 31, 2016. In addition, the accrued and unpaid interest remaining due from the 2014 Note is due and payable concurrently with the payment of the 2015 Note.

The terms of the Trust provide that the Trust will terminate upon the first to occur of the following events: (1) total future net revenues attributable to the Partnership's interest in the Royalty, as determined by independent petroleum engineers, as of the end of any year, are less

than \$2.0 million (2) a decision to terminate the Trust by the affirmative vote of Unit holders representing a majority of the Units.

Historically, the Trust maintained a reserve for expenses that was equal to approximately three years of the average annual expense. In September of 2008, this reserve was \$2,233,291. In addition, the Trust maintained a special escrow reserve for the purpose of covering the anticipated cost of plugging and abandoning the wells at cessation of production. This reserve totaled \$4,325,503 in September of 2008.

Following Hurricane Ike, expense exceeded revenue thus creating negative net profits which continued to accumulate as a loss carry forward. The following chart reflects the ever increasing net loss carry forward that must be offset before distributions could once again be made to the unit holders.

<b>Year</b>	<b>Net Loss Carry Forward</b>
2006	\$0
2007	\$0
2008	\$1,174,901
2009	\$6,066,487
2010	\$3,684,455
2011	\$6,806,012
2012	\$6,940,696
2013	\$4,927,130
2014	\$2,054,155

The reduction in the net loss carry forward reflected in 2010, is the result of a decision by Chevron to use the special escrow reserve to reduce the outstanding balance of the carry forward. In the future Chevron will be required to rebuild the special reserve, thus reducing distributable income which might become available in the future. It has come to my attention that the special escrow reserve may have been improperly reflected in the SEC filings of the Trustee. Additional information is required to form a final opinion relative to this potential misstatement and its impact on disclosure.

Despite the fact that there was no current distributable net revenue to the unit holders; according to independent engineers, the royalty recovered some of its value in the year following the destruction caused by Hurricane Ike. The Trustees were required to obtain an annual valuation of the Trust's royalty interest from an independent petroleum engineer. DeGolyer and MacNaughton performed the required valuations included in the annual SEC filings, reporting present value discounted at 10% for each year as follows:

<b>Year</b>	<b>Present Value @ 10%</b>
2007	\$45,169,413
2008	\$16,860,927
2009	\$9,417,482
2010*	\$15,025,556
2011**	\$8,537,248
2012	\$11,601,365
2013***	\$6,111,863
2014	\$5,643,219
2015	\$1,589,273

\*-last valuation of full interest

\*\* - reflects reduced interest from 2011 sale

\*\*\*-reflects reduced interest from 2011 & 2013 sales

In 2009, Chevron elected not to redevelop Eugene Island 339 and instead decided to farmout 65% of its interest to Arena Energy. By electing to farmout its interest, Chevron eliminated the net profits burden to the extent of a 65% reduction in the Trust's interest. It is obvious why Chevron elected to proceed in this manner. In calculating its return on investment through redevelopment of the field, the overall risk is increased and ultimate return to Chevron reduced because of the net profits burden. Yet, it appears the Trustee never approached Chevron to determine its plans or to explore potential alternatives. In his deposition, Mike Ulrich testified as follows:

Q. And I think you -- did you say you and the  
11 other trustees did not know about it [the Arena farmout] before it  
12 happened?

13 A. No, we did not.

24 Q. (BY MR. BITTING) Did it concern you that  
25 Chevron, who had operated these properties for years,  
1 established oil and gas company, had analyzed the  
2 possibility of it spending its money to redevelop  
3 Eugene Island 339 and decided it wasn't worth doing?

4 A. Yes.

5 Q. What did you or the other trustees do in light  
6 of that concern?

7 A. Before we knew about the farmout?

8 Q. Well, did you know that Chevron had made that  
9 decision before the farmout?

10 A. After -- they notified us after the farmout  
11 document had been executed.

12 Q. Okay. And so you knew at that time that  
13 Hurricane Ike, September of 2008, Chevron had had an --  
14 over a year to evaluate whether it made economic sense  
15 to it to spend its money to redevelop

16 Eugene Island 339, and it had decided not to do that,  
17 right?  
19 THE WITNESS: Yes.

From the information and testimony available, it appears that the Trustee did not make sufficient inquiry as to what Chevron's plans were for the redevelopment of Eugene Island. The resulting farmout caused a reduction of the Trust's interest in Eugene Island 339 by 65% in perpetuity.

Beginning with its 2008 SEC filing, the Trustee acknowledged that "Future distributions by the Trust are expected to be severely negatively impacted and there may not be sufficient Net Proceeds from the Royalty Properties to make one or more future distributions." This is the time that the Trustee should have been aggressively evaluating and pursuing courses of action to preserve the assets of the Trust for the benefit of the Beneficiaries.

The Trustee was aware of many facts material to the interests of the Beneficiaries, yet failed to make disclosures. For example, the Trustee considered several alternatives that required disclosure. In his deposition, Mr. Ulrich testified as follows with respect to the alternatives available.

11 . . . Q. . You've said that once the cash reserve was  
12 . depleting is when the trustees started thinking, you  
13 . know, one option would be we could call a vote and to  
14 . vote on selling the properties and terminating the  
15 . trust under 6.03, right?  
16 . . . A. . Correct.

.8 . . . Q. . So do you think that was by 2009 that you had  
.9 . this concern of, you know, maybe we ought to think of  
10 . our options because our cash is really depleting?  
11 . . . A. . Yes.  
20 . . . Q. . So why didn't you do it?  
21 . . . A. . I did not think the unit holders would approve  
22 . it.

.5 . . . . . THE WITNESS: . We considered a  
.6 . receivership. . We considered selling more interest in  
.7 . trust. . I mentioned earlier borrowing money from  
.8 . another party. . Also considered just keep going,  
.9 . keeping the status quo. . That's all I can recall right  
10 . now.  
11 . . . Q. . (BY MR. BITTING) . Did you consider the option  
12 . you wound up pursuing, that is, filing a judicial  
13 . action to get the court approval to sell the properties  
14 . and terminate the trust?  
15 . . . A. . Yes.  
23 . . . Q. . Well, you told me that you at least began

24· considering the option of calling a meeting to vote on  
25· the sale when you saw the cash reserve depleting.

·1· · · · A· Yes.

·2· · · · Q· And that would have been before 2013?

·3· · · · A· Correct.

·4· · · · Q· So I think you said you were considering that  
·5· option in 2009?

·6· · · · A· 2009, 2010.

·7· · · · Q· Were you considering these other options of  
·8· selling interests, borrowing money, maintaining status  
·9· quo, or going to court and seeking court approval to  
10· sell the properties in the 2009, 2010 timeframe?

11· · · · A· Maybe not all the options but certainly some  
12· of them. Borrowing money.

8· · · · Q· And as of the end of 2010, that reserve for  
·9· future trust expenses has gone from the 1.2 million  
10· that we saw on the 2009 10-K down to 352,000; is that  
11· right?

12· · · · A· Yes.

20· · · · Q· So what did you do?

21· · · · · MS. LUCIER: Objection, form.

22· · · · Q· (BY MR. BITTING) Did you go out and borrow  
23· money to pay the G&A expenses?

24· · · · A· I believe that's correct.

25· · · · Q· Did you consider putting up any of the  
·1· property for sale at this point?

·2· · · · A· Considered it, but decided against it.

·6· · · · Q· Why did you decide against putting up the  
·7· property for sale at the end of 2010?

·8· · · · A· We thought with Ship Shoal 182/183 we might be  
·9· able to eliminate the loss carry-forward.

10· · · · Q· And did you get any independent analysis of  
11· that belief? Did you ask D&M to, you know,  
12· specifically look at, if we don't really look at Ship  
13· Shore (sic), do you believe that the revenues from it  
14· alone would be able to eliminate the loss carry-forward  
15· and generate money for distribution?

16· · · · A· Based on D&M's reserve report we felt like we  
17· could -- we'd get there.

18· · · · Q· Well, I'm asking did you ask them?

19· · · · A· No.

24· · · · Q· And you've testified today that you and your  
25· fellow trustees considered a variety of options,  
·1· including asking for a vote to sell all the properties,

- 2· getting loans, which you did wind up taking a few  
·3· loans, selling off portions of the properties,  
·4· ultimately going to court and asking for an order to  
·5· allow you to sell it all and terminate the trust,  
·6· right?  
·7· . . . A. . Correct.  
·8· . . . Q. . You considered those options and you decided  
·9· as trustees not to pursue the option of calling for a  
10· vote of the unit holders, right?  
11· . . . A. . Correct.  
·5· . . . Q. . The decisions to take loans to pay G&A  
·6· expenses, those were intentional decisions, right?  
·7· . . . A. . Yes.  
·8· . . . Q. . The decisions to sell first 20 percent of  
·9· 25 percent and then another -- the second sale to RNR  
10· was another 20 percent of what you had left. Is that  
11· how that worked?  
12· . . . A. . Well, it's 20 percent of the original.  
13· 25 percent net profits interest.  
14· . . . Q. . Okay. That's right. So they wound up with a  
15· total of 40?  
16· . . . A. . Yes.  
17· . . . Q. . So that -- that decision to make the second  
18· sale to RNR was an intentional decision by the  
19· trustees, right?  
20· . . . A. . Yes.

As already discussed, the Trust provides for termination when total future net revenues attributable to the Partnership's interest in the Royalty, as determined by independent petroleum engineers, as of the end of any year, are less than \$2.0 million. On March 31, 2009, immediately after the hurricane damage, DeGolyer & MacNaughton issued a reserve report that reflected the value of the Royalty Interest to be \$0. Under the Trust, this valuation represents a potential terminating event. The report states the following:

During September 2008, the platforms and wells associated with the Eugene Island 339 field were completely destroyed by Hurricane Ike. Chevron has provided the estimated costs for the work required to clear the remaining infrastructure and abandon existing wells. A decision by Chevron regarding possible redevelopment is under consideration, but there are no assurances that production will be restored; therefore, there are no reserves attributable to the Eugene Island 339 field presented herein.

Estimated net proved reserves attributable to the Trust Partnership Interest, as of March 31, 2009, are summarized as follows, expressed in barrels (bbl) and thousands of cubic feet (Mcf):

	Oil and Condensate (bbl)	Natural Gas (Mcf)
Proved Reserves	0	0

Mike Ulrich testified about this report as follows:

- 1 · · · Q · So based on everything discussed in this
- 2 · report dated Exhibit 15, D&M found revenue, subject to
- 3 · the net profits interest, was zero, right?
- 4 · · · A · Yes.
- 5 · · · Q · Can you show me anyplace in this report that
- 6 · show future net revenues in excess of \$2 million.
- 7 · · · A · I can't.
- 8 · · · Q · So at the time of this report that we have
- 9 · marked as Exhibit -- Ulrich Exhibit 15, the trust
- 10 · assets were below the \$2 million threshold in the trust
- 11 · instrument?
- 12 · · · A · Correct.
- 13 · · · Q · Did the trustees discuss this report from D&M?
- 14 · · · A · I don't recall.

By December of 2009, following the Arena farmout, it is apparent that the Trust's ability to offset the outstanding net loss carry forward from the Royalty Interest then available was not likely and any attempt to prolong the death spiral of the Trust was not in the best interests of the Beneficiaries.

And yet, even though the potential for overcoming the loss carry forward was small, the interest retained a positive value. In its last valuation before Bank of New York Mellon began to undertake its unilateral actions that resulted in no further distributions to the unit holders, DeGolyer & MacNaughton valued the present value of the interest discounted at 10% at \$15,025,556.

Based on the facts available to the Trustee in 2009, the Royalty Interests should have been sold. This decision would have met the purpose of the Trust which is to protect and conserve, for the benefit of the owners of the Units, the Overriding Royalty Interest, the Trust Partnership Interest, the Tenneco Offshore II Stock and any other assets held in the Trust Estate.

Unfortunately, instead of making a decision to protect the value of assets as required by the Trust, or calling a meeting of the Beneficiaries to vote for the sale of the Royalty Interests, or asking for relief from the Court given the changed circumstances of the Trust, the Trustee elected to undertake a course of action that had absolutely no benefit to the Beneficiaries yet yielded substantial benefits to the Trustee.

First the Trustee borrowed \$300,000 from Bank of New York Mellon, then on August 11, 2013, they sold 25% of the remaining Royalty Interest, further reducing the asset base necessary to



provide any chance of overcoming the loss carry forward. From the proceeds of the sale, the Trustee paid off the \$300,000 loan. Over the next two years, the Trustee borrowed an additional \$1,056, 885 from Bank of New York Mellon. Following the hurricane, the Trustees paid themselves \$1,313,040 in fees. It paid the accountants \$1,282,650 in fees. In addition to these fees, the Trustee paid an additional \$3,353,924 in G&A expenses, totaling \$5,949,614 between 2009 and 2014. During this period the Beneficiaries received nothing.

The Trust does permit the Trustees to borrow funds from Bank of New York Mellon. Section 6.08 of the Trust provides the following power to the Trustees:

6.08 Limited Power to Borrow. If at any time the cash on hand is not sufficient to pay liabilities of the Trust then due or to redeem Units as required by Section 6.10 of this Trust Agreement, the Trustees are authorized, but not required, to borrow from the Corporate Trustee in its capacity as a bank, or from another Person, on a secured or unsecured basis, such amounts as are required after use of any available Trust funds to pay such liabilities as have become due or to make such purchases....

However, the fact that the Trustee has the power to borrow does not in any way modify the duty to exercise that power prudently, in the best interests of the Beneficiaries, in accordance with other terms of the Trust and consistent with the Trustee's other fiduciary duties. Historically, the Trustee had maintained an expense reserve equal to three years average expenses. In 2008, this reserve stood at \$2,233,291. By 2010, the reserve was reduced to \$352,017 and continued to accrue at nearly \$1 million per year, while at the same time the net loss carry forward increase to nearly \$7 million.

Here is Mr. Ulrich's testimony as to the benefits of the actions taken by the Trustee.

·3· · · ·Q· ·Mr. Ulrich, let me -- let me kind of follow up  
·4· ·on a couple things Mr. Bitting talked about and then  
·5· ·we'll come back and go through some other things. · In  
·6· ·answer to two of his questions about, did the unit  
·7· ·holders benefit, I think you questioned the definition  
·8· ·of what do you call benefit. · Do you remember that?  
·9· · · ·A· ·Yes.  
10· · · ·Q· ·And then when he said -- you -- you repeated  
11· ·twice, well, they hadn't received any funds out of  
12· ·those loans or the sale, right?  
13· · · ·A· ·Correct.  
14· · · ·Q· ·Do you define benefit to the unit holders in  
15· ·any different way, some way -- were they benefitted in  
16· ·some other way?  
17· · · ·A· ·Yes.  
18· · · ·Q· ·How?  
19· · · ·A· ·We kept the trust alive.

- 20 · · · Q · All right · Well, let's examine that · If you  
21 · kept the trust alive, you kept the G&A expenses running  
22 · in \$800,000 range alive, right?  
23 · · · A · Yes.  
24 · · · Q · And you kept the trust alive when there had  
25 · not been any distributions to the -- to the unit  
· 1 · holders since 2008, right?  
· 2 · · · A · Yes.  
· 3 · · · Q · And you kept the trust alive with no plans on  
· 4 · the part of Chevron that had announced to you of any  
· 5 · further development on 339?  
· 6 · · · A · Yes.  
· 7 · · · Q · Or any development any -- any further  
· 8 · development of Ship Shoal, right?  
· 9 · · · A · Yes.  
10 · · · Q · And you kept the trust alive for a period --  
11 · with regard to Ship Shoal, where there are  
12 · approximately 40 wells, correct?  
13 · · · A · We kept it alive, yes.  
14 · · · Q · And those 40 wells are going to, at some  
15 · point, require being plugged and abandoned?  
16 · · · A · Yes.  
17 · · · Q · And there will be expense associated with each  
18 · one of those 40 wells that's plugged and abandoned,  
19 · right?  
20 · · · A · Whatever interest the trust has in those 40  
21 · wells.  
22 · · · Q · That's correct · Now, when you talk about --  
23 · in the whole series of questions you answered that you  
24 · were hoping that you could payoff the loss  
25 · carry-forward · Paying off the loss carry-forward alone  
· 1 · provides no funds to the unit holders, right?  
· 2 · · · A · Yes.

### **Uniform Prudent Investor Act**

The administration of the Trust is subject to the terms of the trust document and the Trust section of the Texas Property Code, including the Uniform Prudent Investor Act. These sources work in concert to provide the blueprint for making virtually all decisions relative to the Trust's administration.

The Prudent Investor Act became effective in Texas in January of 2004 and is generally referred to as the Uniform Prudent Investor Act ("UPIA"). The UPIA has been adopted by many states in an effort to standardize the duties of a Trustee in fulfilling its investment management obligations. The Prudent Investor Act creates a default investment standard of care, but that standard can be expanded, restricted or even eliminated by the provisions of the trust.

Section 117.004(a) outlines the standard of care owed by the Trustee to the Beneficiaries. This standard requires the trustee to exercise reasonable care, skill and caution managing the trust as a prudent investor would, considering the purposes, terms, distribution requirements, and other circumstances of the trust. In order to evaluate compliance with this standard, it is necessary for the Trustee to ascertain the purpose of the Trust. In this case establishing the purpose is very straight forward inasmuch as the agreement, in Section 2.02, sets it out clearly and unambiguously.

**2.02 Purposes. The purposes of the Trust are:**

- (a) to protect and conserve, for the benefit of the owners of the Units, the Overriding Royalty Interest, the Trust Partnership Interest, the Tenneco Offshore II Stock and any other assets held in the Trust Estate;
- (b) to receive cash attributable to the Trust Partnership Interest and the Tenneco Offshore II Stock and any other assets held in the Trust Estate;  
and
- (c) to pay or provide for the payment of any liabilities incurred in carrying out the purposes of the Trust, and thereafter to distribute the remaining amounts received by the Trust pro rata to the owners of the Units.

**Exculpation**

The Trust contains several provisions which attempt to limit the liability of the Trustee in the event of a breach. When the Trust was drafted in 1983, settlors had greater ability to limit the liability of a trustee than exists today. The State Legislature recognized problems associated with allowing, among other things, exculpation of self-dealing and effective January 1, 2006, amended the Texas Trust Code to place restrictions on exculpation by adding §114.007 to the Trust Code.

This Section limits the applicability of an exculpatory clause to breaches that are not committed in bad faith, intentionally or with reckless indifference to the interest of the beneficiary. Section 111.035 of the Texas Trust Code was amended concurrently to state that the terms of a trust agreement may not limit the applicability of Section 114.007 to an exculpation term of a trust. Section 114.007 also provides that an exculpatory clause is not applicable to any profit received by the trustee as a result of a breach.

**Summary of Opinions**

1. Under the Trust Agreement and Texas common and statutory law—including the Texas Trust Code—the Trustee owed the Beneficiaries fiduciary duties. These include:
  - a. a duty to act in good faith and in accordance with the purposes of the Trust;
  - b. a duty of loyalty;

- c. a duty to place the interests of the Beneficiaries above the Trustee's own interests.
  - d. a duty of full disclosure;
  - e. a duty of competence;
  - f. a duty to comply with the Texas Uniform Prudent Investor Act, Chapter 117 of the Texas Trust Code ("UPIA"), except to the extent altered by the terms of the Trust.
2. The primary purpose of the Trust is to protect and conserve, for the benefit of the owners of the units, the overriding royalty interest, the Trust Partnership Interest, the Offshore II Stock and any other assets held in the Trust Estate.
3. The Trustee had a duty to administer the Trust in good faith and in accordance with its purposes, and this duty could not be altered or diminished by the terms of the Trust instrument.
4. In the wake of the devastation caused by Hurricane Ike, the Trustee had available several courses of action to preserve the value of the assets of the Trust Estate. These include:
  - a. actively inquiring about Chevron's intentions and engaging with Chevron to come up with solutions that benefited the Beneficiaries;
  - b. exercising its discretion under the Trust instrument to call for a vote of the unit holders to permit the sale of the net profits interests at a time when it still has value;
  - c. treating the March 2009 DeGolyer & MacNaughton report as a potential terminating event, allowing the Trustee to work with Chevron and DeGolyer & MacNaughton to liquidate the Royalty Interest;
  - d. seeking judicial relief authorized by statute or in equity.The Trustee did none of these things.
5. As more particularly described below, the Trustee's failure to take action to protect the Beneficiaries' interest and instead taking action to benefit it constitutes a breach of its fiduciary duties.
6. The Trustee breached its duty to investigate imposed under UPIA by failing to sufficiently engage with Chevron following the damages caused by Hurricane Ike in an attempt to come up with solutions that would have been more beneficial to the Beneficiaries. The Trustee remained in the dark regarding Chevron's plans, and the resulting Arena farmout caused a reduction of the Trust's interest in Eugene Island 339 by 65% in perpetuity.
7. The Trustee had special skills and expertise and/or represented that it had special skills and expertise in administering royalty trusts but failed to properly utilize the special skills and expertise as required under Section 117.004(f) of the Texas Trust Code.
8. The Trustee should have realized in 2009, after receiving the March 2009 DeGolyer & MacNaughton report or the Arena farmout, that the Trust's ability to offset the

outstanding net loss carry forward from the Royalty Interest then available was not likely and that any attempt to prolong the death spiral of the Trust was not in the best interests of the Beneficiaries.

9. Based on the facts available to the Trustee, beginning in at least May of 2009, and at all times thereafter, the Royalty Interests should have been sold. This decision would have met the purpose of the Trust which is to protect and conserve, for the benefit of the owners of the Units, the Overriding Royalty Interest, the Trust Partnership Interest, the Tenneco Offshore II Stock and any other assets held in the Trust Estate.
10. The decision of the Trustee to borrow money from Bank of New York Mellon and to sell portions of the Royalty Interest in amounts that served no purpose but to provide sufficient funds for the payment of Trustee's fees and expenses constitutes a conflict of interest. From 2009-2014, the Trustee paid nearly \$6 million in such fees and expenses, while during the same period, the Beneficiaries received nothing.
11. By electing to borrow money and then selling off just enough Trust assets to repay the loan and cover additional annual fees and expenses, the Trustee failed to protect the value of the Royalty Interest. Oil and gas production is a depleting asset and its value is constantly affected by, among other things, enhanced recovery techniques, discovery of new reserves and changes in price. Following Hurricane Ike, it was imperative that the Trustee establish what combination of price and reserves was required for the Trust to ever be placed in a position of overcoming the projected loss carry forward. There is no evidence that this was done.
12. The Trustee's decision to keep the Trust alive resulted in benefits for the Trustee and no benefits to the Beneficiaries. By placing its own interests ahead of those of the Beneficiaries, the Trustee clearly breached its duty of loyalty. In addition, it created conflicts of interest and self-dealing transactions. These conflicts of interest and self-dealing transactions place the burden on the Trustee to prove that the actions taken were fair to the Beneficiaries.
13. Had the Trustee recognized the March 2009 DeGolyer & MacNaughton report as a potential terminating event, it would have placed the Trust in a wind up phase allowing the Trustee to work with Chevron and DeGolyer & MacNaughton to liquidate the Royalty Interests. This potential terminating event was never disclosed to the Beneficiaries despite its obvious materiality to them. Beneficiaries have no duty to inquire whether or not assets are being properly managed. The only information available to the Beneficiaries was that included in the public SEC disclosures filed by Bank of New York Mellon. The Trustee's failure to disclose the March 2009 DeGolyer & MacNaughton report as well as other reasonable courses of action available is a breach of the Trustee's duty to disclose material information.
14. It is my opinion that the Trustee's decision not to recognize the DeGolyer & MacNaughton March 2009 report as a possible terminating event and failure to explore other means available to terminate the Trust is a breach of the Trustee's duty of loyalty.

The decision to maintain the Trust was of benefit to the Trustee, but provided no benefit to the Beneficiaries.

15. Contrary to the position taken by the Trustee, the \$2.0 million future net revenue threshold for termination under the Trust instrument is not proportionately reduced following a sale of a part of the royalty.
16. The Trustee breached its duty to administer the Trust competently and its duty to manage Trust assets with care skill and caution.
17. The Trustee breached its duty to administer the Trust in good faith and in accordance with the purpose(s) of the Trust. Liability for these breaches is not excused by the exculpation provision of the Trust.
18. The breaches of trust committed by the Trustee constitute gross negligence, were intentional and represent reckless indifference to the interests of the Beneficiaries. Liability for these breaches is not excused by the exculpation provision of the Trust.
19. It is my understanding that the Court has already determined that Bank of New York Mellon's calculation of fees, in a manner inconsistent with the trust agreement, constitutes a serious and intentional breach of trust. Under Texas Trust Code §114.007, an exculpatory clause is ineffective with respect to any profit derived by the trustee from a breach of trust. It is my opinion that all fees calculated in the incorrect manner as well as any interest, fees or other revenue collected as a result of the loans from Bank of New York Mellon constitute profits from a breach of trust.
20. It is my opinion that Trustee's intentional miscalculation of fees constitutes self-dealing.
21. Section 114.001(c) of the Texas Trust Code provides in part that a trustee who commits a breach of trust is chargeable with any damages resulting from such breach of trust, including but not limited to any loss or depreciation in value of the trust estate as a result of the breach of trust. This means that the damages Trustee caused by its breaches of trust must be paid in full into the trust estate of the Trust and are not limited to the proportion of damages sought by individual plaintiffs or Beneficiaries.
22. I may reach additional opinions as discovery and the case progresses.

### **Background**

I will also provide background information on trust issues in this case, including but not limited to an explanation of trusts, trust administration, terminology, rights of a beneficiary and an explanation of the duties of a trustee.

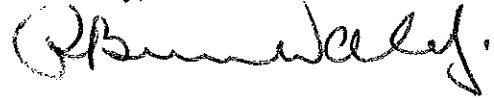
### **Additional Disclosures**

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My compensation for this engagement is \$600.00 per hour. I have not authored any publications during the past ten years.

I reserve the right to alter, amend, or supplement this report as additional information becomes available in this case.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Wallace, Jr.", written in a cursive style.

R. Bruce Wallace, Jr.

**Exhibit A**

EX 0001 Michael Ulrich 071416.PDF  
EX 0002 Michael Ulrich 071416.PDF  
EX 0003 Michael Ulrich 071416.PDF  
EX 0004 Michael Ulrich 071416.PDF  
EX 0005 Michael Ulrich 071416.PDF  
EX 0006 Michael Ulrich 071416.PDF  
EX 0007 Michael Ulrich 071416.PDF  
EX 0008 Michael Ulrich 071416.PDF  
EX 0009 Michael Ulrich 071416.PDF  
EX 0010 Michael Ulrich 071416.PDF  
EX 0011 Michael Ulrich 071416.PDF  
EX 0012 Michael Ulrich 071416.PDF  
EX 0013 Michael Ulrich 071416.PDF  
EX 0014 Michael Ulrich 071416.PDF  
EX 0015 Michael Ulrich 071416.PDF  
EX 0016 Michael Ulrich 071416.PDF  
EX 0017 Michael Ulrich 071416.PDF  
EX 0018 Michael Ulrich 071416.PDF  
EX 0019 Michael Ulrich 071416.PDF  
EX 0020 Michael Ulrich 071416.PDF  
EX 0021 Michael Ulrich 071416.PDF  
EX 0022 Michael Ulrich 071416.PDF  
EX 0023 Michael Ulrich 071416.PDF  
EX 0024 Michael Ulrich 071416.PDF  
EX 0025 Michael Ulrich 071416.PDF  
EX 0026 Michael Ulrich 071416.PDF  
EX 0027 Michael Ulrich 071416.PDF  
Meetings of Trustees 2009-2015.zip  
MICHAEL ULRICH 071416 FULL.pdf  
MICHAEL ULRICH 071416 MINI.pdf  
MICHAEL ULRICH 071416.txt  
SEC Filings.zip  
TEL Financial Statements (Native Files).zip  
Wallace TEL Trust Engagement Letter with karisch changes.docx  
12\_07\_16 Rule 11 agmt re Wiggins prelim report.DOCX  
2014-07-10\_ (Official) OPet for Modification & Termination of Trust.pdf  
2014-07-10\_ Original Petition for Modification of Termination of Trust.pdf  
2014-07-23\_ Motion for Citation by Publication.pdf  
2014-08-09\_ Ord. on Mtn. for Service by Publication.pdf  
2014-10-10\_ Lutz\_Orig\_Ans.pdf  
2014-10-20 Garrett Suggestion of Death.pdf  
2014-10-22 Rule 11 .pdf  
2015-02-02\_ Affidavit of William O. Gauger.pdf



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2015-02-02\_Return of Citation by Publication.pdf  
2015-02-09\_Guardian's Annual Rpt re Hoffman.pdf  
2015-03-18\_Cover letter enclosing documents.PDF  
2015-03-18\_Motion for Citation Publication.PDF  
2015-04-06 Amended Order for Sub Service.pdf  
2015-06-02\_Motion for Appointment of Attorney Ad Litem.pdf  
2015-06-18 Order Appointing AAL.PDF  
2015-08-18\_Answer original of AAL FS.pdf  
2015-08-18\_motion for service method FS.pdf  
2015-08-18\_motion to retain consulting expert FS.pdf  
2015-09-02\_Motion for Entry of Trial Date.pdf  
2015-09-15 Original Answer by RNR Production-1.pdf  
2015-09-28\_(official) Ord. Granting Mtn. for Entry of Trial Date.pdf  
2015-09-28\_Order Authorizing Attorney Ad Litem to Retain Consulting Expert and Order Payment from Trust.pdf  
2015-09-28\_Order Directing the Method of Service of Documents.pdf  
2015-10-05\_Amended Order Granting Motion for Entry of Trial Date.pdf  
2015-11-16\_Attorney Ad Litem's Designation of Expert.pdf  
2015-11-16\_Attorney Ad Litem's First Am Answer & Counterclaim for Order to Sell Royalty Ints and for Acctg.pdf  
2015-11-16\_Attorney Ad Litem's Motion to Sever (includes Notice of Hearing).pdf  
2015-11-16\_Attorney Ad Litem's November 2015 Fee Application (includes Notice of Hearing).pdf  
2015-11-16\_Petitioners' Designation of Expert Witnesses.pdf  
2015-11-16\_RNR Prod Land & Cattle's 1st Am Orig Answer and Counterclaim for Order to Sell Royalty Ints and For Acctg.pdf  
2015-11-16\_RNR Prod Land & Cattle's Motion to Sever (includes Notice of Hearing).pdf  
2015-12-28\_Tolling Agreement 2015-12-30 SIGNED.pdf  
2016-01-06\_Rule 11 Agreement re settlement SIGNED.pdf  
2016-01-06\_Order Granting SDM Mtn Withdraw as Counsel for Matt Lutz.pdf  
2016-01-06\_Ind Trustees Ans to Speisman 1st Amend Pet.pdf  
2016-01-07 SDM Motion to Withdrawl as Counsel for Lutz.PDF  
2016-01-07\_Billing Fee Application January 2016.pdf  
2016-01-07\_Motion for Continuance.pdf  
2016-01-07\_Motion second for service method.pdf  
2016-01-07\_Motion to Withdraw.pdf  
2016-01-12 NYMellon's Resp in Opp to 2nd Mtn re method of service of documents.pdf  
2016-01-14 Notice of Rule 11 Agreements.pdf  
2016-01-15 Order Approving Jan 2016 Fee App of Attorney Ad Litem.pdf  
2016-01-15 Order Approving Nov 2015 Fee App of Attorney Ad Litem (2).pdf  
2016-01-15 Order Granting Mtn for Continuance.pdf  
2016-01-15 Order Granting SD&M Motion to Withdraw.pdf  
2016-01-15\_Severance order 2016-01-15 FS - SIGNED.pdf  
2016-01-21\_TEL - Court - Order Directing Method of Service of Documents - signed Jan. 21 2016.pdf  
2016-02-29\_Thander Ltr. to Clerk & Lucier re receival of OPet.pdf

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2016-04-15\_karisch signatures on Rule 11, order 2016-04-15.pdf  
2016-04-15\_Mtn. to Enforce Judgement Pursuant to Agreement.pdf  
2016-04-25\_Ord. on Mtn. to Enforce Judgement Pursuant to Agreement.pdf  
2016-05-12\_Acknowledgment of Order Protecting Confidentiality 2016-05-12.pdf  
2016-05-24\_order directing service signed by Karisch 2016-05-24.pdf  
2016-05-25\_AAL - Motion to Retain Counsel 2016-05-26 FS.pdf  
2016-05-25\_AAL - Motion to Retain Counsel Order 2016-05-26 Efiled.pdf  
2016-05-25\_AAL May 2016 Fee Application 2016-05-26 FS.pdf  
2016-05-25\_AAL May 2016 Fee Application Order 2016-05-26 Efiled.pdf  
2016-05-25\_Notice of Trial Setting 2016-05-26 FS.pdf  
2016-05-26 Motion for Court to Direct Method of Svc.pdf  
2016-05-26 Motion for Entry of Protective Order.pdf  
2016-06-09\_Order approving May 2016 Fee Applicaiton 2016-06-09 FS.pdf  
2016-06-09\_Order authorizing AAL to retain Counsel 2016-06-09 FS.pdf  
2016-06-09\_Order directing method of service documents 2016-06-09 FS.pdf  
2016-06-09\_Order protecting confidentiality 2016-06-09 FS.pdf  
2016-06-09\_Order to Report Auth of Court-Appointee Fees.pdf  
2016-06-27\_TEL Offshore Trust Announces Sale of Royalty Interest.pdf  
2016-07-05 TEL 193.3(d) (SNAPBACK)Letter.pdf  
2016-07-08\_Atty\_Ad\_Litem's\_Amended\_Desig\_of\_Experts.pdf  
2016-07-12\_Trustees Obj. to BONY Notice of Depo.pdf  
2016-07-13\_Supplement\_to\_Depo\_Notice.pdf  
2016-07-15\_Rqst\_for\_Identification\_of\_Privileged\_Materials.pdf  
2016-07-19 (FS) AAL July 2016 Fee Application 2016-07-29 FS.pdf  
2016-07-26\_Extension\_of\_Tolling\_Agreement.pdf  
2016-07-27\_Signed\_Rule\_11\_Agmt.pdf  
2016-07-28\_Billing Fee Application AMENDED.pdf  
2016-08-09\_Ord. to Report Authorization of Court-Appointee Fees.pdf  
2016-08-10\_Order approving amended july 2016 fee app 2016-08-10 - SIGNED.pdf  
2016-08-15\_Rule\_11\_Agreement.pdf  
2016-08-17\_Ad\_Litem's\_2d\_Am\_Ans\_and\_Ctr\_Clm.pdf  
2016-08-23\_TEL - Motion for Continuance of Trial with proposed Order.pdf  
2016-08-23\_Ulrich Depo Certification.pdf  
2016-08-24\_TEL\_Rule\_11\_Agmt (FS).pdf  
2016-09-01\_Atty. Ad Litem Sept. 2016 Fee App. With Invoice.PDF  
2016-09-01\_Atty. Ad Litem Sept. 2016 Fee App..PDF  
2016-09-02\_Billing Fee App Sept. 2016.pdf  
2016-09-02\_Karisch Ltr to Clerk re Filing of Sept. Fee App & Ord. Approving.pdf  
2016-09-09\_AK Motion to Withdraw as Counsel of Record (FS).pdf  
2016-09-09\_Corporate Trustee Objection to AAL's Sept 2016 Fee App (FS).pdf  
2016-09-12\_Appearance Albert Speisman Tel Offshore.pdf  
2016-09-12\_Indiv Trustees Objection to Ad Litem fee.pdf  
2016-09-12\_Original Answer Albert Speisman.pdf  
2016-09-14\_AAL's\_Rsp\_to\_Trustees'\_Mtn\_for\_Cont (FS).pdf  
2016-09-23\_AAL's\_Am\_Sept\_2016\_Fee\_Application (FS).pdf  
2016-09-23\_AAL's\_Mtn\_to\_Compel (FS).pdf

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2016-09-23\_AAL's Mtn\_to\_Realign (FS).pdf  
2016-09-23\_BONY Orig Answer to AAL's 1st Am Counterclaim (FS).pdf  
2016-09-23\_BONY Special Exceptions to AAL's 1st Am Counterclaim(FS).pdf  
2016-09-23\_BONY Supp Obj to AAL's Fee Appl-final (FS).pdf  
2016-09-23\_Ind Joinder to Obj to Fee App (FS).pdf  
2016-09-23\_Ind Trustees Ans. to AAL's Counterclaim (FS).pdf  
2016-09-23\_Ind Trustee-Special Exceptions (FS).pdf  
2016-09-23\_Motion for Subst Counsel Thompson&Knight (FS).pdf  
2016-09-23\_Ullrich Verification to Ans.pdf  
2016-09-29 Indiv Trustees special exceptions & Plea to Juris re to AAL's 2nd Am CC.pdf  
2016-09-29\_AAL's\_3rd\_Am\_Answer\_2d\_Am\_Ctrclm (FS).pdf  
2016-09-29\_AAL's\_Rsp\_to\_Objs\_to\_Fee\_App (FS).pdf  
2016-09-29\_Indiv Trustees Special Exceptions & Plea.pdf  
2016-09-29\_Special Exceptions.pdf  
2016-09-30 Glazer Ltr with Ulrich Verification.pdf  
2016-09-30\_BNYM Verification - Ulrich.pdf  
2016-09-30\_Indiv. Trustees Jury Demand.pdf  
2016-09-30\_Individual Trustees Jury Demand.pdf  
2016-09-30\_Trustees\_Joint\_Rsp to Mtn to Compel.pdf  
2016-10-03\_Ord. Granting Mtn. for Sub. of Counsel for BONY.pdf  
2016-10-03\_Ord. Granting Mtn. to Realign.pdf  
2016-10-03\_Order Approving Attorney Ad Litem's Amended September 2016 Fee Application - SIGNED.pdf  
2016-10-07\_Corp Trustees' Motion to Approve Payment.pdf  
2016-10-10\_AAL's\_Orig\_Pet\_as\_Realigned\_Pltf.pdf  
2016-10-10\_AAL's\_Supp\_to\_Mtn\_to\_Compel.pdf  
2016-10-13\_Ord. Denying Spec Excep. & Plea to Jurisdiction (Signed).pdf  
2016-10-14 (FS) Billing AAL's Oct Fee App.pdf  
2016-10-14 (FS) Mtn Retain B Wallace cnslt exp (2).pdf  
2016-10-14 (FS) Mtn Retain B Wallace cnslt exp.pdf  
2016-10-14 Mtn Retain B Wallace cnslt exp (FS) (2).pdf  
2016-10-14 Mtn Retain B Wallace cnslt exp (FS).pdf  
2016-10-17 (FS) Trustees' Joint Response to Supp to Mot to Compel.pdf  
2016-10-19 Scheduling Order (FS).pdf  
2016-10-20\_Ord. Granting Corp. Trustees Mtn. for Sub. of Counsel.pdf  
2016-10-21\_Trustees mtn. to Stay Pending Mandamus (FS).pdf  
2016-10-21\_Trustees' Motion to Stay Pending Mandamus.pdf  
2016-10-25\_Trustees'\_Special\_Excepts\_&\_Plea\_to\_Juris.pdf  
2016-10-28\_RNR Original Petition as Realigned Pltff.pdf  
2016-10-28\_AAL\_Am\_Pet\_as\_Realigned\_Pltf (FS).pdf  
2016-10-28\_AAL\_Am\_Pet\_as\_Realigned\_Pltf.pdf  
2016-10-28\_Jt Obj to Mtn to Retain Bruce Wallace.pdf  
2016-10-28\_Jt Objs to AAL's October 2016 Fee App.pdf  
2016-10-28\_MSJ\_on\_Corp\_Trustee\_Breach\_Fid\_Duty (FS).pdf  
2016-10-28\_RNR - Petition Original as Realigned Plaintiff.pdf  
2016-10-28\_Rsp\_to\_Mtn\_to\_Approve\_Pmt (FS).pdf

Mr. Dan Bitting  
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2016-10-28\_Rsp\_to\_Mtn\_to\_Approve\_Pmt.pdf  
2016-10-28\_Rsp\_to\_Special\_Exceptions (1).pdf  
2016-10-28\_Rsp\_to\_Special\_Exceptions (2).pdf  
2016-10-28\_Rsp\_to\_Special\_Exceptions (FS).pdf  
2016-10-28\_Rsp\_to\_Special\_Exceptions.pdf  
2016-10-28\_Rsp\_to\_Trustees\_Mtn\_to\_Stay (FS).pdf  
2016-10-28\_Trustees\_Special\_Exceptions to AAL 1st Amd Pet as Realigned Ptf.pdf  
2016-10-31\_AAL's Resp. to Joint Obj. to Oct. 2016 Fee App (FS).pdf  
2016-10-31\_AAL's Resp. to Obj. to Mtn. to Retain Bruce Wallace (FS).pdf  
2016-10-31\_Ord. Granting Mtn. to Approve Payment of Third Parties.pdf  
2016-10-31\_ORDER Granting Corp Trustees Motion to Approve Pmt of Expenses.pdf  
2016-11-03\_ORDER Denying Trustees Spec Exceptions and Plea to the Jurisdiction.pdf  
2016-11-03\_ORDER Granting Mtn to Retain Bruce Wallace as Expert.pdf  
2016-11-03\_ORDER denying Mtn to Stay Pending Mandamus.pdf  
2016-11-03\_Tel Offshore Trust Orders.pdf  
2016-11-04\_Dykema Smith's Mtn. to Withdraw as Counsel of Record.pdf  
2016-11-08\_ORDER Approving AAL's Oct 2016 Fee Application.pdf  
2016-11-08\_ORDER Granting Dykema's Mtn Withdraw.pdf  
2016-11-14\_Corp Trustees Ans to Ad Litem's 2nd ROGS and RFP.pdf  
2016-11-15 - Emergency Mot to Stay.PDF  
2016-11-15\_1st Amd Answer & CC of Albert Speisman and Orig Answer & CC of Joyce E -  
Final 11.15.16.pdf  
2016-11-15\_Pet. Writ of Mandamus.pdf  
2016-11-15\_Rsp\_to\_Emerg\_Mtn\_to\_Stay (FS).pdf  
2016-11-16 Opinion denying Pet for Writ of Mandamus.pdf  
2016-11-16\_Ntc. from Court re Dismissal of Emergency Mtn. to Stay.pdf  
2016-11-16\_Reply\_in\_Supp\_of\_Emerg\_Mtn\_for\_Stay.pdf  
2016-11-17\_Speisman Joinder of AAL and RNR MSJ Re Breach Fid Duty.pdf  
2016-11-17\_RNR's MSJ Breach Fid Duty.pdf  
2016-11-17\_Sua Sponte Order Appointing Master in Chancery.pdf  
2016-11-18\_AAL's Amended MSJ re breach fid duty (FS).pdf  
2016-11-18\_All Trustees - Spec Exceptions to Speisman CC.pdf  
2016-11-18\_Corporate Trustee's MSJ.pdf  
2016-11-18\_Ind\_Trustees' Ans to Speisman's CC.pdf  
2016-11-21\_Corp Trustees' Mot to Approve Payment.pdf  
2016-11-21\_BNYM's Answer-Counterclaim - RNR.pdf  
2016-11-21\_BNYM's Answer-Counterclaim - Speisman.pdf  
2016-11-21\_Ind\_Trustees' Answer-Counterclaim to RNR's.pdf  
2016-11-29\_RNR Answer to Corp Trustee's Counterclaim.pdf  
2016-11-30\_AAL's Fee App Nov 2016 (FS).pdf  
2016-11-30\_AAL's Mtn to Compel Info (FS).pdf  
2016-11-30\_Billing Fee App Nov. 2016 - 2016-11-30.pdf  
2016-11-30\_Billing Fee App Order approving Nov. 2016 - 2016-11-30.pdf  
2016-12-02\_AAL's Objs to Aff of Ulrich (FS).pdf  
2016-12-02\_AAL's Rsp to Corp Trustee's Mtn Partial SJ (FS).pdf  
2016-12-02\_BNYM's Response to MSJ.pdf

2016-12-02\_Corp Trustees' Combined Response to AAL & RNR's MSJs.pdf  
2016-12-02\_RNR\_Rsp\_to\_Corp\_Trustee's\_MPSJ.pdf  
2016-12-02\_Speisman's\_Joinder\_of\_AAL's\_and\_RNR's\_Rsp\_MPSJ.pdf  
2016-12-05 - BNYM's 1st Amd Ans to RNR's Pet and Counterclaim (FS).pdf  
2016-12-05 - BNYM's Ans to Ad Litem's 1st Amd Pet and Counterclaim - final (FS).pdf  
2016-12-05- BNYM's 1st Amd Ans to Speisman's Counterclaim (FS).pdf  
2016-12-05\_Rule 11 Agreement re Michael Wiggins signed by DCB, S Ratliff, Jim George.pdf  
2016-12-06\_AAL's\_Rsp\_to\_Corp\_Trustees\_2d\_Mtn\_to\_Approve\_Pmts (FS).pdf  
2016-12-06\_Ind Trustees 1st Amend Ans to RNR Pet & CC (FS).pdf  
2016-12-06\_Ind Trustees 1st Amend Ans to Speisman CC (FS) .pdf  
2016-12-06\_Ind Trustees Orig Ans to Ad Litem's 1st Am Pet and CC (FS).pdf  
2016-12-07 Rule 11 Agreement (fully executed).PDF  
2016-12-07\_Rule 11 agmt re Wiggins prelim report (unsigned).pdf  
2016-12-07\_Corp Trustees Ltr\_to\_Clerk - fw [Proposed] Order on Mtn\_to\_Compel.pdf  
2016-12-07\_Corp Trustees Ltr\_to\_Clerk\_fw [proposed] Order - Obj to Nov Fee App.pdf  
2016-12-07\_Trustees'\_Joint\_Obj\_to\_AAL's\_Nov\_2016\_Fee\_App.pdf  
2016-12-07\_Trustees'\_Jt\_Rsp\_to\_AAL's\_Mtn\_to\_Compel.pdf  
2016-12-08\_Corp Trustee's Response to Objections to Ulrich Affidavit (FS).pdf  
2016-12-08\_AAL's\_Reply\_to\_CT's\_Rsp\_to\_MSJ (FS).pdf  
2016-12-08\_AAL's\_Reply\_to\_CT's\_Rsp\_to\_MSJ.pdf  
2016-12-08\_Corp Trustee's Reply ISO MPSJ.pdf  
2016-12-08\_Corp Trustee's Response to Objections to Ulrich Affidavit (2).pdf  
2016-12-09\_Ntc\_of\_Rule\_11\_Agmt (FS).pdf  
2016-12-09\_Ord. Allowing Corp. Trustee's to Pay Mediation Fees.pdf  
2016-12-09\_Ord. Granting Spec. Excep. to Speisman CC.pdf  
2016-12-09\_Order Approving Nov. 2016 Fee App 2016-12-09 SIGNED (2).pdf  
2016-12-09\_Order Approving Nov. 2016 Fee App 2016-12-09 SIGNED.pdf  
2016-12-16\_Albert & Joyce Speisman's First Amended Original Petition as Realigned Plaintiffs.pdf  
2016-12-16\_Albert & Joyce Speisman's Original Petition as Realigned Plaintiffs.pdf  
2016-12-16\_Corp Trustees Jury Demand.pdf  
2016-12-30\_Ord. Denying Corp. Trustee's MPSJ.pdf  
2016-12-30\_Ord. Granting AAL's MSJ.pdf  
2016-12-30\_Ord. on AAL's Obj. to Ulrich Aff..pdf  
2017\_01\_05\_Rule 11 Paul Trahan Signature.pdf  
2017-01-03 Rule 11 - Shannon Ratliff Signature.pdf  
2017-01-03\_Ltr\_to\_cnsr\_re\_expert\_materials-final (Rule 11).pdf  
2017-01-03\_Rule R11 - Craig Haynes Signature.pdf  
2017-01-06 - Answer to Speisman Petition and CC.pdf  
2017-01-06\_Conwills\_Orig\_Ans\_and\_CC.pdf  
2017-01-06\_Ind Trustees 1st Amended Answer to RNR.pdf  
2017-01-06\_Ind Trustees Ans to AAL's 1st Amended Pet.pdf  
2017-01-09\_Conwills Orig answer and CC (FS).pdf  
2016-12-08\_Record for Mandamus - (TXSCT).pdf  
2016-12-08 Notice from clerk re Mandamus filed (TXSCT).pdf  
2016-12-08 Record Index (TXSCT).pdf

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2016-12-08 Trustees Pet Mandamus (TXSCT).pdf  
2016-12-08 Trustees Petition for Writ of Mandamus (TXSCT).pdf  
2016-12-22\_Ltr\_to\_Clerk\_SCt\_re\_mandamus\_response\_(FS).pdf  
2016-11-15 - Emergency Mot to Stay (3rd COA).PDF  
2016-11-15\_Pet. Writ of Mandamus (3rd COA).pdf  
2016-11-16 Opinion denying Pet for Writ of Mandamus (3rd COA).pdf  
2016-11-16\_Clerk notice Mandamus dismd as moot (3rd COA).pdf  
TEL Offshore Mandamus Record (3rd COA).pdf

**Exhibit B**

**R. BRUCE WALLACE**  
4800 Three Allen Center, 333 Clay St.  
Houston, Texas 77002

713-659-5100 (O)

rbw@egglestonbriscoe.com

713-301-1051 (C)

**EXECUTIVE SUMMARY**

My experience in the trust and banking industry began with Texas Commerce Bank in 1976, managing fiduciary relationships with significant oil and gas holdings. I held management responsibility for the Real Estate and Oil and Gas Group for over twenty years. In 1988, I assumed the role of Chief Administrative Officer for the Trust Department, where I was responsible for oversight of fiduciary policy as well as the acquisition and business integration of multiple bank and trust company mergers into Texas Commerce and JPMorgan Bank. In 1993, I was named to the management group responsible for creating the Private Bank for JPMorgan in Texas. Following the JPMorgan merger with Chase, I served as the Private Bank's Chief Operating Officer for the central and southeastern United States. In addition to these roles, I served as President of Matagorda Oil Company, a closely held corporation, and Trinity Petroleum, a publicly traded energy company.

**PROFESSIONAL EXPERIENCE**

**EGGLESTON & BRISCOE, LLP, Houston, Texas**

**2008 - Present**

**JPMORGAN PRIVATE BANK, Houston, Texas**

**1976 – 2007**

*Managing Director*

*Chief Operating Officer, Central Region* (Midwest, Texas, Southeast & Florida) 2000 - 2007

Responsible for strategic and tactical planning of twelve offices with revenue exceeding \$350 million. Merger of Chase and JPMorgan in 2001 provided opportunity to redefine Private Bank business model, particularly in Texas, with need to move from affluent to ultra high net worth asset management platform.

*Chief Administrative Officer, Texas Private Bank*

1993 - 2000

Selected as member of Executive Team formed to create Private Bank in Texas by combining five separate lines of business (Trust, Brokerage, Investment Management, Professional and Executive Lending, Real Estate and Mineral Management, Risk Management).

*Chief Administrative Officer, Texas Trust Department*

1988 - 1998

Led acquisition and business integration efforts for Trust Division of Texas Commerce Bank. Responsible for oversight of due diligence teams reviewing investment management, personal, institutional and corporate trust. Led integration teams for each line of business including implementation of new management structure and evaluation and placement of personnel. Served as chairman of Trust Investment Committee, Account Investment Review Committee, Trust Acceptance Committee and Risk Management Committee.

*Manager, Real Estate & Mineral Management Group*

1981 – 2000

Managed 100-person group charged with oversight of Private Bank client real estate and oil and gas investments.

*President, Matagorda Oil Corporation*

1985 - 2002

Wholly owned subsidiary of Texas Commerce Bank charged with managing substantial oil and gas holdings. Managed liquidation of Company in 1999-2000.

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**TRINITY PETROLEUM CORPORATION**

**1992 - 2007**

***President***

Publicly traded Energy Company formed in 1950.

**EDUCATION**

**Doctor of Jurisprudence, South Texas College of Law**

**Bachelor of Arts, University of Texas at Austin**



# **Exhibit B**

5

TEL OFFSHORE TRUST  
TRUST AGREEMENT

TRUST AGREEMENT, made as of the 1st day of January, 1983, by and between TENNECO OFFSHORE COMPANY, INC., a Delaware corporation having its principal offices in Houston, Texas (the "Company") acting on behalf of the owners of Units as "Trustor", and Texas Commerce Bank National Association, a national banking association organized under the laws of the United States and having its principal trust office in Houston, Texas ("Corporate Trustee") and Horace C. Bailey, Joseph C. Broadus and F. Arnold Daum, individuals ("Individual Trustees") as "Trustees".

WHEREAS, the Company is the sole limited partner of Tenneco Exploration, Ltd., a limited partnership engaged in the production of crude oil and natural gas from certain federal leases located in the Gulf of Mexico offshore the States of Texas and Louisiana; and

WHEREAS, Tenneco Exploration, Ltd. is to distribute Overriding Royalty Interest in and to such leases (as hereinafter defined) in partial liquidation of the Company's interest in such partnership; and

WHEREAS, in connection with the liquidation of the Company, the Company desires to distribute to its stockholders the Overriding Royalty Interest; and

WHEREAS, it would not be in the best interest of the Company's stockholders to own directly undivided interests in such Overriding Royalty Interest; and

WHEREAS, the Company's objectives may be accomplished through the creation of an express trust to hold directly or indirectly such Overriding Royalty Interest and through the distribution to the Company's stockholders of interests in such trust; and

WHEREAS, it is in the best interests of the stockholders who will own beneficial interests in such Trust that the Overriding Royalty Interest relating to such properties be contributed to a partnership of which the Trust is a general partner and Tenneco Oil Company is a managing general partner (the "Partnership"); and

WHEREAS, at, prior to or as of the Effective Time (as hereinafter defined), the following shall occur in chronological order:

(1) the Company will adopt a plan to liquidate and dissolve;

(2) Tenneco Exploration, Ltd. will execute and deliver to the Partnership the Conveyance of Overriding Royalty Interest attached as Exhibit I hereto as the Trust's contribution to the capital of the Partnership;

(3) Tenneco Oil Company will agree to contribute its management services to the Partnership;

(4) Tenneco Offshore II Company, a wholly-owned subsidiary of the Company, will be substituted for the Company as the sole limited partner of Tenneco Exploration, Ltd.;

(5) the Company, acting on behalf of its stockholders, will transfer to the Trust the Tenneco Offshore II Stock (as hereinafter defined);

(6) the Trustees will distribute to the Company the initial certificates evidencing the ownership of Units of Beneficial Interest registered in such names and denominations as requested by the Company (the number of Units to equal one Unit for each share of common stock of the Company outstanding at the time of the distribution of Units); and

(7) the Corporate Trustee, on behalf of the Company, will distribute such certificates to or for the benefit of the Company's shareholders.

NOW, THEREFORE, Trustor has granted, assigned, and delivered unto the Trustees hereunder One Hundred Dollars (\$100.00) receipt of which is hereby acknowledged and accepted by the Trustees, to have and to hold, in trust as hereinafter set out, such property and all other properties, real or personal, which may hereafter be received by the Trustees as additions to the Trust pursuant to this Trust Agreement. To accomplish the purposes of the Trust, the Company and Trustees agree as follows:

#### ARTICLE I

##### DEFINITIONS

As used herein, the following terms have the meanings indicated:

1.01 "Bank" means Texas Commerce Bank National Association.

1.02 "Beneficial Interest" means the rights of ownership in a Unit including the rights to share in the benefits, obligations and detriments resulting from the accomplishment of the purposes of the Trust as expressly set out in this Trust Agreement, which includes, without limitation, the rights to share in distributions during the term of the Trust, to share in the final distributions from the Trust, to participate in decisions affecting the Trust only to the extent expressly provided herein, and all other rights of beneficiaries of express trusts created under the Texas Trust Act, subject to the limitations set forth in this Trust Agreement and the Texas Trust Act.

1.03 "Business Day" means any day which is not a Saturday, Sunday, or any other day on which national banking institutions in the City of Houston, Texas (or the City where the principal trust office of the Corporate Trustee is located) are closed as authorized or required by law.

1.04 "Certificate" means a certificate issued by the Trustees pursuant to Section 2.03 and Article III hereof evidencing the ownership of one or more Units.

1.05 "Certificate Holder" means the owner of a Certificate as reflected on the records of the Corporate Trustee pursuant to the provisions of Article III hereof.

1.06 "Code" means the Internal Revenue Code of 1954, as amended.

1.07 "Conveyance" means the Conveyance of Overriding Royalty Interest attached as Exhibit I to this Trust Agreement.

1.08 "Distribution Date" means the date of any distribution pursuant to Section 4.02 hereof.

1.09 "Effective Time" shall have the meaning attributed to it in Section 2.01 hereof.

1.10 "Interest Bearing Account" shall mean an account or certificates of the Bank or any successor bank serving as Corporate Trustee and shall bear interest at a rate which shall be the interest rate which the Bank or its successor pays in the normal course of business on amounts placed with it, taking into account the amounts involved, the period held and other relevant factors.

1.11 "Issue" of a person means such person's children and the descendants in any degree of such children, and includes any such descendant who is legally adopted.

1.12 "Overriding Royalty Interest" means the interest or interests in and to minerals in and under and produced, saved and sold from Subject Interests (as defined in the Conveyance) which interests have been conveyed to the Partnership. References in this Trust Agreement to Overriding Royalty Interest shall refer to the Trust Partnership Interest except where the context otherwise requires.

1.13 "Offshore II Overriding Royalty Interest" means any mineral interests conveyed to the Trust or the Partnership as a result of the liquidation of Tenneco Offshore II Company.

1.14 "Person" means an individual, corporation, partnership, unincorporated organization, trust, estate, or any other organization.

1.15 "Partnership" means the general partnership to be governed by the Partnership Agreement.

1.16 "Partnership Agreement" means the Agreement of General Partnership of the TEL Offshore Trust Partnership, dated as of January 1, 1983, to be entered into by Tenneco Oil Company, as general partner, and the Trust, as general partner.

1.17 "Properties" means (i) the properties located in the Gulf of Mexico offshore the States of Texas and Louisiana described in the Conveyance and (ii) any properties subject to any future conveyances of overriding royalties to the Trust or the Partnership resulting from the liquidation of Tenneco Offshore II Company.

1.18 "Proxy Statement" means the Proxy Statement which is part of the amended Registration Statement of the Company (File No. 2-80512) on file with the Securities and Exchange Commission at the time the Registration Statement became effective and which was distributed to the shareholders of the Company in connection with their vote on the liquidation of the Company and creation and distribution of Units in the Trust, except that if the Proxy Statement filed by the Company pursuant to Rule 424(b) or (c) under the Securities Act of 1933 differs from the Proxy Statement on file at the time the Registration Statement became effective, the term Proxy Statement shall refer to the Proxy Statement filed pursuant to Rule 424(b) or (c).

1.19 "Quarterly Cash Amount" for any Quarterly Period means the sum of (a) the cash received during the Quarterly Period which cash is directly attributable to the Overriding Royalty Interest, (b) the cash received during the Quarterly Period attributable to

the Tenneco Offshore II Stock, (c) any cash available for distribution as a result of the reduction or elimination during the Quarterly Period of any existing cash reserve created pursuant to Section 6.06 hereof and (d) any other cash receipts of the Trust during the Quarterly Period, including without limitation any interest earned on reserves established pursuant to Section 6.06 but not including any interest earned on the Quarterly Cash Amount for the prior Quarterly Period which is being held for distribution pursuant to Section 4.02, such sum to be reduced by the sum of (x) all liabilities of the Trust paid during the Quarterly Period and (y) the amount of any cash used in the Quarterly Period to establish or increase a cash reserve pursuant to Section 6.06 hereof. In the case of sales or dispositions pursuant to Section 6.04, distributions of cash received from such sales or dispositions shall be deferred until the distribution for the next succeeding Quarterly Period if the Trustees shall determine that a distribution of such amount for the Quarterly Period in which such sales or dispositions occur would prevent the Trust from complying with any regulation or policy of the National Association of Securities Dealers or any securities exchange on which the Units may then be listed. In the case of sales or dispositions pursuant to Sections 6.08 or 9.02, however, no distributions of such cash shall be made until all related liabilities have been paid, discharged or provided for. If the Quarterly Cash Amount determined in accordance with the foregoing provisions of this Section 1.19 shall for any Quarterly Period be a negative number ("Excess Quarterly Liabilities"), then the amount distributed as the Quarterly Cash Amount shall be zero and the Excess Quarterly Liabilities shall be carried forward to reduce the Quarterly Cash Amount for the next succeeding Quarterly Period or Periods until such Excess Quarterly Liabilities have been offset against such Quarterly Cash Amount or Amounts on a dollar for dollar basis. For purposes of the foregoing, amounts received, reserved and disbursed by the Partnership shall be deemed, to the extent of the Trust's sharing ratio in the Partnership, to have been received, reserved and disbursed by the Trust.

1.20 "Quarterly Period" means each calendar quarter.

1.21 "Quarterly Record Date" means the last Business Day of each Quarterly Period unless the Trustees determine that a different date is required to comply with applicable law or the rules or regulations of any stock exchange on which the Units may then be listed, if any, in which event, it means such different date.

1.22 "Tenneco Offshore II Stock" shall mean all of the issued and outstanding common stock, par value \$1 per share, of Tenneco Offshore II Company, a Delaware corporation.

1.23 "Trust" means the express trust under the Texas Trust Act created by and administered under the terms of this instrument and includes any ancillary trust created pursuant to Section 7.10 hereof.

1.24 "Trust Agreement" means this instrument, as originally executed, or, if amended pursuant to the provisions of Section 10.02, as so amended.

1.25 "Trust Estate" means all assets, however and whenever acquired (including without limitation the property to be acquired pursuant to Section 2.03), which may belong to the Trust at any designated time, and shall include both income and principal if separate accounts or records are kept therefor.

1.26 "Trust Partnership Interest" means the interest of the Trust in the Partnership.

1.27 "Trustees" means (except as provided in Section 8.03) the initial Corporate Trustee and Individual Trustees under this instrument or any successor corporate Trustee or Individual Trustees during the period it is serving in such capacity and "Corporate Trustee" means the initial Corporate Trustee under the instrument or any successor Corporate Trustee.

1.28 "Unit" means an undivided interest in the Beneficial Interest in the Trust equal to the number one divided by the number of shares of common stock of the Company outstanding at the time of the distribution of Units, as increased by cancellation of Units in accordance with the provisions of Section 6.10 hereof.

## ARTICLE II

### CREATION AND PURPOSE OF TRUST AND ACQUISITION OF OVERRIDING ROYALTIES INTEREST AND TRUST PARTNERSHIP INTEREST

2.01 Creation of Trust. There is hereby created, effective as of January 1, 1983 (the "Effective Time"), an irrevocable Trust for the benefit of the stockholders of the Company. The Trust herein created shall be known as the TEL OFFSHORE TRUST, and the Trustees may conduct all affairs of the Trust in such name. The property described herein as being placed in trust shall constitute the initial Trust Estate of such Trust.

2.02 Purposes. The purposes of the Trust are:

- (a) to protect and conserve, for the benefit of the owners of the Units, the Overriding Royalty Interest, the Trust Partnership Interest, the Tenneco Offshore II Stock and any other assets held in the Trust Estate;
- (b) to receive cash attributable to the Trust Partnership Interest and the Tenneco Offshore II Stock and any other assets held in the Trust Estate; and
- (c) to pay or provide for the payment of any liabilities incurred in carrying out the purposes of the Trust, and thereafter to distribute the remaining amounts received by the Trust pro rata to the owners of the Units.

It is the intention and agreement of the Company and the Trustees to create an express trust within the meaning of Section 2 of the Texas Trust Act, for the benefit of the owners of Units, and a grantor trust for federal income tax purposes of which the owners of Units are the grantors. As set forth above and amplified herein, the Trust is intended to be a passive entity whose activities are limited to the receipt of revenues attributable to (i) the Trust Partnership Interest, and (ii) the Tenneco Offshore II Stock and any substitute interest for such stock resulting from implementation of Section 6.15 hereof, and the distribution of such revenues, after payment of or provision for Trust expenses and liabilities, to the owners of Units. It is neither the purpose nor the intention of the parties hereto to create, and nothing in this Trust Agreement shall be construed as creating, a partnership, joint venture, joint stock company or business association between or among owners of Units hereunder, present or future, or among or between the owners of Units, or any of them, and the Trustees.

2.03 Assignment of the Overriding Royalties and Transfer of the Tenneco Offshore II Stock. At, prior to or as of the Effective Time, the Trustees:

(i) shall execute and deliver on behalf of the Trust the Partnership Agreement with Tenneco Oil Company;

(ii) shall cause the Partnership to accept the Conveyance of the Overriding Royalty Interest from Tenneco Exploration, Ltd. in exchange for the Trust receiving a 99.99% interest in the Partnership;

(iii) shall accept the transfer of the Tenneco Offshore II Stock from the Company; and

(iv) shall issue to or for the benefit of the owners of Units, the identity of which shall be determined by reference to the certificate provided by the Company pursuant to Section 3.01 hereof, the initial Certificates evidencing ownership of the Units.

### ARTICLE III

#### CREATION OF UNITS AND CERTIFICATES

3.01 Creation and Distribution of Units. The entire Beneficial Interest in the Trust Estate is hereby divided into separate, equal and distinct Units. The number of Units shall be one Unit for each share of common stock of the Company outstanding at January 14, 1983. The ownership of the Units shall be evidenced by Certificates in substantially the form set forth in Exhibit III attached hereto. Initially, the Company shall own all of the Units. However, the Corporate Trustee, on behalf of the Company, shall distribute to each shareholder of record as of January 14, 1983 one Unit for each share of the Company so owned of record by such shareholder. The Company shall certify the identity and address of such shareholders and such number of shares to the Trustees at the Effective Time.

The Corporate Trustee shall act as exchange agent to effect the distribution of Certificates evidencing ownership of Units to such stockholders only upon surrender of such stockholder of certificates representing shares of the Company in accordance with the instructions set forth in Exhibit IV. In addition, any distributions being held by the Corporate Trustee pursuant to Section 4.02 shall be paid, without interest, at the time of surrender of the certificates representing shares of the Company. The Corporate Trustee will cancel on behalf of the Company such certificates representing shares of the Company so surrendered. The Corporate Trustees obligations hereunder shall be subject to the requirements of escheat laws of the various states which may be applicable

3.02 Certificates as Evidence of Ownership of Units. In addition to Section 3.08 hereof and notwithstanding anything else stated herein, the Trustees may for all purposes set forth in this Trust Agreement, including without limitation the making of distributions and voting, treat the holder of any certificate as shown on the Trustees' records as the owner of the Units evidenced thereby.

3.03 Rights of Owners of Units. An owner of a Unit by assignment or otherwise shall take and hold the Unit subject to all the terms and provisions of this Trust Agreement, the Partnership Agreement and the Conveyance, which shall be binding

upon and inure to the benefit of the successors, assigns, legatees, heirs and personal representatives of such owner. By an assignment or transfer of one or more Units, the assignor thereby shall, with respect to such assigned or transferred Unit or Units which are transferred and recorded by the Trustee in accordance with Section 3.06, part with, (a) all of his rights in, to and under such Unit; and (b) all interests, rights and benefits under this Trust Agreement of an owner of a Unit which are attributable to such Unit or Units. As to the Trustees, the rights of the owner of a Unit hereunder shall be subject to the terms of this Article III with respect to Certificate Holders.

**3.04 Character of Rights.** The sole interest of each owner of a Unit shall be his pro rata portion of the Beneficial Interest and the obligations of the Trustees expressly created under this Trust Agreement with respect to the Beneficial Interest. Such interest of an owner of a Unit is and shall be construed for all purposes to be intangible personal property as of the date hereof. No Certificate Holder as such shall have any title, legal or equitable, in or to any real property interest which is a part of the Trust Estate, including, without limiting the foregoing, the Overriding Royalty Interest or any part thereof, but the sole interest of each Certificate Holder shall be his pro rata portion of the Beneficial Interest and the obligation of the Trustees to hold, manage and dispose of the Trust Estate and to account for the same as in this Trust Agreement provided. No owner of a Unit or Certificate Holder shall have the right to seek or secure any partition during the term of the Trust or during the period of liquidation and winding up under Section 9.02 hereof.

**3.05 Form, Execution and Dating of Certificates.** The Certificates may contain such changes of form, but not substance, as the Trustees, from time to time in their discretion, may deem necessary or desirable. In addition, the Certificates shall contain such changes (not inconsistent with the provisions of this Trust Agreement) as from time to time may be required to comply with any rule or regulation of any securities exchange on which the Certificates may then be listed. Each Certificate shall be dated the date of issuance of the Certificate. Each Certificate shall be signed by two authorized officers of the Corporate Trustee (which signatures may be on or affixed to the Certificate) and may be sealed with the seal of the Corporate Trustee or a facsimile thereof. Where any such Certificate is countersigned by the Transfer Agent, the signatures of any such authorized officers of the Corporate Trustee may be facsimiles.

Pending the preparation of definitive Certificates, the Corporate Trustee may execute and the Transfer Agent shall record, countersign and register temporary Certificates (printed, lithographed or typewritten). Temporary Certificates shall be issuable as registered Certificates and substantially in the form of the definitive Certificates, but with such omissions, insertions and variations as may be appropriate for temporary Certificates, all as may be determined by the Corporate Trustee. Temporary Certificates may contain such references to any provisions of this Trust Agreement as may be appropriate. Every temporary Certificate shall be executed by the Corporate Trustee and be recorded, countersigned and registered upon the same conditions and in substantially the same manner, and with like effect, as the definitive Certificates. As promptly as practicable, the Corporate Trustee shall execute and furnish definitive Certificates, and thereupon temporary Certificates may be surrendered in exchange therefor without charge at offices or agencies to be maintained by the Corporate Trustee for the purpose pursuant to this Section 3.05, and the Transfer Agent shall record, countersign and register in exchange for such temporary



Certificates a like aggregate amount of definitive Certificates. Until so exchanged the temporary Certificates shall be entitled to the same benefits under this Trust Agreement as definitive Certificates.

3.06 Registration and Transfer of Units. With respect to the issuance of the initial Certificates representing ownership of the Units and upon subsequent transfers of such Certificates in accordance with the provisions of this Section, the Corporate Trustee shall maintain records which reflect the name and address of the holder of each Certificate, the number of Units represented by each such Certificate, the date of issuance and/or transfer of each Certificate, the name of each transferee of a Certificate and any other such information as the Trustees shall deem necessary or advisable; provided, that, except for information elicited pursuant to Section 6.10, the Corporate Trustee shall not be required to maintain any records as to the citizenship or national origin of any holder of Certificates. All Units shall be freely transferable, but no transfer of any Unit shall be effective as against the Trustees prior to entry on the records of the Corporate Trustee upon the surrender of the Certificate or Certificates evidencing ownership of such Unit or Units (or upon compliance with the provisions of Section 3.07 hereof) and compliance with such reasonable regulations as the Trustees may prescribe. Certificates may be presented for transfer on such date at the principal trust office of the Corporate Trustee or at such office of the Corporate Trustee as the Corporate Trustee shall maintain (and hereby agrees to maintain) in the City of Houston.

The Company and the Trustees hereby appoint the Bank as Transfer Agent for the transfer and registration of Certificates of all Units. The Trustees may in their sole discretion remove the Bank as Transfer Agent, and appoint such other Transfer Agents as it deems appropriate. No service charge shall be made by the Trustees to the transferor or transferee of a Certificate for any transfer of a Unit evidenced by the transferred Certificate, but the Trustees may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to such transfer.

Until any such transfer and the recording of such transfer by the Corporate Trustee as provided in this Section 3.06, the Trustees may treat the holder of any Certificate as shown by the Corporate Trustee's records as the owner of the Units evidenced thereby and shall not be charged with notice of any claim or demand respecting such Certificate or the interest represented thereby by any other party. Any such transfer of a Unit as evidenced by a transfer of a Certificate in accordance with the provisions of this Section 3.06 shall, as to the Trustees, transfer to the transferee of the Certificate as of the close of business on the date of transfer all of the undivided right, title and interest of the transferor in and to the Beneficial Interest; provided that as to the Trustees, a transfer of a Certificate shall not transfer to the transferee of such Certificate the right of the transferor of the Certificate to any sum payable to the transferor as the holder of the Certificate until such transfer is recorded by the Corporate Trustee as provided in this Section 3.06. However, nothing stated herein shall affect the right of the Trustees to act in accordance with Section 3.09 and Section 6.11 hereof.

As to matters affecting the title, ownership, warranty or transfer of Certificates, Article 8 of the Uniform Commercial Code, the Texas Uniform Act for Simplification of Fiduciary Security Transfers under Chapter 33 of the Texas Business and Commerce Code and other statutes and rules with respect to the

transfer of securities, each as adopted and then in force in the State of Texas, shall govern and apply. The death of any Certificate Holder or owner of a Unit shall not entitle such owner's or Certificate Holder's transferee to an accounting or valuation for any purpose, but as to the Trustees the transferee of a deceased Certificate Holder shall succeed to all rights of the deceased Certificate Holder under this Trust Agreement upon proper proof of title, satisfactory to the Trustees.

3.07 Mutilated, Destroyed, Lost or Stolen Certificates. In the event that any Certificate is mutilated, destroyed, lost or stolen, the Corporate Trustee in its discretion may issue to the holder of such Certificate as shown by the records of the Corporate Trustee a new Certificate in exchange and substitution for the mutilated Certificate, or in lieu of and substitution for the Certificate so destroyed, lost or stolen. In every case, the applicant for a substituted Certificate shall furnish to the Trust and the Trustees such security or indemnity as the Trustees may reasonably require to save the Trust and the Trustees harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Trustees evidence to the Trustees' satisfaction of the destruction, loss or theft of such Certificate. Upon the issuance of any substituted Certificate, the Trustees may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses incurred in connection therewith.

3.08 Protection of Trustees. The Trustees shall be protected in acting upon any notice, credential, certificate, assignment or other document or instrument believed by the Trustees to be genuine and to be signed by the proper party or parties. The Trustees are specifically authorized to rely upon the application of Article 8 of the Uniform Commercial Code, the application of the Texas Uniform Act for Simplification of Fiduciary Security Transfers under Chapter 33 of the Texas Business and Commercial Code and the application of other statutes and rules with respect to the transfer of securities, each as adopted and then in force in the State of Texas, as to all matters affecting title, ownership, warranty, or transfer of the Certificates and the Units represented thereby, without any personal liability for such reliance, and the indemnity granted pursuant to Section 7.03 shall specifically extend to any matters arising as a result thereof.

3.09 Determination of Ownership of Certificates. In the event of any disagreement between persons claiming to be the person entitled to be the Certificate Holder with respect to any Unit or Units or claiming to be the transferee of any Certificate Holder, the Corporate Trustee shall be entitled at its option to refuse to recognize any such claims so long as such disagreement shall continue. In so refusing, the Corporate Trustee may elect to make no delivery or other disposition of the interest represented by the Certificate involved, or any part thereof, or of any sum or sums of money, accrued or accruing thereunder, and, in so doing, the Corporate Trustee shall not be or become liable to any Person for the failure or refusal of the Corporate Trustee to comply with such conflicting claims, and the Corporate Trustee shall be entitled to continue so to refrain and refuse so to act, until

(a) the rights of the adverse claimants have been adjudicated by a final judgment of a court assuming and having jurisdiction of the parties and the interest and money involved and the time within which appellate relief may be requested has expired or final appellate relief has been denied, or

(b) all differences have been adjusted by valid agreement between said parties and the Corporate Trustee shall have been notified thereof in writing signed by all of the interested parties.

In addition, the Corporate Trustee may bring an interpleader action against the interested parties in an appropriate court and ask such court for a declaration as to the resolution of such adverse claims.

3.10 Transfer Agent. Any references in this Article III to the rights and duties of the Corporate Trustee with respect to the transfer or registration of Certificates shall also be deemed to be references to the Transfer Agent acting hereunder.

#### ARTICLE IV

##### ACCOUNTING AND DISTRIBUTIONS

4.01 Fiscal Year and Accounting Method. ~~The fiscal year of the Trust shall be the calendar year.~~ The Trustees shall maintain the books of the Trust on a cash basis except to the extent that such books must be kept on any other basis pursuant to requirements for reporting to the Securities and Exchange Commission, any other governmental regulatory body, any national securities exchange on which the Units may become listed, if any, or to the Certificate Holders.

4.02 Distributions. ~~As soon as practicable after the end of each quarterly period, the Trustees shall distribute to the Certificate Holders the Quarterly Cash Amount, plus any interest earned thereon, for each such quarterly period to the Certificate Holders of record on the Quarterly Record Date for each such quarterly period; provided, however, that the Corporate Trustee shall withhold such amounts from such distributions, make such deposits with depository institutions and file such reports with governmental agencies as is customary or appropriate for disbursing agents with respect to such distributions.~~

No distributions shall be paid to a Certificate Holder until such Certificate Holder has surrendered for exchange pursuant to Section 3.01 his certificate representing shares of the Company. Until such surrender all distributions shall be held by the Corporate Trustee pursuant to Section 3.01.

4.03 Income Tax Reporting. For federal and state income tax purposes, the Trustees shall file such returns and statements as in their judgment are required to comply with applicable provisions of the Code and regulations thereunder and any state laws and regulations thereunder and to permit each Certificate Holder to correctly report his share of the income and deductions of the Trust. Unless otherwise advised by counsel, the Trustees intend to treat all income and deductions of the Trust for each Quarterly Period as having been realized on the Quarterly Record Date for such Quarterly Period and to allocate to the Certificate Holders on such Quarterly Record Date such income and deductions.

4.04 Reports to Certificate Holders. ~~As soon as practicable following the end of each quarter (other than the last quarter in each fiscal year), the Trustees shall cause the Corporate Trustee to mail to each party who was a Certificate Holder on the Quarterly Record Date for such quarter a report which shall show in reasonable detail the assets and liabilities and receipts and disbursements of the Trust for such quarter.~~

Within 90 days following the end of the Trust's fiscal year, the Trustees will cause the Corporate Trustee to mail to each Certificate Holder who was a Certificate Holder on the Quarterly Record Date for any Quarterly Period in such year a report which will show in reasonable detail the assets and liabilities, the receipts and disbursements, and, for state and federal tax purposes, the income and expenses of the Trust as well as sufficient information to permit a calculation of any depletion deduction for each Quarterly Period (or portion thereof, if any) during the year. In such report, the Trustee shall, if required, report separately with respect to each property (within the meaning of Section 614 of the Code) held in the Trust Estate during such year. Within 120 days following the end of each fiscal year, the Trustees shall cause the Corporate Trustee to mail to Certificate Holders, as of a record date to be determined by the Trustees, an annual report (which may be the Trust's Annual Report on Form 10-K to the Securities and Exchange Commission) containing financial statements audited by a nationally recognized firm of independent public accountants selected by the Trustees and a summary oil and gas reserve report with respect to the Overriding Royalty Interest, which, pursuant to the terms of the Conveyance, will be prepared by the working interest owner of the Properties.

#### ARTICLE V

##### MEETINGS OF CERTIFICATE HOLDERS

5.01 Purpose of Meetings. A meeting of the Certificate Holders may be called at any time pursuant to the provisions of this Article V to act with respect to any matter regarding which the Certificate Holders are authorized to act by the express terms of this Trust Agreement.

5.02 Call and Notice of Meetings. Any such meeting of the Certificate Holders may be called at any time by the Trustees in their discretion. The Trustees also shall call a meeting of the Certificate Holders within twenty days after receipt of a written request which sets forth in reasonable detail the action proposed to be taken at such meeting and is signed by Certificate Holders representing the ownership of at least twenty-five percent in number of the Units then outstanding. Except as may be otherwise required by any national securities exchange on which the Units may then be listed, written notice signed by the Corporate Trustee (which signature may be a facsimile) of every meeting of the Certificate Holders setting forth the time and place of the meeting and in general terms the matters proposed to be acted upon at such meeting shall be given in person or by mail, not more than sixty nor less than twenty days before such meeting is to be held to all of the Certificate Holders of record on a date ("Voting Record Date") selected by the Corporate Trustee, which date shall be not more than sixty days before the date of such meeting. Notice to any Certificate Holder shall be mailed to him at his last address as shown by the records of the Corporate Trustee and shall be deemed to have been duly given when so addressed and deposited in the United States mail, postage prepaid. No matter other than that stated in the notice shall be acted upon at any meeting. Any such meeting shall be held at such time and at such place as the notice of such meeting may designate in the city where the principal trust office of the Corporate Trustee is located.

5.03 Voting. Except as set forth in this Section 5.03, only a person who was a Certificate Holder on the Voting Record Date ("Record Date Certificate Holder") shall be entitled to speak or vote at any such meeting. A person appointed by an instrument in writing as a proxy for such Record Date Certificate Holder

shall be entitled at such meeting to exercise all rights exercisable by such Record Date Certificate Holder as if such Record Date Certificate Holder attended such meeting and exercised such right in person. In addition, a general partner of the Partnership and any Trustee or Trustees' representatives shall be entitled to be present, speak and generally to participate in any such meeting. All references to a Record Date Certificate Holder shall mean either such Record Date Certificate Holder or his duly appointed proxy. At any such meeting, the presence in person or by proxy of Record Date Certificate Holders holding Certificates representing a majority of the Units outstanding on the Voting Record Date shall constitute a quorum, and, unless otherwise provided in this Trust Agreement (including those instances where although the meeting is to be duly called and held in accordance with the provisions of this Article V a different number of votes is required for the taking of any action), any matter shall be deemed to have been approved if it is approved by the vote of Record Date Certificate Holders holding on the Voting Record Date Certificates representing a majority of the Units represented at the meeting. Each Record Date Certificate Holder shall be entitled to one vote for each Unit represented by the Certificate or Certificates held by him. The Trustees, subject to all applicable laws, may solicit from, and vote proxies of, Certificate Holders entitled to vote at any meeting of owners of Units.

5.04 Conduct of Meetings. The Trustees may make such reasonable regulations as they may deem advisable governing the conduct of any such meeting including, without limitation, provisions governing the appointment of proxies, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, the preparation and use at the meeting of a list of the Persons' entitled to vote at the meeting, the appointment of a Chairman and Secretary of the meeting and such other matters concerning the conduct of the meeting as it shall deem advisable.

## ARTICLE VI

### ADMINISTRATION OF TRUST AND POWERS OF THE TRUSTEES

6.01 General Authority. Subject to the limitations set forth in this Trust Agreement, the Trustees are authorized to and shall take such actions as in their judgment are necessary, desirable or advisable to achieve the purposes of the Trust, including the solicitation and voting of proxies at meetings of the owners of Units and the taking of appropriate action to enforce the terms of the Partnership Agreement and to enforce, or to cause the Partnership to enforce, the terms of the Conveyance (including the institution of any actions or proceedings at law or in equity necessary to the foregoing). Unless otherwise provided, whenever any provision hereunder empowers the Trustees to act herein, such action shall be considered to be the action of the Trustees when done upon the authority of the Corporate Trustee and any two of the Individual Trustees or upon the authority of all of the Individual Trustees.

If any legislation exempting owners of nonoperating interests from the provisions of the Crude Oil Windfall Profit Tax Act of 1980 is enacted, the Trustees are authorized to and shall use all reasonable efforts to collect any required certificate or other document from any person whose certification with regard to the amount of production from Properties or with respect to any other information is required to perfect such exemption for the owners of the Units and shall use all reasonable efforts to transmit, if necessary, such documents or certificates to the working interest

owners of the Properties. The Trustees are authorized to, and shall cause the Corporate Trustee (with the Company to the extent the Company is required to be a party to the Trust's filings), to make all filings on behalf of the Trust with the Securities and Exchange Commission and other governmental authorities required by applicable law or regulation.

It is the intention of the Company that the Units not be registered on a securities exchange, provided that the Trustees shall have the discretion to apply for the listing of the Units on a securities exchange if they deem such listing to be in the best interest of the Unit holders.

6.02 Limitations on Actions of Trustees. Subject to the limitations set forth in this Trust Agreement, the Trustees may agree to modify the terms of the Partnership Agreement and to settle disputes with respect thereto. In no event, however, shall a modification or settlement be agreed to by the Trustees which (a) alters the nature of the Overriding Royalty Interest or (b) alters the powers of the partners of the Partnership, the Sharing Ratio (as defined in the Partnership Agreement) of the Trust, the purposes and scope of activities of the Partnership, or the manner of amending the Partnership Agreement, from that set forth in the Partnership Agreement.

6.03 Consent by Trust to Dissolution of Partnership. The Trustees shall not agree to the dissolution of the Partnership or (except as otherwise provided in Section 6.04) to the sale of all or any portion of the Overriding Royalty Interest owned by the Partnership without the affirmative vote at a meeting duly called and held in accordance with Article V hereof of the Record Date Certificate Holders holding Certificates representing a majority of the Units.

6.04 Limited Power to Dispose of the Overriding Royalties and of the Trust Partnership Interest. Except as otherwise provided in Sections 6.04, 6.08 and 9.02, if, and only if, approved by the affirmative vote at a meeting duly called and held in accordance with the provisions of Article V hereof of the Record Date Certificate Holders holding Certificates representing a majority of the Units, the Trustees may sell all or any part of the Trust Partnership Interest or the Offshore II Overriding Royalty Interest, or cause the sale of all or any part of the Overriding Royalty Interest by the Partnership in such manner as they deem in the best interest of the owners of Units provided, that the Trustees shall use their reasonable efforts to consummate such sale on a Quarterly Record Date. Except as provided in Section 6.15, the Trustees may not sell or otherwise dispose of all or any part of the Trust Partnership Interest or the Offshore II Overriding Royalty Interest or any other assets of the Trust or consent to the sale by the Partnership of the Overriding Royalty Interest for any consideration other than cash. The Trustees shall distribute any cash received by the Trust as a result of any such sale, subject to the need to pay any liabilities or to establish or increase any cash reserves pursuant to Section 6.06 hereof, to Certificate Holders as part of the Quarterly Cash Amount as set forth in Section 1.19. Notwithstanding the foregoing, if necessary to provide for the payment of specific liabilities of the Trust then due, the Trustees may without a vote of the owners of Units (a) sell all or a portion of the Trust Partnership Interest or the Offshore II Overriding Royalty Interest or any other assets of the Trust for such cash consideration as they shall deem appropriate, (b) exercise their rights under the Partnership Agreement to dissolve the Partnership or (c) cause a sale by the Partnership of the Overriding Royalty Interest owned by the Partnership.

6.05 No Power to Engage in Business or Make Investments.

The Trustees shall not, in their capacity as Trustees under the Trust, acquire any oil and gas lease, royalty or other mineral interest other than the Overriding Royalty Interest or the Offshore II Overriding Royalty Interest, including such portion thereof as may be held indirectly through ownership of the Trust Partnership Interest or the Tenneco Offshore II Stock or directly upon a distribution from the Partnership, whether upon liquidation of the Partnership or otherwise, nor engage in any business or investment activity, except as permitted in Section 6.09, of any kind whatsoever. Nothing contained in this Section 6.05 shall prevent the Trustees from taking those actions as are expressly permitted by other portions hereof or are reasonably related thereto, including the dissolution of the Trust or the Partnership and holding and/or disposing of distributions from the Partnership.

6.06 Payment of Liabilities of Trust.

The Trustees are authorized to and shall use all money received by the Trust for the payment of all liabilities of the Trust, including but not limited to all expenses, taxes, and liabilities incurred of all kinds, compensation to the Trustees for their services pursuant to Sections 7.04 and 7.05 hereof, and compensation to such parties as may be consulted pursuant to Section 7.06 hereof. With respect to any liability which is contingent or uncertain in amount or which otherwise is not currently due and payable, the Trustees in their sole discretion may, but are not obligated to, establish a cash reserve for the payment of such liability.

6.07 Timing of Trust Expenses.

The Trustees will use all reasonable efforts to cause the Trust and the owners of Units, as grantors thereof for federal income tax purposes, to recognize income (including any income from interest earned on reserves established pursuant to Section 6.06 hereof or any sale of the Offshore II Overriding Royalty Interest or the Trust Partnership Interest) and expenses on Quarterly Record Dates. The Trustees will use all reasonable efforts to invoice the Trust for services rendered by the Trustees only on a Quarterly Record Date and will use all reasonable efforts to cause the Trust to pay any such invoices only on the Quarterly Record Date and to cause the Trust to pay all other liabilities of the Trust on the Quarterly Record Date for the Quarterly Period in which such liability is invoiced. Nothing in this Section 6.07 shall be construed as requiring the Trustees to cause payment to be made for Trust liabilities on any date other than on such date as in their sole discretion they shall deem to be in the best interests of the owners of the Units.

6.08 Limited Power to Borrow.

If at any time the cash on hand is not sufficient to pay liabilities of the Trust then due or to redeem Units as required by Section 6.10 of this Trust Agreement, the Trustees are authorized, but not required, to borrow from the Corporate Trustee in its capacity as a bank, or from another Person, on a secured or unsecured basis, such amounts as are required after use of any available Trust funds to pay such liabilities as have become due or to make such purchases. The borrowing costs to the Trust of any loan from the Bank shall not exceed the prime rate of the Bank. Borrowings from any other Person shall be on such terms as the Trustees shall deem advisable. To secure payment of such indebtedness, the Trustees are authorized to mortgage, pledge, grant security interests in or otherwise encumber the assets of the Trust, or any portion thereof, including all or any part of the Trust Partnership Interest or the Offshore II Overriding Royalty Interest, and to carve out and convey production payments. In securing payment of any indebtedness, the Trustees are specifically authorized to include any and all terms, powers, remedies, covenants and provisions deemed necessary or advisable in the Trustee's

discretion, including, without limitation, confession of judgment and the power of sale without the approval of the Certificate Holders and with or without judicial proceedings.

In the event of such borrowings, the Trustees shall suspend further Trust distributions (except in respect of previously announced Quarterly Cash Amounts) until the indebtedness created by such borrowing has been paid in full.

6.09 Interest on Cash on Hand. ~~Cash being held by the Trustees as a reserve for liabilities or for distribution shall, to the extent not prohibited by Section 11 of the Texas Trust Act, be placed in an Interest Bearing Account.~~ Any amount which may not by law be so placed shall be placed with a bank which is not an affiliate of the Trustees on term and conditions acceptable to the Trustees.

6.10 Divestiture of Units. If at any time the Trust or the Trustees are named a party in any judicial or administrative or other governmental proceeding which seeks the cancellation or forfeiture of any interest in any Property located in the United States in which the Trust has an interest because of the nationality, or any other status of any one or more owners of Units, or if at any time the Trustees in their reasonable discretion determine that such a proceeding is threatened or likely to be asserted and the Trust has received an opinion of counsel stating that the party or parties threatening or asserting the claim have a reasonable probability of succeeding in such claim, in order to preserve the sound investment character of the Trust, the following procedures will be applicable:

(a) The Trustees, in their discretion, may seek from an investment banking firm to be selected by the Trustees an opinion as to whether it is in the Trust's best interest for the Trustees to take the actions permitted by subparagraphs (b)(1)-(3) of this Section 6.10. In reaching its opinion, the investment banking firm shall consider: (i) the value of the interest subject to potential forfeiture or cancellation; (ii) the likelihood of the forfeiture or cancellation; (iii) the number of Units involved in, and the cost to the Trust of the Trustees' acting pursuant to, subparagraphs (b)(1) through (b)(3) of this Section 6.10; and (iv) such other matters as the investment banking firm shall deem relevant.

(b) The Trustees may (1) take no action with respect to the potential cancellation or forfeiture or (2) seek to avoid such cancellation or forfeiture by the following procedure:

(1) The Trustees will promptly give written notice ("Notice") to each record owner of Units as to the existence of or probable assertion of such controversy. The Notice will contain a reasonable summary of such controversy, will include materials which will permit an owner of Units to promptly confirm or deny to the Trustees that such owner is a Person whose nationality or other status is or would be an issue in such a proceeding ("Ineligible Holder") and will constitute a demand to each Ineligible Holder that he dispose of his Units, to a party which would not be an Ineligible Holder, within 30 days after the date of the Notice.

(2) If an Ineligible Holder fails to dispose of his Units as required by the Notice, the Trustees will have the right to redeem and will redeem, any such Units at any time during the 90 days after the expiration of the 30-day period specified in the Notice. The redemption price on a per Unit basis will be determined as of the last Business Day



("determination day") preceding the end of the 30 day period specified in the Notice and will equal the following per Unit amount: (i) the mean between the closing bid and asked prices for the Units in the over-the-counter market on the determination day if quotations for such prices on such day are available or, if not, on the last preceding day for which such quotations are available, or (ii) if the Units are then listed on a securities exchange, the price will equal the closing price of the Units on such exchange (or, if the Units are then listed on more than one exchange, as quoted in any composite index of trading on such exchanges, or if not, quoted in any such index, on the largest such exchange in terms of the volume of Units traded thereon during the preceding twelve months) on the determination day if any Units were sold on such exchange on such day or, if not, on the last preceding day on which any Units were sold on such exchange, or (iii) if Units are not then traded in the over-the-counter market or listed on a securities exchange, at a price per Unit as determined by the Trustees, which may be based on an opinion of a recognized firm of independent investment bankers as to the value of the Units. Such redemption will be accomplished by tender of the above cash price to the Ineligible Holder at his address as shown on the records of the Corporate Trustee, either in person or by mail as provided in Section 11.04, accompanied by notice of cancellation. Concurrently with such tender the Corporate Trustee shall cancel or cause to be cancelled all Certificates representing Units then owned by such Ineligible Holder and for which tender has been made. In the event the tender is refused by the Ineligible Holder or if he cannot be located after reasonable efforts to do so, the tendered sum shall be held by the Corporate Trustee in an Interest Bearing Account for the benefit of such Ineligible Holder, until proper claim for same (together with interest accrued thereon) has been made by such Ineligible Holder, but subject to applicable laws concerning unclaimed property, and such Ineligible Holder's Certificates representing Units shall be deemed for all purposes cancelled except to the extent such Certificates evidence the ownership of or the right to receive the tendered sum being held by the Corporate Trustee for the benefit of such Ineligible Holder.

(3) The Trustees may, in their sole discretion, borrow any amounts required to redeem Units pursuant to this Section 6.10.

Nothing herein shall prevent the Trustees from maintaining such legal and other related actions as shall be recommended by counsel to the Trustees.

(c) The Trustees in relying on the opinion of an investment banking firm or in connection with the matters subject to this Section 6.10 shall have the full authorization and be entitled to the full protection provided by Section 7.06 hereof. If the Trustees desire but cannot obtain an opinion from an investment banking firm which in the Trustees' sole discretion is competent to render such opinion, then the Trustees may obtain (and rely on) for the opinion referred to in subparagraph (a) of this Section 6.10 the opinion of any other adviser or expert which the Trustees in their sole discretion believe to have sufficient competence to render such opinion.

The Trustees may agree with any such investment banking firm or other adviser or expert in connection with such opinion that it will not assert against the investment banking firm,

adviser or expert on behalf of itself, the Trust or any owner of Units any claim unless such claim is based on such investment banking firm, adviser or expert failing to act in good faith.

In no event shall the Trustee or the Transfer Agent have any responsibility for monitoring the citizenship or residence of the Certificate Holders, except as made necessary by the procedures described in subsection (b) above, after such procedures have been invoked, or in any other respect to insure compliance with such federal oil and gas lease requirements.

6.11 Settlement of Claims. The Trustees are authorized to maintain and defend, and to settle, in the Trust's name any claim or controversy by or against the Trust without the joinder or consent of any Certificate Holder or owner of a Unit.

6.12 Income and Principal. The Trustees may but shall not be required to keep separate accounts or records for income and principal. To the extent that such separate accounts or records are kept, the Trustees may allocate the receipts, disbursements and reserves of the Trust between income and principal in the discretion of the Trustees, and the Trustees' discretion need not accord with the provisions of any requirement of applicable law. Regardless of any such characterization, however, the Trustees shall not make any distribution, accumulate any funds, or maintain any reserve except as expressly provided in this Trust Agreement. The Trustees shall not maintain a reserve for depletion of the mineral assets represented in the Trust corpus.

6.13 Effect of Trustees' Powers on Trust Property. The powers granted the Trustees under this Trust Agreement may be exercised upon such terms as the Trustees deem advisable and may affect Trust properties for any length of time regardless of the duration of the Trust.

6.14 No Requirement of Diversification. The Trustees shall be under no obligation to diversify the Trust's assets or to dispose of any wasting assets.

6.15 Liquidation of Tenneco Offshore II Company. As soon as feasible after satisfaction of Tenneco Offshore II Company's ("Offshore II") obligations under Note Purchase Agreements dated April 15, 1974, between Offshore II and certain purchasers named therein as secured by an Indenture and Security Agreement, dated April 1, 1974, from Offshore II and the Company to First National City Bank, as Trustee, but not later than December 31, 1984 (provided such obligations have been satisfied), the Trustees shall take, or cause to be taken, all action necessary to convert all of Offshore II's assets into cash, distribute such cash, subject to any unsatisfied claims, in complete cancellation of the Offshore II Stock outstanding, and to cause Offshore II to dissolve, subject to the following:

(a)~ The Trustees may cause the dissolution of Offshore II to be postponed until Offshore II's obligations under the Assignment of Partnership Distributions, dated as of April 1, 1974, between the Company, Tenneco Exploration, Ltd. and Tenneco Oil Company have been satisfied if the Internal Revenue Service, on or before July 1, 1984, has ruled to the effect that such postponement will not cause the distribution of Units by the Company to its stockholders to be treated as something other than a distribution pursuant to a plan of complete liquidation.

(b) In lieu of causing Offshore II to convert its assets into cash, the Trustees may cause Offshore II to convert its assets into nonoperating mineral interests and distribute such interests in complete cancellation of the Offshore II Stock, if, prior to such distribution, the Internal Revenue Service has ruled to the effect that such distribution will not cause the Trust to be classified as a corporation for federal income tax purposes.

The Trustees may cause the dissolution of Offshore II to occur earlier than above provided or to distribute cash even if the ruling provided in paragraph (b) is obtained, but they shall have no authority to postpone the liquidation or to distribute property other than cash except as provided in paragraphs (a) and (b) above.

The Trustees are authorized to execute and deliver an agreement with the holders of the obligations referred to in this Section 6.15 or with Citibank, N.A. (formerly First National City Bank), as trustee, and take such other action as they may deem appropriate to bind the Trust not to sell or otherwise dispose of any of the outstanding capital stock of Offshore II so long as the obligations of Offshore II referred to in this Section 6.15 remain outstanding.

#### ARTICLE VII

##### RIGHTS AND LIABILITIES OF TRUSTEES

7.01 General Liability of Trustees. The Trustees are empowered to act in their discretion and shall not be personally or individually liable for any act or omission except in the case of gross negligence, bad faith or fraud and except for any liability the Trustees may have vis-a-vis the owners of Units as provided in Section 7.02 hereof.

Neither the Trustees nor the Certificate Holders shall have any liability with respect to any contract or agreement where such contract or agreement includes language substantially to the following effect, provided that failure to include such language, or language substantially to the same effect, shall not imply any such liability:

"Any liability hereunder is the liability of the Trust alone and is in no respect whatsoever the obligation of the Trustees or of the Certificate Holders. Any person dealing with the Trust is doing so in reliance solely upon the assets of the Trust and not upon the Trustees or the Certificate Holders and neither the Trustees nor the Certificate Holders shall have any personal liability to any such person."

7.02 Limitation of Liability of Certificate Holder. In authorizing any transaction which results or could result in any kind of liability, the Trustees shall take such action as may be necessary to ensure that such liability shall be satisfiable in all events (including the exhaustion of the Trust Estate) only out of the Trust Estate, that such liability shall not be satisfiable out of any amounts at any time distributed to any Certificate Holder or other assets owned by a Certificate Holder, and that no Certificate Holder shall have any personal liability therefor. In the event of failure by the Trustees to take any such action, the Trustees shall be fully and exclusively liable for any resulting liability (other than liability for state and Federal taxes or liabilities for refunds, fines, penalties or interest relating to oil or gas pricing overcharges under state or federal price controls) vis-a-vis the Certificate Holder; but the Trustees shall be entitled to be indemnified and reimbursed from the Trust

Estate; provided, however, that nothing herein shall result in the imposition of any liability on the Trustees for state or federal taxes or for refunds, fines, penalties or interest relating to oil or gas pricing overcharges under state or federal price controls and provided further that failure to include the language in any contract or agreement as set forth in Section 7.01 shall not imply any such liability. Notwithstanding anything in this Trust Agreement to the contrary, neither the Trustees nor any Trustee shall be required to take any action that the Trustees or any such Trustee, as the case may be, believe in good faith could result in the imposition of liability on them or him or it under this Section 7.02.

7.03 Indemnification of Trustees. The Trustees shall be indemnified by, and receive reimbursement from, the Trust Estate against and from any and all liability, expense (including counsel fees and expenses incurred in preparing for and defending claims or suits), claim, damage, or loss incurred by them individually or as Trustees in the administration of the Trust and the Trust Estate or any part or parts thereof, or in the performance or omission to perform any act under this Indenture, except ~~(a) any liability, expense, claim, damage, or loss arising from the gross negligence, bad faith or fraud and~~ (b) any loss resulting from Trustees' costs (direct or indirect) in carrying out the administrative tasks required hereunder exceeding the compensation and reimbursement provided for pursuant to Sections 7.04 and 7.05 hereof. The Trustees shall have a lien upon the Trust Estate to secure them for such indemnification and reimbursement and for compensation to be paid to the Trustees. Except as provided in Section 3.07, neither the Trustees nor any agent or employee of the Trustees shall be entitled to any reimbursement or indemnification from any owner of Units for any liability, expense, claim, damage, or loss incurred by the Trustees or any such agent or employee; and the rights of the Trustees or any employee or agent of the Trustees to reimbursement and indemnification, if any, shall be limited solely to the Trust Estate, whether or not the Trust Estate is exhausted without full reimbursement or indemnification of the Trustees or any such agent or employee.

7.04 Compensation of Corporate Trustee. The Corporate Trustee shall receive from the Trust compensation for its services as Corporate Trustee and Transfer Agent of the Trust as set forth in Exhibit II, attached hereto. In the event that any Person serving as Corporate Trustee is not also Transfer Agent, the compensation to be paid to the Corporate Trustee and Transfer Agent shall be allocated to the Corporate Trustee and Transfer Agent as the Trustees shall determine. Charges for performing any services not contemplated or specifically covered in Exhibit II will be charged to the Trust on the basis of the prevailing rate for such services in the community in which the Corporate Trustee maintains its principal trust office.

7.05 Other Services and Expenses. Each of the Individual Trustees shall receive from the Trust compensation for his services as an Individual Trustee \$15,000 per annum, such amount to be adjusted prospectively for inflation based on the producers price index, adjusted in the same manner as the Transfer Agent fee as set forth in Exhibit II, upon the prior written notification to Certificate Holders. The out-of-pocket costs incurred by the Trustees in the discharge of their duties, including but not limited to fees and expenses incurred for experts hired pursuant to Section 7.06, the costs of insurance deemed advisable by the Trustees and printing additional Certificates, are to be reimbursed to the Trustees by the Trust at actual cost. The

Trustees shall be reimbursed by the Trust for actual expenditures made on account of any unusual duties in connection with matters pertaining to the Trust. In the event of litigation involving the Trust, audits or inspection of the records of the Trust pertaining to the transactions affecting the Trust or any other unusual or extraordinary services rendered in connection with the administration of the Trust, the Trustees shall be entitled to receive reasonable compensation from the Trust for the services rendered. The initial organizational costs of the Trust, including the printing of the initial Certificates and fees of legal counsel of the Trustees and fees of the Corporate Trustee in its capacity as exchange agent under Section 3.01, will be paid by the Company.

7.06 Reliance on Experts. To perform any act required or permitted by this Trust Agreement, the Trustees may, but shall not be required to, consult with counsel, including their own counsel, accountants, geologists, engineers and other parties deemed by the Trustees to be qualified as experts on the matters submitted to them, who may be employees of any of the Trustees, and the opinion or written advice of any such parties on any matter submitted to them by the Trustees shall be full and complete authorization and protection in respect of any action taken or suffered by them hereunder in good faith and in accordance with the opinion or advice of any such party. The Trustees are authorized to make payments of all reasonable fees for services or expenses thus incurred out of the Trust Estate.

7.07 No Security Required. No bond or other security shall be required of the Trustees.

7.08 Transactions in Multiple Capacities. To the extent allowed by applicable law, the Trustees shall not be prohibited in any way in exercising their powers or from dealing with any Trustees in any other capacity, fiduciary or otherwise.

7.09 Relief of Trustees from Certain Duties, Restrictions, and Liabilities. Pursuant to Article 7425b-22 of the Texas Trust Act, the Company, as Trustor, hereby relieves the Trustees from any or all duties, restrictions, and liabilities otherwise imposed upon the Trustees by the Texas Trust Act except for such duties, restrictions, and liabilities as are imposed (a) by Sections 10, 11 and 12 of the Texas Trust Act, (b) by the terms and conditions of this Trust Agreement or (c) by any other applicable law, rule or regulation.

7.10 Appointment of Ancillary Trustees, etc. If at any time it becomes necessary under the laws of any jurisdiction for a trustee qualified under such laws to take any action with respect to any assets held in the Trust Estate, or if at any time in their discretion the Trustees determine that it would be useful or desirable in connection with the administration of the Trust Estate, the individual, bank or trust company legally qualified to act in such jurisdiction appointed in writing by the Trustees then serving hereunder shall serve as ancillary trustee for such purposes: Any such ancillary trustee shall have all rights, privileges, powers, responsibilities and duties as are delegated in writing by the appointing Trustees, subject to such limitations and directions as shall be specified by the Trustees in the instrument evidencing such appointment. Any such ancillary trustee shall be responsible to the Trustees for all assets with respect to which such ancillary trustee is so empowered to act. To the extent permitted under the laws of such jurisdiction, the Trustees may remove an ancillary trustee at any time, without cause and without the necessity of any court proceeding, and may or may not appoint a successor or substitute ancillary trustee from time to time and at any time.

## ARTICLE VIII

### OFFICE OF THE TRUSTEES

8.01 Removal of Trustees. The Trustees or any one or more of them may be removed from the Trust by the affirmative vote of two Individual Trustees or the affirmative vote at a meeting duly called and held in accordance with the provisions of Article V hereof of the Record Date Certificate Holders holding Certificates representing a majority of the Units; provided that no such removal shall be effective as to the Corporate Trustee unless a successor Corporate Trustee is appointed by the Individual Trustees or at such meeting by such Record Date Certificate Holders.

8.02 Resignation of Trustees. Any one or more of the Trustees may at any time resign from the Trust without cause and without the necessity of any court proceeding after giving written notice ("Resigning Trustees' Notice") to each of the Certificate Holders by registered mail addressed to each such Certificate Holder at his last address on the records of the Corporate Trustee at the time such notice is given and, in the event of the resignation of the Corporate Trustee, by accounting to its successor for the administration of the Trust Estate as may be required by the successor Corporate Trustee. Any and all successors to such resigning Corporate Trustee shall be fully protected in relying upon such accounting. Such resignation shall be effective as of a date to be specified in such notice which shall be a Business Day not less than one hundred twenty days after the date on which the last such notice is mailed ("Resignation Notice Date") unless, in the event of the resignation of the Corporate Trustee, a successor Corporate Trustee shall not have been named pursuant to Section 8.03 in which case such resignation shall become effective upon the appointment of such successor Corporate Trustee.

8.03 Appointment of Successor Trustees. In the event the Corporate Trustee has given notice of its intention to resign, a successor Corporate Trustee shall be appointed by the Individual Trustees as of the effective date of the resignation of the Corporate Trustee within sixty days of the Resignation Notice Date. Notice of the appointment of a successor Corporate Trustee shall be given by the Individual Trustees (within ten days of the appointment of the successor Corporate Trustee) to each Certificate Holder on the Resignation Notice Date at each Certificate Holder's last address on the records of the Corporate Trustee. In the event that a successor Corporate Trustee has not been appointed within sixty days after the Resignation Notice Date or the occurrence of a vacancy in the position of Corporate Trustee, a successor Corporate Trustee may be appointed by any Texas or United States District Court holding terms in Houston, Harris County, Texas, upon the application of any Certificate Holder (and if no Certificate Holder has so applied within seventy-five days after the Resignation Notice Date or occurrence of a vacancy, then the Trustees will so apply prior to the eighty-fifth such day). In the event any such application is filed, such court may appoint a temporary successor Corporate Trustee at any time after any such application is filed with it which shall, pending the final appointment of a successor Corporate Trustee, have such powers and duties as the court appointing such temporary Corporate Trustee shall provide in its order of appointment, consistent with the provisions of this Trust Agreement. In the event such Court shall deem it necessary, the Court may appoint such temporary successor Corporate Trustee or successor Corporate Trustee on such terms as to compensation as the Court shall deem necessary and reasonable notwithstanding any

provision herein to the contrary. A Corporate Trustee appointed under the provisions of this Section shall be a national banking association domiciled in the United States which has a capital, surplus and undivided profits of at least One Hundred Million dollars (\$100,000,000).

In the event an Individual Trustee has given notice of his intention to resign, or has already resigned or has died, a successor Individual Trustee shall, except as otherwise provided in this Section 8.03, be appointed by the remaining Individual Trustees within sixty days of the Resignation Notice Date. Notice of the appointment of a successor Individual Trustee shall be given by the remaining Trustees (within ten days of the appointment of a successor Individual Trustee) to each Certificate Holder on the Resignation Notice Date at each Certificate Holder's last address on the records of the Corporate Trustee. In the event that a successor Individual Trustee has not been appointed within sixty days after the Resignation Notice Date or the occurrence of a vacancy in the position of Corporate Trustee, a successor Individual Trustee may be appointed by any Texas or United States District Court holding terms in Houston, Harris County, Texas, upon the application of any Certificate Holder (and if no Certificate Holder has so applied within seventy-five days after the Resignation Notice Date or occurrence of a vacancy, then the Trustees will so apply prior to the eighty-fifth such day). In the event any such application is filed, such court may appoint a temporary successor Individual Trustee at any time after any such application is filed with it which shall, pending the final appointment of a successor Individual Trustee, have such powers and duties as the court appointing such temporary Individual Trustee shall provide in its order of appointment, consistent with the provisions of this Trust Agreement. In the event such Court shall deem it necessary, the Court may appoint such temporary successor Individual Trustee or successor Individual Trustee on such terms as to compensation as the Court shall deem necessary and reasonable notwithstanding any provision herein to the contrary.

All of the Individual Trustees may, with the consent of the Corporate Trustee, elect to resign and not to appoint successor Individual Trustees, in which case, the Corporate Trustee shall be the sole Trustee under this Trust Agreement. In such event, the term "Trustees" under this Trust Agreement shall mean the Corporate Trustee and any action taken by the Corporate Trustee shall be considered the action of the Trustees.

8.04 Rights of Successor Trustee. Immediately upon the appointment of any successor Trustee (including a temporary successor Corporate or Individual Trustee), all rights, titles, duties, powers and authority of the succeeded Trustee hereunder shall be vested in and undertaken by the successor Trustee and the Successor Corporate Trustee shall be entitled to receive from the Corporate Trustee which it succeeds, in addition to the accounting referred to in Section 8.02, all of the Trust Estate held by it hereunder and all records and files in connection therewith. No successor Corporate Trustee shall be obligated to examine or seek alteration of any accounting of any preceding Corporate Trustee, nor shall any successor Corporate Trustee be liable personally for failing to do so or for any act or omission of any preceding Corporate Trustee. The preceding sentence shall not prevent any successor Corporate Trustee or anyone else from taking any action otherwise permissible in connection with any such accounting.

8.05 Merger or Consolidation of Corporate Trustee. Neither a change of name of the Corporate Trustee nor any merger or consolidation of its corporate powers with another bank or with a trust company shall affect its right or capacity to act hereunder.

ARTICLE IX

TERM OF TRUST  
AND FINAL DISTRIBUTION

9.01 Termination. The Trust shall terminate upon the first to occur of the following events or times:

- (a) at such time as the total future net revenues attributable to the Overriding Royalty Interest, as determined by independent petroleum engineers as of the end of any year, are less than \$2 million;
- (b) a decision to terminate the Trust by the affirmative vote at a meeting duly called and held in accordance with Article V hereof of the Record Date Certificate Holders holding Certificates representing a majority of the Units; or
- (c) the expiration of twenty-one (21) years after the death of the last to die of all of the Issue living at the date of execution of this Trust Agreement of JOHN D. ROCKEFELLER, JR., late father of the late former Vice President of the United States, NELSON A. ROCKEFELLER.

9.02 Disposition and Distribution of Assets Upon Termination. Upon termination of the Trust, the Trustees shall sell for cash in one or more sales all the assets other than cash then held in the Trust Estate. Any such sale shall be upon such terms as the Trustees, in their sole discretion, deem to be in the best interests of owners of Units; provided, however, the Trustees shall use their reasonable efforts to consummate such sale on a Quarterly Record Date. The Trustees shall pay, satisfy and discharge all of the existing liabilities of the Trust including fees of the Trustees, or, if necessary, setting up reserves in such amounts as the Trustees in their discretion deem appropriate to provide for payment of contingent liabilities. In the event that any asset which the Trustees are required to sell is not sold by the Trustees within three years after the event causing termination of the Trust, the Trustees shall cause such property to be sold at public auction to the highest cash bidder. Notice of such sale by auction shall be mailed at least thirty days prior to such sale to each Certificate Holder's last address as it appears on the books of the Corporate Trustee. The Trustees shall not be required to obtain approval of the Certificate Holders prior to selling assets pursuant to this Section 9.02. Upon making final distribution to the Certificate Holders, the Trustees shall be under no further liability except as provided in Sections 7.01 and 7.02 hereof. For the purposes of liquidating and winding up the affairs of the Trust at its termination, the Trustees shall continue to act as Trustees and may exercise each power until their duties have been fully performed and the Trust Estate has been finally distributed.

ARTICLE X

IRREVOCABILITY AND AMENDMENT

10.01 Irrevocability. This Trust Agreement and the Trust are intended to be and are irrevocable. No person shall have the right or power to terminate, revoke, alter, amend or change this Trust Agreement or any provisions hereof except as expressly provided in Article IX or in this Article X.

10.02 Limited Amendment. Any provision of this Trust Agreement may be amended by the vote at a meeting duly called and held in accordance with the provisions of Article V hereof of the Record Date Certificate Holders holding Certificates representing



a majority of the Units, but no such amendment shall be effective unless and until consented to in writing by the Trustees (provided, however, that the Trustees will so consent unless such amendment affects the Trustees' own rights, duties or immunities under this Trust Agreement or otherwise, in which case the Trustees may in their discretion, but shall not be obligated to, agree to such amendment), and in no event may an amendment be made which would

- (a) alter the rights of the Certificate Holders as against each other;
- (b) reduce or delay the distributions to the Certificate Holders provided for in Sections 4.02, 6.04 and 9.02 hereof;
- (c) provide the Trustees with the power to engage in business or investment activities not specifically authorized herein;
- (d) adversely affect the characterization of the Trust as an express trust under the Texas Trust Act and as a grantor trust for federal income tax purposes;
- (e) alter the voting requirements set forth in Sections 6.03, 6.04, 8.01, 9.01(b) and 10.02 hereof; or
- (f) alter the number of Units in the Trust (except by authorized cancellation of Units as provided in Section 6.10);

unless such amendment is approved (i) by the vote at a meeting duly called and held in accordance with the provisions of Article V hereof of the Record Date Certificate Holders holding Certificates representing one hundred percent (100%) of the Units and (ii) by the Trustees, it being understood that nothing herein shall permit the amendment of this Trust Agreement to provide the Trustees with the power to engage in business or investment activities not specifically authorized herein.

If any ruling has at any time been issued by the Internal Revenue Service, or if any opinion of counsel has been rendered with respect to the classification or treatment of the Trust for federal income tax purposes, no amendment permitted by this Section 10.02 shall be effective unless and until a supplemental ruling or opinion has been obtained indicating that the proposed amendment shall not affect the continued applicability of such existing ruling or opinion.

#### ARTICLE XI

##### MISCELLANEOUS

**11.01 Inspection of Trustees' Books.** Each Certificate Holder and his duly authorized agents, attorneys and auditors shall have the right during reasonable business hours at their own cost and expenses to examine, inspect and make audits of the Trust and records of the Corporate Trustee in reference thereto.

**11.02 Filing of Trust Agreement.** Except as otherwise required by law, neither this Trust Agreement nor any executed copy hereof need be filed in any county, parish or other jurisdiction in which any of the properties comprising the Trust Estate are located, but the same may be filed for record in any county, parish or other jurisdiction by the Trustees. In order to avoid the necessity of filing this Trust Agreement for record, the Trustees agree that for the purpose of vesting the record title in any successor to the Corporate Trustee, the retiring Corporate Trustee will, upon appointment of any successor Corporate Trustee,

execute and deliver to such successor Corporate Trustee appropriate assignments or conveyances.

**11.03 Saving Clause.** If any provision of this Trust Agreement should be held illegal or invalid, such invalidity or illegality shall not affect the remaining provisions, or any other property interests, and each provision of this Trust Agreement shall exist separately and independently, and shall be applied to property interests separately and independently, of every other provision, and this Trust Agreement shall be construed as if such illegal or invalid provision had never existed.

**11.04 Notices.** Any notice or demand which by any provision of this Trust Agreement is required or permitted to be given or served upon the Trustees by any Certificate Holder may be given or served by being deposited, postage prepaid and by registered or certified mail, in a post office or letter box addressed (until another address is designated by notice given by the Trustees to the Certificate Holders and the Company) or by hand delivery to the Trustees at the following address:

**Corporate Trustee:**

Texas Commerce Bank National Association  
600 Travis  
Houston, Texas 77002  
Attention: W. C. Rosson  
Senior Vice President and  
Trust Officer

**Individual Trustees:**

Horace C. Bailey  
K P Exploration, Inc.  
20 Exchange Place-8th Floor  
New York, New York 10005

Joseph C. Broadus  
169 East 69th Street  
Suite 4-D  
New York, New York 10021

F. Arnold Daum  
Cahill, Gordon & Reindel  
80 Pine Street  
New York, New York 10005

Any notice or other communication by the Trustees to any Certificate Holder shall be deemed to have been sufficiently given, for all purposes, when deposited, postage prepaid, in a post office or letter box addressed to said holder at its address as shown on the records of the Corporate Trustee.

**11.05 Notice and Reports.** Whenever any notice, communication or report is given by the Trustees to Certificate Holders pursuant to the provisions of this Trust Agreement or is otherwise required to be provided to Certificate Holders pursuant to the provisions of this Trust Agreement, the Trustees shall provide, by in-hand delivery or as set forth in Section 11.04 hereof, such notice, communication or report to the Partnership at the following address:

TEL Offshore Trust Partnership  
c/o Tenneco Oil Company, General Partner  
1100 Milam  
Houston, Texas 77002  
Attention: Secretary

or at such other address as the Partnership may from time to time advise the Trustees in writing.

11.06 Situs of Trust. The situs of the Trust hereby created is Texas, and wherever possible the laws of Texas shall control with respect to the construction, administration and validity of the Trust.

11.07 Acceptance by Trustees. The Trustees, by joining in the execution of this Trust Agreement, accepts the Trust herein created and provided for and accepts all of the rights, powers, privileges, duties and responsibilities of the Trustees hereunder and agrees to exercise and perform the same in accordance with the terms and provisions contained herein.

11.08 Counterparts. This Trust Agreement may be executed in a number of counterparts, each of which shall constitute an original, but such counterparts shall together constitute but one and the same instrument.

11.09 Headings. The headings of the Sections and Articles of this Agreement are inserted for convenience only and shall not constitute a part hereof.

11.10 Independent Conduct. The Company, the Trustees and the Company on behalf of all future owners of Units hereby reserve and retain the right to engage in all businesses and activities of any kind whatsoever (irrespective of whether the same may be in competition with the Trust), and to acquire and own all assets however acquired and whenever situated, and to receive compensation or profit thereof, for their own respective accounts and without in any manner being obligated to disclose or offer such business and activities or assets or compensation or profit to each other or to the Trust.

IN WITNESS WHEREOF, Trustor and Trustees hereunto set their hands effective as of the day and year first above written.

ATTEST:  
(Seal)

Karl A. Smith  
Assistant Secretary

TENNECO OFFSHORE COMPANY, INC.

BY

E. J. Smith  
Vice President

Trustor

WITNESSES:

William L. Collins Jr.  
Rita L. Harris

ATTEST:  
(Seal)

W.C. Rouse

TEXAS COMMERCE BANK NATIONAL  
ASSOCIATION

By

R.L. Melton

Corporate Trustee

WITNESSES:

Geraldine A. Turner  
William L. Collins

By

James C. Bradley

James C. Bradley

James C. Bradley

Individual Trustees

WITNESSES:

John Schuster  
Keta L. Harris

7821A

THE STATE OF TEXAS     §  
                                  §  
COUNTY OF HARRIS     §

On this 13<sup>th</sup> day of January, 1983, before me appeared E. J. Miller, to me personally known, who, being duly sworn, did say that he is a Vice President of TENNECO OFFSHORE COMPANY, INC., and that the instrument was signed and delivered in behalf of the Corporation by authority of its Board of Directors and that he acknowledged the instrument to be the free act and deed of the Corporation.

Laverne Fisher  
Notary Public in and for  
Harris County, T E X A S  
LAVERNE FISHER  
Notary Public in and for the State of Texas  
My Commission Expires March 26, 1984

(SEAL)  
My Commission expires:

THE STATE OF TEXAS     §  
                                  §  
COUNTY OF HARRIS     §

On this 14<sup>th</sup> day of January, 1983, before me appeared R. J. Dutton, to me personally known, who, being duly sworn, did say that he is an Assistant Vice President & Trust Officer of TEXAS COMMERCE BANK, NATIONAL ASSOCIATION, and that the instrument was signed and delivered in behalf of the national banking association in its capacity therein stated, by authority of its Board of Directors or pursuant to its bylaws and that he acknowledged the instrument to be the free act and deed of the national banking association.

Laverne Fisher  
Notary Public in and for  
Harris County, T E X A S  
LAVERNE FISHER  
Notary Public in and for the State of Texas  
My Commission Expires March 26, 1984

(SEAL)  
My Commission expires:

THE STATE OF NEW YORK

ss.

COUNTY OF NEW YORK

On this 11<sup>th</sup> day of January, 1983, before me personally came Horace C. Bailey, Joseph C. Broadus and F. Arnold Daum, to me known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same.

Kathleen H. W. Swift  
Notary Public, in and for  
New York County, New York

My Commission expires:

KATHERINE H. W. SWIFT  
Notary Public, State of New York  
No. 61-88698  
Qualified in New York County  
Comm. expires March 20, 1984

EXHIBIT A

AMENDMENTS TO TEL OFFSHORE TRUST  
TRUST AGREEMENT

1.10 "Interest Bearing Account" shall mean either an account payable on demand without penalty or a certificate of deposit which matures prior to the Distribution Date immediately following the purchase of the certificate of deposit and which will be held until maturity. Such accounts or certificates of deposit shall bear interest at a rate which shall be the interest rate which the Bank or its successor pays in the normal court of business on amounts placed with it, taking into account the amounts involved, the period held and other relevant factors.

6.09 Interest on Cash on Hand. Cash being held by the Trustees as a reserve for liabilities or for distribution shall, to the extent not prohibited by Section 11 of the Texas Trust Act, be placed in an Interest Bearing Account of the Bank or any successor bank serving as Corporate Trustee. Any amount which may not by law be so placed shall be placed in an Interest Bearing Account of a bank which is not an affiliate of the Trustees.

EXHIBIT II

TEL OFFSHORE TRUST

CORPORATE TRUSTEE'S COMPENSATION

1. Administrative: For all administrative services, preparation of quarterly and annual statements with attention to tax and legal matters, \$7,500 annually plus an hourly charge at the Trustee's standard rate for officer time in excess of 150 hours annually.
2. Transfer Agency:
  - (a) \$4.50 annually per account for maintaining computer records of each Certificate Holder, name and address of record, tax ID number, outstanding Unit balances, alternative payee, various coded fields of pertinent information; for processing change of address and/or social security number; posting each Certificate cancelled or issued; issuance of 8,000 Certificates; processing request and documentation required for replacement of lost or destroyed Certificates; for placing and/or removing stop transfer orders; registering Certificates; disbursing cash distributions; preparing and mailing required IRS forms; mailing of proxies and other related material; tabulation of proxies; and printing of Certificate Holder list.
  - (b) For Certificates issued, registered and posted in excess of 8,000 annually, \$1.00 for each Certificate.
  - (c) The transfer agency fees stated above will be subject to an escalator based upon the general rise in prices in the economy. The index used will be the Producers Price Index as published by the Department of Labor, Bureau of Labor Statistics. All transfer agency fees will be adjusted annually by the percentage rise in this index on a December-to-December basis beginning December 31, 1983.
  - (d) In addition to the fees quoted, a charge will be made for all out-of-pocket expenses, such as postage, envelopes, insurance, long distance telephone calls, overtime necessitated by rush orders, checks, binders and similar items.
3. Termination: A fee will be charged upon termination of the Trust Commensurate with the amount of work and responsibility involved which shall not exceed 10% of the value of the assets distributed provided that termination is accomplished under Section 9.01(a). Under any other method of termination, fees will be charged on an hourly basis only.

8798A



# **Exhibit C**

CAUSE NO. C-1-PB-14-001245

IN RE § IN THE PROBATE COURT OF  
 §  
 §  
 §  
 TEL OFFSHORE TRUST § TRAVIS COUNTY, TEXAS  
 §  
 §  
 §  
 §

ORAL AND VIDEOTAPED DEPOSITION OF  
 BRUCE WALLACE  
 MARCH 22, 2017

ORAL AND VIDEOTAPED DEPOSITION OF BRUCE WALLACE,  
 produced as a witness and duly sworn, was taken in the  
 above styled and numbered cause on Wednesday,  
 March 22, 2017, from 9:19 a.m. to 5:32 p.m., before Tamara  
 Chapman, CSR, RPR, CCR (LA) in and for the State of Texas,  
 reported by computerized stenotype machine, at the offices  
 of Scott, Douglass & McConnico, LLP, 303 Colorado Street,  
 Suite 2400, Austin, Texas 78701, pursuant to the Texas  
 Rules of Civil Procedure and the provisions stated on the  
 record herein.

Job No. 120610

A P P E A R A N C E S

REPRESENTING GLENN M. KARISCH:

Daniel Bitting, Esq.

Cynthia Saiter, Esq.

SCOTT, DOUGLASS & MCCONNICO

303 Colorado Street

Austin, Texas 78701

REPRESENTING RNR PRODUCTION, LAND AND CATTLE COMPANY:

Lisa Paulson, Esq.

DAVIS, GERALD & CREMER

600 Congress Avenue

Austin, Texas 78701

REPRESENTING THE BANK OF NEW YORK MELLON TRUST COMPANY,  
N.A., AS CORPORATE TRUSTEE OF THE TEL OFFSHORE TRUST:

Greg Curry, Esq.

THOMPSON & KNIGHT

1722 Routh Street

Dallas, Texas 75201

ALSO PRESENT:

Paul Willingham

Adolph Green, Videographer

## I N D E X

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BRUCE WALLACE

## EXAMINATION

By Mr. Curry.....	7
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Exhibit 61, Report of Bruce Wallace (No Bates - 25 pages)	9	23
Exhibit 62, Order Granting In Part Plaintiffs' Motion to Exclude Expert Testimony on Certain Topics (No Bates - 10 pages)	30	5
Exhibit 63, Handwritten notes (No Bates - 1 page)	60	5
Exhibit 64, Case Listing (No Bates - 3 pages)	60	14
Exhibit 65, The Offshore Trust - Trust Agreement (TEL0081010 - TEL0081040)	67	1
Exhibit 66, Description of the Trust (WALLACE 0000006 - WALLACE 0000009)	67	17

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attachment from George Wilson to  
Yesenia Cruz-Partida and Charlie  
Staples, Subject "TEL Offshore  
Trust"  
(D&M 000259 - D&M 000270)

114 15

Exhibit 68, TEL Offshore Trust  
Special Letter Report dated 5/15/09  
(D&M 000381 - D&M 000454)

114 21

Exhibit 69, 12/17/08 TEL Offshore  
Trust Trustee Meeting Minutes  
(No Bates - 19 pages)

123 20

Exhibit 70, 3/23/09 TEL Offshore  
Trust Trustee Meeting Minutes  
(No Bates - 16 pages)

124 23

Exhibit 71, 11/22/10 Items for  
Discussion  
(TEL0094604 - TEL0094607)

128 9

Exhibit 72, 3/23/09 TEL Offshore  
Trust Trustee Meeting Minutes  
(No Bates - 13 pages)

136 17

Exhibit 73, 9/8/16 Invoice  
(AAL00000105 - AAL00000106)

154 24

Exhibit 74, 10/4/16 Invoice  
(AAL00000107 - AAL00000108)

155 13

Exhibit 75, 1/12/17 Invoice  
(AAL00000109 - AAL00000110)

156 4

Exhibit 76, 2/2/16 Invoice  
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156 11

Exhibit 77, 10/29/10 e-mail from  
Michael Ulrich to Robert Poindexter,  
Subject "TEL Offshore Trust"  
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11	Michael Ulrich to Robert Poindexter,		
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15	Exhibit 81, 12/20/10 letter from	167	8
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35	Michael Ulrich to Robert Poindexter,		
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Exhibit 93, List of documents reviewed by Bruce Wallace (Various Bates Numbers - 10 pages)	225	17

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1                   THE VIDEOGRAPHER: This is the start of tape  
2   labeled No. 1 of the videotaped deposition of Bruce  
3   Wallace, in the matter of In re TEL -- excuse me -- In re  
4   TEL Offshore Trust, in the Probate Court of Travis County,  
5   Texas, Cause No. C-1-PB-14-001245. This deposition is  
6   being held at 303 Colorado Street, Austin, Texas, on  
7   March 22nd, 2017, at approximately 9:19.

8                   My name is Adolph Green from TSG Reporting,  
9   Inc., and I am the legal video specialist. The court  
10   reporter is Tamara Chapman, in association with TSG  
11   Reporting. Will the court reporter please swear in the  
12   witness.

13                   BRUCE WALLACE,  
14   having been first duly sworn, testified as follows:

15                   EXAMINATION

16   BY MR. CURRY:

17           Q. Please state your name.

18           A. My name is Bruce Wallace.

19           Q. Please state your current place of employment.

20           A. I am of counsel with the law firm of Eggleston &  
21   Briscoe in Houston, Texas.

22           Q. Address?

23           A. Is 4800 Three Allen Center, 333 Clay Street,  
24   Houston, Texas 77002.

25           Q. Very briefly, do you have any relatives, close



1 friends, anyone that lives in Travis County?

2 A. No, none that I can think of offhand.

3 (Exhibit 60 was marked.)

4 Q. In front of you is Exhibit No. 60 --

5 A. Yes, sir.

6 Q. -- which is your notice of deposition. And we  
7 briefly talked off the record, and this basically asks for  
8 your file and any other matters that you reviewed or  
9 relied upon in giving your testimony or forming your  
10 opinions in this case.

11 And it's my understanding that you provided lists  
12 previously of everything that you've looked at or relied  
13 upon, except for a couple of things. Or I think actually  
14 just one, and that's the XTO case?

15 A. Correct, sir.

16 Q. And otherwise the only things that you brought  
17 today regarding this case would be a copy of the Texas  
18 Trust Code and a copy of your report. Is that correct?

19 A. Correct.

20 Q. What have you done to prepare for today's  
21 deposition?

22 A. I have reviewed the vast majority of the  
23 documents that were provided to you that we've just  
24 discussed. I have met with Mr. Bitting and Mr. Karisch.  
25 I have talked with Mike Wiggins. And I have obviously

1 spent a great deal of time preparing the report itself,  
2 which was submitted some time ago. Since that time I've  
3 reviewed the additional documents, which I have provided  
4 to you, and had the meetings that I just talked about.

5 Q. You -- you -- and I'm only going to focus --

6 MR. CURRY: Can we go off the record just  
7 for a second.

8 THE VIDEOGRAPHER: We are going off the  
9 record at 9:22.

10 (Break.)

11 THE VIDEOGRAPHER: We are back on record at  
12 9:23.

13 Q. (BY MR. CURRY) I'm just going to ask you about  
14 the -- you indicated that you had a conversation with Mike  
15 Wiggins?

16 A. Yes, sir.

17 Q. When was that conversation?

18 A. Yesterday.

19 Q. And was that a telephone conversation?

20 A. It was. A conference call.

21 Q. And was counsel present?

22 A. Yes.

23 (Exhibit 61 was marked.)

24 Q. Is there anything that has transpired that would  
25 require you to change any of your opinions that's

1 contained in your report, which I'll mark as an exhibit,  
2 61. And just if you'll confirm that the report that you  
3 brought is the same as what I've marked as an exhibit.  
4 And if not, we can substitute it out for what you've  
5 brought.

6 A. It appears that this includes a copy of  
7 Mr. Wiggins' report as well, so...

8 Q. I'm sorry. Let's do this. Let's take that out  
9 and just have your report.

10 A. (Hands document to Mr. Curry.)

11 Q. (Reviews document.)

12 Now, is 61 your report only?

13 A. Yes, sir, that appears to be the case.

14 Q. And is anything in -- since that -- you wrote  
15 this report, which would have been in January of 2017, is  
16 there anything within this report that needs to be  
17 corrected, changed, revised --

18 A. No, sir.

19 Q. -- in any form?

20 A. No, sir.

21 Q. Nothing that's transpired in terms of the  
22 deposition of Ms. Stanton, or talking to Mr. Wiggins, or  
23 anything else has required you to alter any of these  
24 opinions?

25 A. As I understand your question, alter any of the

1 opinions that are expressed within my report dated  
2 January 30th. No, sir. None of those are amended.

3 Q. Is there any additional opinions that you have  
4 formed, in addition to those contained in Exhibit 61, that  
5 are not in the written document?

6 A. Potentially. And those would be dependent, of  
7 course, upon the direction of your questioning today. But  
8 with respect to your line of questioning with Ms. Stanton  
9 on documents that were provided by Andrews & Kurth, I have  
10 looked at those documents.

11 I have also looked at the XTO opinion that we  
12 talked about a few minutes ago. So with respect to those  
13 documents, I have some opinions that might be deemed  
14 additional opinions, although, frankly, I think they are  
15 extensions of what's already in my report, but -- but  
16 those might be deemed to be additional opinions.

17 Q. As concisely as you possibly can, tell me what  
18 those additional opinions are as it relates to Andrews &  
19 Kurth?

20 A. They would be that the -- the documents that I  
21 reviewed were -- were basically outlines of options that  
22 might have been available to the trustee through a review  
23 of the trust agreement, and they did not constitute advice  
24 as to any particular course of action that the trustee  
25 should follow.

1 Q. Okay. So as I understand your opinion, is that  
2 Andrews & Kurth outlined various options. Correct?

3 A. Yes, sir.

4 Q. And -- but did not recommend a specific course of  
5 action?

6 A. Correct. Yes, sir.

7 Q. In the written documentation?

8 A. In the written documentation that I reviewed.  
9 That's correct.

10 Q. Have you formed a conclusion as to whether or not  
11 there was any type of verbal recommendation by Andrews &  
12 Kurth as to the best option?

13 A. I have no way of knowing that. I wasn't present  
14 obviously when they -- when they spoke. I can only take  
15 the -- the documents as -- as presented.

16 Q. And --

17 A. And as a -- as a fiduciary, those documents  
18 would -- would not lead me to believe that I had been --  
19 been given any advice as to a particular direction that  
20 would be better than anything else.

21 Q. Do you have any criticisms of Andrews & Kurth for  
22 not making a recommendation as to a specific course of  
23 action to take?

24 A. No. No.

25 Q. My understanding, just to make sure that the

1 record's very clear, is that you don't have any criticisms  
2 of Andrews & Kurth in terms of a specific course of action  
3 to be taken. Is that correct?

4 A. No, sir. None that I can recall right now.

5 Q. Do you have any criticisms as to the options that  
6 Andrews & Kurth outlined as being viable options to be  
7 considered by the trustees?

8 A. Certainly I think some are better than others.  
9 Some are more viable than others. But I don't have any  
10 particular criticism of the -- of the thought process of  
11 evaluating what courses of action might be available.

12 Q. Do you have any criticisms of the trustees to  
13 turning to Andrews & Kurth for seeking guidance as to  
14 potential viable options to consider?

15 A. Well, I --

16 MR. BITTING: Objection; form.

17 THE WITNESS: Excuse me.

18 A. I don't know that that's what they did. I only  
19 know that an outline occurred, so I'm not sure that I can  
20 answer that question.

21 MS. PAULSON: May I interpose here? I  
22 didn't have an opportunity to get an objection in because  
23 he was speaking so rapidly, but I believe you indicated we  
24 could have an agreement that if one party objects, it's  
25 good as to all.

MR. CURRY: One objection is good as to all.

MS. PAULSON: Thank you.

MR. CURRY: Did you have an objection?

MS. PAULSON: I was attempting to join with his before the answer came out.

Q. (BY MR. CURRY) Do you have any reason to believe that the options were not presented to the trustees?

MR. BITTING: Objection; form.

A. I have -- I have no way -- I have assumed that they -- that that outline was presented to the trustees. I have no way of knowing for sure one way or the other.

Q. (BY MR. CURRY) Are you familiar with the Andrews & Kurth law firm?

A. Yes, sir, very much.

Q. And would you agree that that's a competent, quality law firm?

A. They have very good lawyers. Yes, sir.

Q. Were the lawyers that were involved in providing advice to the trustees in this case, do you know them specifically?

A. I would have to see a list of all of the lawyers that -- that would be included. So I -- I'm not sure that I can answer on a blanket basis. Generally the lawyers that were involved, it is my understanding that they were not a part of Andrews & Kurth's fiduciary trust and

1       estates group, that they were perhaps litigators.

2               So I would -- I would limit the answer to that,  
3       but I'm also not sure that I have a full list of the  
4       attorneys that were involved.

5               Q.   Do you know if any of the attorneys were  
6       securities lawyers?

7               A.   I believe that they were.   But, again, I -- I  
8       would have to see a full list.

9               Q.   Well, I guess -- I guess as you sit here today,  
10       do you have any basis to criticize the trustees for  
11       turning to Andrews & Kurth for legal advice in this  
12       matter?   And I'm asking a pretty blanket, pretty broad,  
13       and just -- just in terms of whether there is any  
14       criticism whatsoever for utilizing Andrews & Kurth as one  
15       of their advisors.

16              A.   I believe --

17                   MR. BITTING:   Objection; form.

18                   THE WITNESS:   Excuse me.

19              A.   -- I believe Andrews & Kurth is an excellent law  
20       firm that has attorneys that are able to address many  
21       facets.   Whether or not the lawyers that are -- are best  
22       prepared to address the issues of a trustee, whether they  
23       were brought to bear on this list, I have no way of  
24       knowing.

25                   MR. CURRY:   And I'm sorry.   With due



1     respect, I'm going to have to object as to responsiveness,  
2     because my question is a little bit different than what  
3     you answered.

4                   THE WITNESS:   I'm sorry.

5           Q.   (BY MR. CURRY)   My question was -- was as you sit  
6     here today, do you have any criticisms of the trustees for  
7     turning to Andrews & Kurth for advice?

8           A.   To the law firm Andrews & Kurth, no, sir.

9                   MR. BITTING:   Objection; form.

10          Q.   And --

11                  MR. BITTING:   Try to give a little space  
12     between his question and your answer, just so she can get  
13     it in.   We can get any objections in.

14                  MR. CURRY:   If it's helpful to you, I  
15     don't -- I don't mind -- I don't want it to be where you  
16     make an objection 30 minutes from now after I've asked a  
17     question.   But I certainly don't have any objection to an  
18     objection being lodged after he's answered it, if that --  
19     so to the extent that we need to have that rule for today,  
20     we can have that rule and agreement.

21                  MR. BITTING:   Okay.

22                  MR. CURRY:   So that...

23          Q.   (BY MR. CURRY)   I want to make sure that I've  
24     kind of drawn a box around this issue.   And what I don't  
25     want to have happen is that we come to trial and you're

1 critical somehow for the trustees in terms of relied upon  
2 Andrews & Kurth in any form or fashion. And I understand  
3 that the trustees have not all been deposed and -- and  
4 that you're not exactly sure of the circumstances of the  
5 advice that may have been given. And Andrews & Kurth has  
6 not been deposed.

7 But what I'm wanting to understand is, as you sit  
8 here today, is there any criticism that you have of the  
9 trustees in relation to the advice that they sought from  
10 Andrews & Kurth?

11 MR. BITTING: Objection; form.

12 A. I don't know what advice they sought, so I can't  
13 answer your question. All -- all I know is that they  
14 approached -- or met with Andrews & Kurth, and had an  
15 outline of options which may have been available to them  
16 under the terms of the trust agreement. Since I don't  
17 know what they asked for, I don't know whether I have any  
18 criticisms.

19 Q. (BY MR. CURRY) Well -- and I guess -- I'm  
20 wanting to know if today you have any criticisms, and you  
21 said you don't know and -- and I mean, yes or no, do you  
22 have any criticisms for the -- for what they sought --  
23 based on what you know as you sit here today, of the  
24 advice that they sought or didn't seek from Andrews &  
25 Kurth?

1 MR. BITTING: Objection; form.

2 A. I have no objections or -- or no criticisms for  
3 the trustees using the law firm of Andrews & Kurth. I can  
4 answer that definitively.

5 Beyond that, whether I have criticisms of what  
6 they asked for would -- I would have to be aware of what  
7 it was they asked for, if anything. So I -- I can't -- I  
8 don't know whether I have any criticisms until I'm made  
9 aware of that information.

10 Q. (BY MR. CURRY) But as you sit here today, you  
11 don't have those criticisms because you've not seen  
12 anything to support such a criticism?

13 A. Yes, sir, that's correct.

14 Q. Did -- and in terms of when a client comes to a  
15 lawyer, particularly a law firm such as Andrews & Kurth,  
16 and is seeking advice, the client can expect that -- that  
17 the law firm is going to provide the lawyers with the  
18 competence to provide that advice. Correct?

19 MR. BITTING: Objection; form.

20 A. I would say that when -- when a client goes to a  
21 law -- law firm, that the law firm is going to respond to  
22 what it is the client has asked for, and whether that's  
23 confirmation of something that the trustee already knows  
24 or advice or is asking the question of, "We're considering  
25 this. What do you think?" all of those are reasonable

1 questions, if that's responsive to your question.

2 Q. (BY MR. CURRY) And I'm not sure it is, but it  
3 doesn't matter. I'm -- what I'm really trying to -- to  
4 ask is, is it's the law firm's responsibility to provide  
5 the appropriate individuals with the technical competence  
6 to provide the advice that is being sought. Correct?

7 A. The -- the only aspect of your -- of your  
8 question that -- that I take exception with is the word  
9 "advice" because it may not be advice. So -- but beyond  
10 that, is -- it is certainly -- would be expected that  
11 whatever is asked for, that a law firm such as Andrews &  
12 Kurth would bring the right expertise to bear.

13 Q. So you -- and we started this by trying to  
14 determine if you had additional opinions, and -- and is  
15 there any other additional opinions that you've formed  
16 that you can capture in a paragraph that are not contained  
17 within Exhibit 61?

18 A. With respect to --

19 MR. BITTING: Objection; form.

20 A. -- Andrews & Kurth or across the board?

21 Q. (BY MR. CURRY) Otherwise.

22 A. Okay.

23 The only other thing that I have reviewed and  
24 thought about and about which I have opinions is the case  
25 that -- that we talked about this morning that -- that I

1 reviewed yesterday and last night and then confirmed  
2 the -- both the plaintiff's and defendant's positions from  
3 their pleadings.

4 Q. (BY MR. CURRY) And -- and -- and is that -- very  
5 succinctly, tell me what that opinion is.

6 A. That the basis of the case, the XTO case that --  
7 that was provided, is a situation where a beneficiary of a  
8 trust sought to supplant her judgment for that of the  
9 trustee in the -- for the purpose of filing suit against  
10 an outside third party. And I believe that that is not  
11 the -- that those facts are very different from the TEL  
12 case that we're here to discuss today.

13 Q. And I just -- I guess, just in terms of the XTO  
14 case, is it purely just legal analysis that you've done of  
15 that case, reading the case and -- and making a legal  
16 interpretation of that case is -- is the opinion that you  
17 have formed regarding the XTO case?

18 A. No, sir, I don't think so. My -- my purpose here  
19 today is not to provide legal responses or -- or legal  
20 opinions. My purpose today is to provide you with what a  
21 corporate fiduciary in the usual and customary course of  
22 conduct would do in terms of administering a -- the trust.

23 And in terms of reading this particular case,  
24 the -- the actions of -- of Bank of America in this case  
25 were reasonable in terms of evaluating whether or not to

1 proceed with the cause of action against an outside third  
2 party. They sought outside advice and counsel, and  
3 they -- they performed reasonably as a trustee. And so my  
4 opinion is that as a trustee, that they acted reasonably  
5 and that, as a result of that, the decisions that they  
6 made were appropriate. I don't consider that a legal  
7 opinion.

8 Q. Okay. So basically what you did is you read the  
9 case and you concluded, based upon your reading of the XTO  
10 case, that the actions of Bank of America in that case  
11 were reasonable?

12 A. That's one of the things that I concluded, yes.

13 Q. What else did you conclude?

14 A. That the -- that those reasonable steps taken by  
15 Bank of America were sufficient to -- to forestall a  
16 beneficiary coming in and trying to, you know, supplant or  
17 supplement the -- the decision or process of the trustee  
18 with that of a beneficiary.

19 Q. Anything else that you've concluded?

20 A. I think that those -- the two things that I've  
21 mentioned I think incorporate what I believe.

22 Q. Why was that analysis relevant to your opinions  
23 in this case?

24 A. My understanding was that this is a case that has  
25 been used by the bank in -- in reference to some of the

1 pleadings that are currently on file. It was -- so, as a  
2 result of that, I think Mr. Bitting believed that it was  
3 something that -- that I should be aware of. I had not  
4 read the case, so I reviewed it yesterday.

5 Q. Are you aware that it's -- it's essentially the  
6 subject matter of a current -- that case is the center  
7 point of a -- of a dispute that's currently pending before  
8 the Texas Supreme Court?

9 A. Yes, sir, I am. And I've read those pleadings.

10 Q. Is there anything in terms of reading those  
11 pleadings that has altered any of your opinions in this  
12 case?

13 A. My opinions as expressed on January the 30th, no,  
14 sir.

15 Q. Is there anything in relation to -- other than  
16 reading the case and forming conclusions about that case,  
17 is there anything else about the XTO case that should be  
18 supplemented that would be included in this report as  
19 if -- if you had read it before January of 2017?

20 A. Beyond what I have told you my conclusions are  
21 from having read the case, I don't believe so. But  
22 certainly if you were to -- to question me on different  
23 facets of it, there may be other elements that -- that I  
24 could respond to. But I believe that I've summarized what  
25 my thoughts are with respect to the case.

1 Q. Any other additional opinions that you've formed  
2 that are not included in Exhibit 61?

3 A. None that I can think of, no, sir.

4 Q. As I -- you've been in a deposition a number of  
5 times before today. Correct?

6 A. Yes, sir.

7 Q. Approximately four times while at Texas Commerce  
8 Bank?

9 A. While at Texas Commerce, I can only recall two  
10 right now.

11 Q. Do you recall giving a deposition in the  
12 Militello case and testifying that you'd been deposed  
13 on -- four times while at Texas Commerce Bank?

14 A. I certainly recall the Militello case. While I  
15 was at Texas Commerce, while -- while -- as I sit here  
16 today, I can only recall twice that I was deposed. So if  
17 I -- the Militello case was back in 2011 or '12, it may be  
18 that I forgot something since then.

19 Q. Certainly you -- the testimony you gave in the  
20 Militello case would -- would have been truthful and  
21 honest testimony. Correct?

22 A. Yes, sir.

23 Q. And during your time at Texas Commerce Bank, you  
24 were -- you recall at least approximately 15 lawsuits  
25 brought against the trust department. Correct?



1           A. There were a number of lawsuits that were brought  
2 against the trust department during the period of time  
3 that I was there, yes, sir. 15 -- I don't recall that  
4 number particularly, but there were a number of lawsuits.

5           Q. And it's -- trust departments are not immune from  
6 lawsuits, are they, sir?

7           A. No, sir.

8           Q. And simply because somebody sued Texas Commerce  
9 Bank during your tenure there does not mean that the  
10 claims had any merit?

11          A. Correct.

12          Q. Do you recall -- you've been deposed as an expert  
13 approximately five times. Is that correct?

14          A. No, sir. More than that.

15          Q. How many times have you been deposed?

16          A. I would estimate somewhere in the neighborhood of  
17 15, 12 -- 12 to 15.

18          Q. All right. I want to go through as many of those  
19 as we possibly can in terms of -- we know that you were  
20 deposed in the Militello case. Correct?

21          A. Yes, sir.

22          Q. And you testified at trial in the Militello case.  
23 Correct?

24          A. Yes, sir.

25          Q. And that case is currently on appeal in the

1 Dallas Court of Appeals?

2 A. Yes, sir.

3 And may I go back to your question regarding the  
4 Militello case and saying that I had been deposed four  
5 times?

6 Thinking about that now, I think that that's  
7 probably a correct answer, that I had been deposed four  
8 times, two of which at the bank and two of which in cases  
9 that I had been an expert in.

10 So I think the number four was probably correct.  
11 I understood your question to be while I was at Texas  
12 Commerce.

13 Q. And that's -- were you deposed in connection with  
14 the Starrett case?

15 A. Could you give me the full --

16 Q. Wells Fargo Bank --

17 A. Yes, sir.

18 Q. -- Successor Trustee to the Chase Bank, for the  
19 Revocable Trust established by Angela Leigh Simpson  
20 Starrett?

21 A. Yes, I believe I was.

22 Q. What was the nature of that case?

23 A. I don't recall, as we sit here, exactly what it  
24 was.

25 Q. Who were you testifying for?

1           A.   The -- I wish you had requested a list of my  
2 cases so that I had them in front of me.

3           I believe that I was -- I was not testifying for  
4 Wells Fargo.

5           Q.   So you would have been testifying for the --  
6 Starrett, sort -- and whoever the plaintiff was in --

7           A.   Yes.

8           Q.   -- that case?

9           A.   Yes.

10          Q.   Do you know who the lawyer was that took your  
11 deposition?

12          A.   I don't recall off the top of my head.

13          Q.   You were deposed in the -- did you testify in  
14 trial in the Starrett case?

15          A.   I don't recall.

16          Q.   You were disposed in the Dishman case.   Correct?

17          A.   Yes, I was.

18          Q.   And you testified at trial in that case?

19          A.   Yes, sir.

20          Q.   And you attended the trial in that case?

21          A.   I did, yes, sir.

22          Q.   And did Ms. Stanton testify live at trial in that  
23 case?

24          A.   Yes, she did.

25          Q.   And at that point in time, she testified as a

1 corporate representative. Is that correct?

2 A. That's correct.

3 Q. Have you gone back and looked at your trial  
4 testimony in that case at any time in the recent time  
5 period?

6 A. No, sir.

7 Q. Have you gone back and looked at Ms. Stanton's  
8 testimony from that trial?

9 A. No, sir.

10 Q. Have you gone on PACER to see that, in fact, that  
11 trial is -- testimony is on PACER and can be reviewed?

12 A. You're telling me that for the first time. I  
13 don't know. Or I'm hearing that for the first time.

14 Q. But it would be fair to say that the testimony  
15 you gave in that case was truthful and accurate testimony  
16 at the time. Correct?

17 A. Yes, sir.

18 Q. What other case -- cases can you recall, as  
19 you're sitting here today, that you've provided testimony  
20 in?

21 A. I have given testimony -- but deposition  
22 testimony in approximately 15 of the roughly 25 cases that  
23 I've been designated in, and I have given trial testimony,  
24 my recollection is, on about four different occasions.  
25 One of those was an arbitration.

1           As I sit here today, what I would -- what I would  
2 suggest is I'm -- I'm happy to have a list of my cases  
3 sent, and I -- we can -- we -- we can go through those,  
4 but off --

5           Q. Can we do that at lunch, and then that way --

6           A. I'm -- I'm happy -- well, I'll -- I'll call and  
7 ask it be sent on the first break, and then you can do it  
8 at your leisure.

9           I -- recalling these cases off the top of my head  
10 is very difficult, and in many cases I refer to them by  
11 names that are different from the -- the named plaintiffs  
12 of --

13          Q. If you --

14          A. -- or defendant.

15          Q. Rather than waste our time today trying to have  
16 me help you with your memory of the case, I think if we  
17 had that list of cases, we could do this exercise in about  
18 15 minutes versus about an hour, so --

19          A. I'm -- I'm happy to provide it.

20          Q. Thank you.

21                 In the Dishman case, the judge limited your  
22 testimony in some respects as to what you could provide at  
23 the time of trial. Correct?

24          A. Initially the judge did. The judge later changed  
25 his mind with respect to that when he understood that I

1 was not testifying -- for example, one of the things  
2 that -- that he limited my testimony on was a federal  
3 environmental statute. And he thought that I was  
4 testifying as to what the statute said. And, in  
5 actuality, I was testifying as to the response of a  
6 prudent fiduciary to that statute and the steps that were  
7 taken by a prudent fiduciary in terms of -- of taking care  
8 of the needs of both the fiduciary and the beneficiary.

9 I was subsequently allowed to testify with  
10 respect to -- to my opinions on that subject when he  
11 understood how -- how it was distinguished from actually  
12 testifying what the statute said.

13 Q. But you -- you were limited in terms of  
14 interpreting the exculpatory clause, for example, by the  
15 federal judge in that case. Correct?

16 A. My recollection is that I was not restricted  
17 on -- on speaking to the exculpatory clause, so I -- I --  
18 I believe that I was restricted with regard to testifying  
19 with respect to the CERCLA statute, and initially --

20 Q. You can go ahead.

21 A. I'm -- I'm thinking.

22 -- and initially with -- with respect to whether  
23 or not the exculpatory clause changed the standard of  
24 care. That's my recollection. I believe I was allowed to  
25 testify on the nature of exculpatory clauses and their

1 applicability.

2 Q. Let me show you Exhibit No. --

3 MR. CURRY: Where did I put my stickers?

4 (Discussion off the written record.)

5 (Exhibit 62 was marked.)

6 Q. (BY MR. CURRY) Exhibit 62 was the order that was  
7 entered in that case. Correct?

8 A. It appears to be, yes, sir.

9 MR. BITTING: Do you have an extra copy of  
10 that?

11 MR. CURRY: Yeah.

12 Q. (BY MR. CURRY) And in that case, the judge held  
13 that you could testify as to the general fiduciary  
14 standard for a trustee and that the exculpatory provisions  
15 in the Trust instruments exist, but you could not  
16 interpret the Trust instruments' language or testify as to  
17 its legal significance. Is that correct?

18 A. Tell me where you're reading from, please.

19 Q. The very first page.

20 A. Okay.

21 Q. "Additionally."

22 A. (Reviewing document.)

23 Correct. That's -- that's, I believe, as I  
24 testified. What he's saying is that it modified the UPAI  
25 standard of care. So it was -- I was able to testify with

1 respect to the exculpation and the -- what the exculpation  
2 meant. What I was not -- where I was restricted is with  
3 respect -- with respect to whether it modified the  
4 standard of care, which really was not my opinion in any  
5 event.

6 Q. Oh. In fact, what the Court ordered is -- is --  
7 I read it exactly precisely correct. Is that a fair  
8 statement?

9 A. It -- it reads exactly as it reads, yes, sir.

10 Q. And that order was never modified? That  
11 particular portion of the order was not modified, nor did  
12 you testify in contravention to that order at the time of  
13 trial. Correct?

14 A. That's my recollection, is I did not.

15 Q. Is there any other case where there's been a  
16 motion to exclude your opinions filed similar to this  
17 where the Court has granted a motion in part or in full?

18 A. There have been a number of Daubert motions filed  
19 in cases that I've been involved in, none where my --  
20 where my testimony was restricted that I can recall but  
21 for this one.

22 Q. And the best way to determine whether that's an  
23 accurate is, after we get your list, is to look at the  
24 docket sheets in those cases and pull any orders. Is that  
25 a --



1 A. Yeah. I --

2 Q. -- fair statement?

3 A. To your heart's content, yes, sir.

4 Q. Let me just ask, did -- it's -- did you have any  
5 knowledge of the TEL Offshore Trust, in terms of working  
6 on it, ever while you were a trust officer?

7 A. I never worked on the -- on the TEL Trust. I --  
8 I recall that it existed, but I didn't ever have anything  
9 to do with it.

10 Q. Did you have any interaction with those at the  
11 bank that were responsible for it?

12 A. Well, Mike Ulrich and I worked on -- on a  
13 particular royalty trust together for many years. So,  
14 yes, I had quite a bit of interaction with Mr. Ulrich.

15 Q. Where was that?

16 A. I was president of Trinity Petroleum Trust, which  
17 is probably the original royalty trust. It was originally  
18 created in 1950, and I managed -- was responsible for  
19 managing the oil and gas administration for that trust and  
20 was president of the corporate entity that held the two  
21 trusts that were beneficial owners of the interest similar  
22 to the way the TEL Trust is set up, and Mike was  
23 involved -- Mike Ulrich was involved with the day-to-day  
24 administration and accounting for that trust.

25 Q. Did he report to you?

1 A. No, sir.

2 Q. Who did he report to?

3 A. For most of his time at Texas Commerce through  
4 JPMorgan, he reported to a gentleman by the name of  
5 Richard Melton.

6 Q. Did you have any -- did Mr. Melton report to you?

7 A. No. But he -- without going into great detail,  
8 the -- the corporate trust side of the business reported  
9 differently from the personal trust side of the business  
10 and I was a part of the personal trust side, and Richard  
11 and Mr. Ulrich were a part of the corporate trust side.

12 Q. Did you have any opportunity to observe  
13 Mr. Ulrich in his performance of his responsibilities?

14 A. On many occasions, yes.

15 Q. Did you ever draw a conclusion that he was  
16 incompetent?

17 A. No, sir, not that he was incompetent. He is --  
18 Mr. Ulrich is a CPA and was -- was -- did a good job of  
19 administering the accounting aspects of -- of the few  
20 accounts that he and I interacted on.

21 Q. Did -- in terms of how much you interacted with  
22 Mr. Ulrich, on any type of percentage basis of your  
23 responsibilities, how much would that have been?

24 A. I'm going to answer your question a little bit  
25 differently. Mike and I reported separately, but we -- we

1     came across -- or worked together in two different ways.  
2     One is on a limited number of corporate trust accounts  
3     that had oil and gas assets where we worked together in  
4     the administration of trusts; and, secondly, in the  
5     context of undertaking due diligence of potential  
6     acquisitions on behalf of Texas Commerce, Chase, Chemical,  
7     JPMorgan over the years where we would both be involved in  
8     reviewing the books and records of poten- -- of a  
9     potential acquisition and -- and formulating whether or  
10    not or how much we would -- we ended up bidding on that  
11    particular -- so those are the two areas that I interacted  
12    with Mr. Ulrich.

13           Q.   And what were the -- what were those two areas  
14    that -- that -- that -- in terms of the acquisition piece  
15    of that, what role did you have in those acquisitions?

16           A.   Generally I was leading the acquisition team and  
17    was responsible for coordinating the due diligence and so  
18    I would be coordinating the team. One of the teams would  
19    be -- would have responsibility for evaluating the  
20    corporate trust aspect of the acquisition if there were  
21    such a thing. Richard Melton was usually the one  
22    primarily responsible, but Mike worked on those due  
23    diligence teams as well, as I recall.

24           Q.   And what -- what was the piece that you did?

25           A.   Coordinating the overall activities of evaluating

1 the -- the acquisition and then working to assign a value  
2 to it that where ultimately we would make a bid for  
3 acquisition or decline to bid.

4 Q. Do you recall what specific acquisitions that --  
5 that you worked with with Mr. Ulrich -- with Mr. Ulrich?

6 A. My primary recollection has to do with working  
7 with -- with Richard Melton with respect to the  
8 acquisition of First City and also the acquisition of what  
9 was initially the -- the M trust book -- book of business,  
10 both of which had corporate trustee -- had a corporate  
11 trustee component. Richard coordinated that -- that  
12 aspect of it. My recollection is Mr. Ulrich worked on it  
13 as well --

14 Q. -- so -- so in terms of the -- in your time at  
15 Texas Commerce Bank and its litany of name changes, which  
16 we'll get into just briefly just to make sure that the  
17 jury understand that, and I understand it, did -- did you  
18 work in the corporate trust side at all?

19 A. -- only to the extent that there were assets  
20 involving real estate and oil and gas. And a group that I  
21 was responsible for managing for over 20 years managed all  
22 of the real estate and oil and gas assets that there were  
23 in any trusts, regardless of which division they were a  
24 part of, and there were incidences where there were real  
25 estate or oil and gas in corporate trusts where I would be

1 involved.

2 Q. But you weren't involved in all the -- the  
3 corporate trusts that involved real estate or oil and gas?

4 A. Not necessarily all of them, no. It would depend  
5 on what the responsibilities of the bank were.

6 Q. Because, for example, the TEL Trust was -- was  
7 managed out of the corporate trust section. Correct?

8 A. Correct.

9 Q. And you were never involved in --

10 A. I -- I was never involved.

11 Q. Were there other royalty trusts that were -- that  
12 were managed by Texas Commerce Bank?

13 A. Et al.?

14 Q. Et al. What's the easiest way for us to call it  
15 today?

16 A. The most recent iteration is JPMorgan, so if  
17 you'll use JPMorgan, I'll accept that that refers to all  
18 of the predecessors.

19 Q. And why don't we, just to make sure that the jury  
20 understands when we're talking about JPMorgan and the --  
21 and the confusion that might be by the name changes, just  
22 go through the name changes as they existed while you were  
23 present at the bank.

24 A. Yes, sir. Originally I was -- I was hired by  
25 Texas Commerce Bank. In 1987 Chemical Bank acquired Texas

1 Commerce Bank. Subsequent to that, Chemical purchased  
2 Manufacturers Hanover; it remained Chemical Bank.  
3 Subsequent to that, the bank ac- -- Chemical and Chase  
4 merged and we became Chase, although Texas Commerce  
5 considered -- continued to operate under the Texas  
6 Commerce name until 1997.

7 In 1997, Texas Commerce changed its name  
8 initially to Texas Commerce Chase as I recall, but almost  
9 immediately to Chase Bank. And then in 2000 -- in 2000,  
10 Chase and JPMorgan merged and the name became JPMorgan.

11 Q. Do you know how the corporate trust relationship  
12 that was in the TEL Trust that designated Texas Commerce  
13 Bank as the original trustee ultimately became the current  
14 trustee?

15 A. Bank of New York -- yes, sir, I know how that  
16 occurred.

17 Q. If you can just explain that dynamic to the jury,  
18 please.

19 A. And I don't recall the year. But in the early to  
20 mid 2000s, as I can recall, JPMorgan sold its corporate  
21 trust royalty business to Bank of New York and -- and Bank  
22 of New York became the -- the trustee of those corporate  
23 trust accounts.

24 Q. Were you at the bank at that time?

25 A. Yes, I was.

1 Q. And did you have any involvement in that  
2 transaction?

3 A. No, sir, I did not.

4 Q. Do you know -- and when you say royalty trust,  
5 was it just the royalty trust piece that was sold?

6 A. No, sir. I believe it was broader than that.  
7 There were -- there were other accounts as well, but I  
8 know the royalty trusts were included.

9 Q. And what royalty trusts were being managed by the  
10 bank at that time when it was sold, if you know?

11 A. Well, the -- the one that I was actively involved  
12 in at the time of the sale was Trinity Petroleum Trust, so  
13 I know that -- that that was ongoing so -- that I was  
14 absolutely sure of, I was absolutely sure of that one.

15 Q. And -- and was there any others that you know  
16 that were sold?

17 A. All of the ones that the bank was trustee of --  
18 my understanding is all of the ones that the banks -- the  
19 bank was trustee for were included in the sale. I never  
20 reviewed a list so I couldn't try -- attempt to list them  
21 for you.

22 Q. Do you -- did Trinity Petroleum Trust, if you can  
23 just describe who were the trust beneficiaries in that  
24 particular trust?

25 A. It was a situation very similar to what we have

1 with -- with the TEL Trust as I -- as I mentioned earlier  
2 Trinity Petroleum was formed in 1950. It initially had a  
3 term of 50 years to expire in, I believe it was in January  
4 of -- of 2000. The assets were comprised of -- and very  
5 similar to TEL except that they were -- well, they were  
6 actual mineral royalty and working interests that were  
7 transferred into a trust for the benefit of what had  
8 formerly been the stockholders of a corporate entity.  
9 That was done so that the beneficiaries could take  
10 advantage of -- of depletion on a direct basis and it  
11 didn't constitute a double taxation, is my understanding.

12 I started -- first started working on the Trinity  
13 Petroleum Trust shortly after I started with -- with Texas  
14 Commerce, and that would have been in the latter '70s and  
15 initially my responsibility was -- was managing oil and  
16 gas -- the oil and gas assets. In the mid 1980s I became  
17 president of Trinity Petroleum and worked with the  
18 corporate trust team in terms of managing both the assets  
19 and being sure that our responsibilities were met with  
20 respect to the beneficial owners.

21 That trust, as I mentioned had a date-certain  
22 termination at the end of 50 years and when that  
23 occurred -- or actually before that occurred, we realized  
24 that it was in the best -- we believed it to be in the  
25 best interest to extend the life of the trust because the



1 properties were still productive, and -- and so instead of  
2 allowing the trust to terminate, we called for -- we --  
3 first of all we went to an independent third-party  
4 engineering firm, I believe it was Ryder Scott, to perform  
5 an analysis of the value of the reserves under different  
6 scenarios, different pricing. And then we -- we went to  
7 the -- the unit holders to show them what the potential  
8 value of the -- of the unit is and why it may be in their  
9 best interest to extend. My -- my recollection is that  
10 counsel was Baker Botts on that. And ultimately we -- we  
11 had a solicitation, a proxy solicitation with vote and --  
12 and the trust was extended.

13 Q. And what -- thank you for that answer.

14 I'm really asking a very simple question. What  
15 was the -- who were the beneficial owners -- where had  
16 they been stockholders?

17 A. They were stockholders in -- I believe it was a  
18 timber company, but that was actually back in the 1950s so  
19 I'm not sure I can -- my recollection is that it was a  
20 timber company that also owned oil -- oil and gas assets,  
21 but that's -- may not be accurate. That's --

22 Q. Was it -- was -- and you indicated that you were  
23 the president of Trinity Petroleum. Correct?

24 A. Yes, sir.

25 Q. Now, is that -- in terms of the structure in

1 relation to the -- the current dispute, did Trinity  
2 Petroleum sit in the shoes as Chevron?

3 A. No, sir. The -- there was -- the Trinity  
4 Petroleum held the -- held two assets -- held two assets  
5 and they were a -- there were two trusts the -- that held  
6 oil and gas assets that required management in accordance  
7 with the -- with the trust agreement.

8 The terms of the trust required that it be a --  
9 that -- the -- we couldn't go out and make new  
10 investments, if you will, but we could manage the existing  
11 assets to -- to try to maximize the value -- max -- the  
12 potential value of those so to the extent there were --  
13 there were working interests we could make new investments  
14 in existing properties, we could lease mineral properties,  
15 that sort of thing.

16 And that was the primary -- so the -- you had the  
17 corporate entity that had two trusts, the two trusts held  
18 the -- the real estate. The beneficial owners held stock  
19 in the corporation which was publicly-traded in the pink  
20 sheets.

21 Q. I guess I'm going to have to have you draw it,  
22 and I apologize.

23 A. Oh, lord.

24 Q. Because I want to understand the -- where you --  
25 where Trinity Petroleum sat in relation to the -- to the

1 trust itself. And -- and so if you can draw it for me so  
2 that...

3 And put in there where the corporate trust, where  
4 its role would be.

5 A. (Complies.)

6 (Hands document to Mr. Curry.)

7 Q. If you can interpret the -- what is this word  
8 right here?

9 A. That's the real estate and oil and gas group  
10 which was responsible for the managing of the assets.

11 Q. Did Trinity Petroleum actually own the assets?

12 A. The assets -- my recollection is the assets were  
13 actually owned by the two trusts. There was a trust for  
14 Louisiana properties and then there were a trust -- there  
15 was a trust which held all of the property in all other  
16 states besides Louisiana.

17 Q. What I'm trying to understand is, is what -- what  
18 role Trinity Petroleum had. Is the -- the corporate  
19 trust -- was Trinity Petroleum the settler of the trust,  
20 was it a grantor of the trust, was it a beneficiary of the  
21 trust, was it -- was it, you know, what exactly did  
22 Trinity Petroleum do in relation to the actual trust?

23 A. Trinity --

24 Q. Was it a unit holder?

25 A. Trinity Petroleum was the corporate entity which

1 held the two trusts and the two trusts held the assets.  
2 The units, my understanding is that the units were issued  
3 in Trinity Petroleum Corporation and it was the trust --  
4 it was -- it was the trustee's responsibility to manage  
5 the assets. Trinity Petroleum was the corporate entity  
6 through which the units were -- were issued and the  
7 funding of these two trusts occurred from the corporate  
8 entity that distributed these oil and gas assets to create  
9 the royalty trust to begin with.

10 Q. Did the corporate trust department of the bank  
11 have a role in the management of this -- of the trinity  
12 royalty trust?

13 A. Yes, sir. Mike Ulrich was the -- was the  
14 administrator the majority of the time for the account and  
15 was responsible for the things that I have generally  
16 listed under the corporate trust.

17 Q. And what -- what role did you play that Mike  
18 Ulrich did not play?

19 A. Managing the oil and gas assets.

20 Q. Explain that to me.

21 A. There were -- there were assets that were owned  
22 by these respective trusts that were the assets of the  
23 royalty trust. There were mineral interests, there were  
24 royalty interests, there were overriding royalty  
25 interests, and there were working interests. We would pay

1 the expenses associated with the working -- with the  
2 working interest, make determinations as to -- on AFEs as  
3 to whether additional investment in the existing  
4 properties was -- was necessary. We would collect all of  
5 the royalty income, all of the overriding royalty income,  
6 and we would lease the mineral interests when parties were  
7 interested in -- in taking leases.

8 Q. Sir, in trying to very basically understand it,  
9 is that you would basically provide the oil and gas  
10 expertise and Mr. Ulrich would provide the more trust  
11 administration responsibilities, is that --

12 A. I believe that's accurate, yes.

13 Q. And -- and how many trustees were there of the  
14 Trinity Petroleum trusts?

15 A. JPMorgan and its predecessors were trustee of the  
16 trust for all of the assets outside of Louisiana. And  
17 Louisiana had an individual trustee and the gentleman's  
18 name was George Allman, as I recall.

19 Q. Was the -- was -- did -- did the -- in the  
20 Louisiana trust piece, did the bank also serve as a  
21 co-trustee?

22 A. No. Louisiana, particularly back at the time  
23 that this trust was funded, didn't recognize or wasn't  
24 fond of having foreign corporate trustees serve -- to  
25 serve. So it was -- it was easier -- well, not -- not

1 easier, it was required that you have an individual as  
2 opposed to a foreign corporate trustee.

3 Q. And -- and the -- were you involved at all in  
4 structuring the Trinity trust?

5 A. No, sir. It was done in 1950 before I was born.

6 Q. You described it previously as a liquidating  
7 trust?

8 A. It -- it was the equivalent -- yes, in that  
9 the -- it was not an oil company that was responsible for  
10 perpetuating itself by making new investment. It was  
11 charged with managing the assets that were originally  
12 contributed in 1950, and as I say, had a date-certain  
13 termination because everybody thought the assets would be  
14 long gone at that point. The assets -- whatever was left  
15 would be sold and the funds distributed, and it turned out  
16 that the assets were probably more valuable in 2000 than  
17 they were in 1950 when they were originally contributed.

18 Q. Yeah, but it's not unusual for these royalty-type  
19 trusts to -- to have a -- to have an existence that  
20 goes -- that starts at X value and then goes down as the  
21 assets deplete?

22 A. That's the nature of oil and gas, yes, sir.

23 Q. And that's the nature of a royalty trust.  
24 Correct?

25 A. Yes.

1 Q. And that's why they're -- sometimes they're  
2 called liquidating trusts.

3 A. Yes, sir.

4 Q. And that would be true with the TEL Trust as  
5 well, that potentially it's a liquidating trust in the  
6 sense that the assets are going to deplete over time.

7 A. Yes.

8 Q. How much interaction did you have with Mike  
9 Ulrich in relation to Trinity Petroleum?

10 A. Mike and I would work together. We would provide  
11 Mike with the reports that would be used for purposes of  
12 calculating what were, I believe, quarterly distributions  
13 to the unit holders, so the team that worked for me  
14 would -- would coordinate that information, get that to  
15 Mike. During the time that -- that -- the situation that  
16 I described about extending the trust, Mike and I worked  
17 very closely together in getting the engineering reports  
18 and in working with -- to -- working with counsel and  
19 with -- with some unit holders, talking with unit holders  
20 with respect to continuing the trust.

21 Q. In terms of -- and -- and based on your work with  
22 him during that time period, you have no criticisms of his  
23 performance during -- with respect to his work for the  
24 Trinity Petroleum Trust. Correct?

25 MR. BITTING: Objection; form.

1           A.   As -- with respect to the Trinity Petroleum  
2   Trust, no, sir, I have no -- I have no criticism.

3           Q.   (BY MR. CURRY)   What was the -- Mr. Allman's  
4   experience, what was his background?

5           A.   George Allman was a petroleum engineer.   He  
6   worked at the bank for close to 40 years.   I believe that  
7   Mr. Allman may have been an individual trustee in the TEL  
8   Trust as well at one point, or at some point.

9           Q.   When he was an individual trustee was he an  
10   employee of the bank?

11          A.   I don't recall.   My -- I didn't recollect that  
12   until I was looking at the history and I believe I saw  
13   Mr. Allman's name in some of the documents that I reviewed  
14   for the case.   I had -- I didn't know from experience that  
15   he had been a trustee.

16          Q.   Do you -- based on your knowledge of the TEL  
17   Trust, do you know -- can you identify any of the other  
18   individual trustees that have served over the years?   And  
19   I'm just now speaking on the individual piece.

20          A.   Aside from the four that I mention in my -- in  
21   the first paragraph of my report and --

22          Q.   And go ahead and just tell me those names, if you  
23   will.

24          A.   They are -- the trustees are Bank of New York,  
25   Jeffrey S. Swanson, Gary C. Evans, Thomas H. Owens, Jr.,



1 and a former individual trustee. Oh, I'm sorry. I'm  
2 misreading.

3 Let's see. That's Swanson, Evans, Owens. Oh,  
4 and I'm sorry. Here it is. Danny Conwill, C-O-N-W-I-L-L.

5 Q. And those would have been the trustees that --  
6 that were -- the individual trustees at the -- at the time  
7 of the initiation of this litigation. Correct?

8 A. That's my -- that's my understanding, yes, sir.  
9 And then as I say, I believe I saw in some of the  
10 documents that I reviewed that George Allman, at one  
11 point, was an individual trustee.

12 Q. And what I'm asking is, is do -- based on  
13 anything that you reviewed in connection with this case,  
14 or your prior knowledge of the TEL Trust, do you have any  
15 knowledge as to who the individual trustees were preceding  
16 those that you identified in Exhibit 61, other than  
17 potentially Mr. Allman?

18 A. Other than potentially Mr. Allman, no, sir.

19 Q. Did you have any interaction with the individual  
20 trustees during your time at Texas Commerce Bank?

21 A. Well, since I don't know who they are, I don't  
22 know whether I had interaction, but certainly not with  
23 regard to the -- the TEL Trust.

24 Q. In terms of Mr. Swanson's background, do you know  
25 what it is?

1           A. I do not know the background of any of these  
2 individuals.

3           Q. Do you know whether any of them have any oil and  
4 gas expertise?

5           A. My understanding is that they -- that they do,  
6 but that's just -- that is a general impression. I don't  
7 know specifically their résumés and backgrounds.

8           Q. Do you know that -- whether Mr. Gary Evans was  
9 the president of a petroleum company at various times?

10          A. I don't know their backgrounds and résumés.

11          Q. Was that -- did you -- so it wasn't important to  
12 you, in reaching your conclusions in this case, to  
13 determine what the background and the expertise and what  
14 the individual trustees brought to the equation. Is that  
15 a fair statement?

16          A. No, sir, that was not important to me. What I  
17 was reviewing was what occurred, not what their  
18 backgrounds were.

19                 MR. CURRY: Objection; responsiveness.

20          Q. (BY MR. CURRY) It was not important to you to  
21 determine what their expertise and background was in  
22 forming your opinions in this case. Correct, sir?

23          A. It was not important --

24                 MR. BITTING: Objection; form.

25          A. I'm taking exception with it was not "important"

1 to me. It was not necessary for me to do that.

2 Q. (BY MR. CURRY) Well, in fact, pursuant to the  
3 TEL Trust documentation, the corporate trustee, Bank of  
4 New York, could not make independent decisions on its own,  
5 in terms of trust decisions. Is that a fair statement?

6 A. That's correct, yes.

7 Q. And in terms of the decisions that had to be  
8 made, the -- the corporate trustee would need at least two  
9 of these individuals to go along with it before a decision  
10 could be made. Correct?

11 A. I believe that's correct. Yes, sir.

12 Q. And the individual trustees could make a decision  
13 on their own without the corporate trustee if all three  
14 agreed. Correct?

15 A. Theoretically I believe that's true, yes.

16 Q. Well, it's not theoretical. That's what the  
17 trust document provides. Correct?

18 A. I believe that's true, yes.

19 Q. So it's not a theoretical proposition. It's an  
20 actual proposition. Correct, sir?

21 MR. BITTING: Objection; form.

22 A. Well, it would be an actual proposition if it  
23 occurred. It's theoretical because to my knowledge it  
24 didn't occur. So I don't want to nitpick with you, but,  
25 sure, yes, it could happen.

1           Q. (BY MR. CURRY) In terms of the decisions that  
2 were made in this case, do you know if any of the  
3 decisions were made, that you're now critical of, whether  
4 any of those decisions were made by the corporate trustee  
5 acting with two of the individual trustees?

6           A. I am not aware -- if that occurred, I am not  
7 aware of it.

8           Q. Do you know if any of the decisions were made by  
9 the individual trustees acting by themselves without  
10 regard to the corporate trustee?

11          A. I am not aware of that, if it occurred.

12          Q. Do you know whether any of the decisions were  
13 made without the consent of all trustees?

14          A. If there was not a unanimous decision on an  
15 issue, it is not -- I have not seen anything to that  
16 regard -- in that regard.

17                   MR. BITTING: We've been going about an  
18 hour. Do you want to take a break?

19                   MR. CURRY: Yeah, we can take a break.

20                   (Discussion off the written record.)

21                   THE VIDEOGRAPHER: We are going off the  
22 record at 10:18.

23                   (Break.)

24                   THE VIDEOGRAPHER: We are back on record at  
25 10:43.

1           Q. (BY MR. CURRY) In terms of your work in this  
2 case, have you performed any type of calculations? And by  
3 that I mean have you done any type of reservoir analysis  
4 or any type of verification of any numbers in any  
5 documentation, any type of calculation yourself in this  
6 matter?

7           A. I have --

8                   MR. BITTING: Objection; form.

9           A. I don't believe -- I think the answer to your  
10 question is no. Now, I've certainly looked at numbers  
11 and -- and drawn conclusion from numbers, but I have not  
12 recalculated anything.

13          Q. (BY MR. CURRY) And that's basically what I'm  
14 asking, is that have you -- is there any type of -- other  
15 than what was contained in various documents, have you  
16 gone through to determine whether the numbers were, in  
17 fact, accurate or inaccurate?

18          A. No, sir.

19                   MR. BITTING: Objection; form.

20          A. I have used -- I have used the numbers that exist  
21 for several different purposes, but in no -- in none of  
22 those have I recalculated or -- or have found fault with  
23 the -- with the math.

24          Q. (BY MR. CURRY) And that's -- I guess the next  
25 question is, you -- you've read, for example, the public

1 filings of the trust. Right?

2 A. Yes, sir, I have.

3 Q. In any of those public filings, did you find any  
4 miscalculation?

5 MR. BITTING: Objection; form.

6 A. No, sir, not that I -- not that I can think of.  
7 No.

8 Q. (BY MR. CURRY) You've also read the -- what I'll  
9 call the -- the minutes and the related documents, the  
10 agendas and so forth and the -- what I'll call the  
11 trust -- trustees' packages -- and maybe there's a better  
12 word for it -- and -- and -- regarding the meetings of the  
13 trustees.

14 Did you find any miscalculations in any of those  
15 documents?

16 A. No, sir --

17 MR. BITTING: Objection; form.

18 A. -- no miscalculations.

19 Q. (BY MR. CURRY) Did you find any -- in terms of  
20 the public filings, did you find any -- and I'm not  
21 talking about omissions from the public filings. I'm  
22 speaking now specific misrepresentations in any of the  
23 public filings; in other words, where there was a false  
24 statement made --

25 MR. BITTING: Objection; form.

1 Q. (BY MR. CURRY) -- as an example.

2 A. Well, I believe that there was a terminating  
3 event for the trust that occurred in -- in 2008. So to  
4 the extent that the -- that the trust continued, I believe  
5 that -- that -- the administration of the trust continued,  
6 I would, I guess, place that in the category of your  
7 question. So yes.

8 Q. Well, let me ask. Was there anywhere in the  
9 public filings where the trustees stated that there was  
10 not a terminating event, specifically in those words or  
11 words similar to that?

12 A. Not that I can recall, no, sir.

13 And may I slightly amend my earlier answer with  
14 regard to miscalculations. I thought of one instance  
15 where I do not have full information yet, and that is  
16 with -- with respect to how the \$4.2 million reserve  
17 capital fund for plugging and abandoning was reflected in  
18 the DeGolyer and MacNaughton report. I don't know that  
19 it's incorrect, but I don't know that it's correct either.  
20 I have a question about that -- about how that was  
21 calculated.

22 Q. And that would have been a calculation made by  
23 DeGolyer and MacNaughton?

24 A. Included in their reports, yes, sir.

25 Q. And do you know, in terms of that particular

1 number, was it included in DeGolyer and MacNaughton's  
2 reports or not included, or you're just not sure how it  
3 was included?

4 A. The number is included. The manner in which it  
5 is reflected, it may be entirely correct. I can't tell,  
6 and I have a question about it. So I don't know that it's  
7 wrong. I just have a question about it.

8 Q. And -- and how did you come up with that  
9 question?

10 A. It had -- well, it had always -- it had always  
11 been a question in my mind as to whether that \$4.2 million  
12 was included in the value reflected in the DeGolyer and  
13 MacNaughton report, and if so, how it was included.

14 I didn't know whether it was all included in the  
15 first year, therefore, it would be virtually undiscounted;  
16 whether it was spread throughout the report. So I didn't  
17 know the -- the 4.2 million that was held in escrow, I  
18 didn't know how that was reflected or if it was reflected  
19 in their -- in their annual -- in their 1031 reserve  
20 reports each year.

21 I believe that I now understand that it is  
22 included and then deducted, although the numbers don't  
23 match up exactly. So I'm not sure how material it is or  
24 if it is material, but I'm just still not comfortable with  
25 it. So I -- I just wanted to put that as -- as an



1 exception to something that I would like to get additional  
2 information on.

3 Q. But it's not a calculation that was made or -- by  
4 the trustees that you have any question about. Correct?

5 A. Well, it was presented in -- in the -- as a part  
6 of their SEC filings. I would -- I would have expected  
7 them to have the same question, and they may very well  
8 have the answer. I don't know.

9 Q. And is it -- is the -- but as of now, you don't  
10 know if it is a miscalculation or not.

11 A. That's correct.

12 Q. Correct?

13 A. Yes, sir.

14 Q. And -- and just to -- to make sure that we've  
15 wrapped a box around, in terms of the public filings,  
16 other than the potential of a, quote, terminating event,  
17 that was not -- that would be the only potential  
18 misrepresentation that you could identify in the documents  
19 themselves. Correct?

20 MR. BITTING: Objection; form.

21 A. The only misrepresentation --

22 Q. (BY MR. CURRY) And I'm speaking only in terms of  
23 affirmative statements that are written in the King's  
24 language, if that makes sense.

25 MR. BITTING: Objection; form.

1           Q. (BY MR. CURRY) In other words -- and if we need  
2 to get a doc- -- I'm trying to -- I'm trying to  
3 short-circuit this deposition and -- and -- and state --  
4 and ensure that -- that you're not going to come up and  
5 say, "This was a false statement, X, Y, and Z, that's  
6 written in the King's language." Do you understand my  
7 question?

8           A. I do, yes, sir. And I'm -- I'm trying to think  
9 through that.

10           I believe there are a number of areas where the  
11 trustee failed to disclose informa- -- information that  
12 was material to the rights of the beneficiary. And I --  
13 and I know we will get to that later on.

14           To the extent that there are representations that  
15 are contrary to what I believe those representations  
16 should have been, I would have -- I would have a question.  
17 But off the top of my head, I cannot remember that there  
18 is a misrepresentation within the document. So that's the  
19 only qualification that I would add.

20           MR. CURRY: And -- no disrespect. I need to  
21 object to your answer as being responsive [sic].

22           Q. (BY MR. CURRY) And -- and what I'm -- what I'm  
23 speaking of, if -- if the document said, "The sky is  
24 blue," and it's written, "The sky is blue," but, in fact,  
25 today, for whatever the reason, the sky is red, that would

1 be a misrepresentation that's in the King's language.

2 What I'm speaking of is there's an actual  
3 statement that is false, not a failure to include a  
4 statement. Do you understand?

5 As I understand your testimony, other than the  
6 potential that there was a terminating event and the  
7 implication that these documents suggest that there wasn't  
8 a terminating event, you cannot come up with anything  
9 that's an actual misrepresentation. Correct?

10 A. That is a --

11 MR. BITTING: Objection; form.

12 A. -- very, very broad question -- question  
13 covering -- covering thousands of pages, and I'm trying to  
14 think through.

15 I cannot think of an example of a  
16 misrepresentation that's in the King's English as we sit  
17 here at this moment.

18 Q. (BY MR. CURRY) Thank you, sir.

19 Did you have any interactions with Tenneco while  
20 you were a banker?

21 A. None that I recall, no.

22 [Unintelligible.] We managed oil and gas  
23 properties on behalf of thousands of trusts. Tenneco  
24 would have remitted payments that we would have accounted  
25 for. We may have negotiated an oil and gas lease with

1     them, but yet -- so I'll qualify to that extent. But  
2     beyond that, no.

3           Q. And in terms of your responsibilities in terms of  
4     managing trusts, there were basically two trust segments  
5     of the bank. Is that correct?

6           A. No. There were actually three, but -- but the  
7     two -- there was the corporate trust arena that we talked  
8     about a few minutes ago; then there was the personal trust  
9     area, which I reported through; and then there was a  
10    third -- oh, the institutional trust area, which handled  
11    401(k)s and pension plans, that sort of thing.

12          Q. But -- but in terms of where the -- the -- the  
13    department that you were primarily working in throughout  
14    your career, it would have been that middle trust being  
15    the individual trust. Correct?

16          A. Yes, sir. That's the -- the area that I reported  
17    through.

18          Q. And you never reported through the corporate  
19    trust in any form or fashion.

20          A. No, sir.

21          Q. Correct?

22          A. No, sir.

23          Q. Bad question. My apol- -- my apologies.

24                 Did you report ever through the corporate trust  
25    department?

1 A. No, sir, I did not.

2 Q. In the -- let me show you -- let me mark a couple  
3 of exhibits just to make sure that we're not forgetting to  
4 do this.

5 (Exhibit 63 was marked.)

6 Q. (BY MR. CURRY) Exhibit 63 is the diagram that  
7 you drew earlier today. Is that correct?

8 A. Yes, sir.

9 Q. And I think you brought now a copy of the cases  
10 that you've been involved in?

11 A. Yes, sir, that's correct.

12 Q. And if I could just have your copy of that.

13 A. Let's see. Where did I put it?

14 (Exhibit 64 was marked.)

15 Q. (BY MR. CURRY) Is that Exhibit 64?

16 A. Yes, sir.

17 Q. In any of these cases was there a corporate  
18 trustee involved as opposed to an individual trustee?

19 A. Well, there were a corporate trustee involved in  
20 many of these. For example, Wells Fargo, JPMorgan, so  
21 there -- yes, there were corporate trustees involved in  
22 many.

23 Q. Well, I'm speaking -- were these -- if we had to  
24 compartmentalize these --

25 A. Okay.

1           Q. -- in terms of whether it was a -- serving as  
2           a -- a -- in the individual -- where it would fall within  
3           the individual trust category of the bank or the corporate  
4           trust department of the bank, do any of these involve  
5           cases where it would be -- fall within the corporate  
6           trustee capacity of the bank?

7                   MR. BITTING: Objection; form.

8           Q. (BY MR. CURRY) Other than No. 23.

9           A. Only one that may have, and that would be No. 11,  
10          which is the John K. Meyer vs. JPMorgan.

11          Q. Okay. Why is -- why do you say "it may have"?

12          A. The South Texas Syndicate for which JPMorgan was  
13          the trustee was a liquidating trust charged with managing  
14          a 100,000-acre tract in south Texas for which there were  
15          beneficial unit holders, which are similar -- which is  
16          similar to the TEL Offshore Trust that we have here. It's  
17          not exactly the same, but it's similar to, and I believe  
18          that JPMorgan may have used its corporate trust software,  
19          if you will, to keep track of the unit holders and the  
20          transfer of unit holders and making distributions. I'm  
21          not positive of that, but I think that might have  
22          occurred.

23          Q. Who did you work for, in particular, in that  
24          case?

25          A. JPMorgan.

1 Q. Did you give testimony in that case?

2 A. I was deposed twice. It settled, literally, as  
3 the jury was being picked.

4 Q. What was the nature of the dispute?

5 A. It was a complaint by the beneficial unit holders  
6 or some of the beneficial unit holders that the bank had  
7 mismanaged the mineral interests underlying 100,000 acres  
8 in -- in south Texas. The original discovery well in the  
9 Eagle Ford formation, the discovery well was actually  
10 drilled on this property under a lease of approximately  
11 20,000 acres that had been given by JPMorgan. JPMorgan  
12 subsequently leased additional acreage, a significant part  
13 of the additional acreage, and it was the position of the  
14 unit holders that JPMorgan should not have leased but  
15 should have held the property off the market so -- because  
16 it was going to increase in value and therefore the bank  
17 did not receive the full value for the potential value of  
18 the minerals.

19 Q. And what was your opinion in that case?

20 A. That the -- that the bank acted prudently and  
21 within the -- the purpose of the trust in leasing the --  
22 the mineral interests, and much of it had to do with the  
23 requirements of a trustee in a liquidating trust  
24 situation.

25 Q. What are those requirements?

1 MR. BITTING: Objection; form.

2 A. The purpose of a liquidating trust is to -- in  
3 this case is to -- is to manage -- manage the trust to  
4 extinction -- to extinction, if you will. And so when the  
5 trustee is offered the ability to manage assets and  
6 receive market value for those assets, that they are  
7 recognize -- that they, in fact, recognize value for the  
8 trust, market value for the trust, that -- that those are  
9 transactions which should be entered into by the trustee  
10 and that for the trustee to sit back and do nothing when  
11 they've been given a market value offer amounts to  
12 speculation, if you will, and is not in accordance with  
13 the purpose of the trust.

14 That's a very simplified response to a very  
15 complicated case.

16 Q. (BY MR. CURRY) In this particular case, have you  
17 spoken to any of the individual unit holders?

18 A. In which case, sir?

19 Q. The TEL Trust?

20 A. The individual unit holders, no, sir.

21 Q. Do you know whether any of the individual unit  
22 holders personally share the same criticisms that you have  
23 in this case in terms of other than those that have  
24 volitionally chosen to file suit on their own as to  
25 whether or not they share the criticisms that you have?



1           A. I know that there are some individual unit  
2 holders that are parties to their suit. They are -- Lois  
3 Ann Stanton gave a deposition last week on behalf of RNR  
4 or one of those parties. The issues are -- may not be  
5 exact lay-downs, but I know that they are very similar.

6           So the answer would be yes, I believe there are  
7 other parties.

8           Q. And -- and I set aside --

9           A. I wasn't sure whether they were set aside --

10          Q. I set aside those that have brought their own  
11 claims and I'm speaking of is do you know whether any of  
12 the individuals that -- that -- that, for example, are  
13 represented by the ad litem, whether any of them share the  
14 specific criticisms that you have in this case?

15          A. I've not spoken to any of the unit holders so I  
16 would have no way of knowing.

17          Q. Do you know whether any of them have chosen not  
18 to enter an appearance and bring their own claims because  
19 they don't have the criticisms?

20          A. Aside from the parties that we've talked about I  
21 don't know of any others that have brought causes of  
22 action.

23          Q. Would it be a fair statement to say that  
24 typically in a royalty trust that a -- that the underlying  
25 assets are a fixed set of producing properties that are

1 pre- -- produced until the reserves are depleted to a  
2 point where the trust is then wound up and terminated?

3 MR. BITTING: Objection; form.

4 A. I would make -- I would make one slight  
5 adjustment to that. And all of the properties may not be  
6 producing at the time they're contributed, but other than  
7 that, yes, sir, your definition is reasonable.

8 Q. (BY MR. CURRY) And in the case of the TEL Trust,  
9 the initial royalty properties consisted of 21 producing  
10 leases. Correct?

11 A. Yes, sir.

12 Q. And they were all located offshore Louisiana and  
13 Texas in the Federal Outer Continental Shelf. Correct?

14 A. That's my understanding, yes, sir.

15 Q. And there were time -- the number of producing  
16 leases that were contributed to the trust declined to  
17 where there were only six producing leases as of 2016.  
18 Correct?

19 A. Yes, sir, I believe that's correct.

20 Q. And all -- based on your experience in this area,  
21 all royalty trusts have some defined mechanism whereby the  
22 trustee is directed to begin the process of terminating  
23 the trust at some point in time. Correct?

24 A. Yes, sir, that's accurate.

25 Q. Typically the mechanism consists of a defined

1 threshold which then triggers a process whereby the  
2 trust -- the trust assets are sold at act- -- auction  
3 after payment of various obligations of the trust are  
4 settled, correct?

5 MR. BITTING: Objection; form.

6 A. Threshold or event certain. I would amend that  
7 slightly, but -- but that's generally true, yes, sir.

8 Q. (BY MR. CURRY) And the event certain may be  
9 different with -- with a royalty trust. Correct?

10 MR. BITTING: Objection; form.

11 A. Yeah. I believe I was answering the question  
12 that it could be an event certain.

13 Q. (BY MR. CURRY) But those event certainties are not  
14 static. One royalty trust may have a different event  
15 certain that must occur as opposed to a different event  
16 for another royalty trust. Correct?

17 A. Yes, sir. There is not a consistent set of  
18 terminating language.

19 Q. If we can go to -- let's go to --

20 MR. CURRY: I'm going to go ahead and --  
21 unfortunately, I don't know what exhibit number this was.  
22 My copy that I have right here doesn't have an exhibit  
23 sticker already on it, so I'm just going to go ahead and  
24 just mark as Exhibit 65 the trust agreement in this case.

25 THE WITNESS: Yes, sir.

(Exhibit 65 was marked.)

Q. (BY MR. CURRY) This is a copy of the trust agreement for this particular case. Correct?

A. Yes, sir, it is.

Q. And this document would have been created in 1983. Correct?

A. Yes, sir, it was. January of 1983.

Q. Let's just -- I'm going to go through some various pieces of this just to ensure that we're on the same page as we move throughout the day.

THE WITNESS: Pages 7 and 8 are included.

MR. BITTING: I was doing the same thing.

65?

THE WITNESS: 65.

MR. CURRY: Actually, let me mark Exhibit 66 first.

(Exhibit 66 was marked.)

Q. (BY MR. CURRY) Let me just ask, this was a document in your file. Where did that come from?

A. This was out of an abundance of caution, probably didn't need to be shared. One of the first things that I did when I was engaged in this case was put together a listing of the facts, and I pulled this from the -- primarily from the disclosure information that the trustee gave out of one of the 10-Ks, and -- and modified it and

1 shortened it, and I gave it to -- to my assistant to type.  
2 Virtually all of my report I type myself. This I did not,  
3 and I thought it might constitute a note. Frankly, I  
4 don't think it does, but out of an abundance of caution I  
5 included it. There are some minor changes between this  
6 and what would be included in the description of the trust  
7 in my original -- in my final report.

8 Q. And we might talk about those if it becomes  
9 critical at some point.

10 That was a document that you created early on in  
11 the case. Correct?

12 A. Yes.

13 MR. CURRY: I've somehow lost a set of notes  
14 that I had.

15 (Discussion off the written record.)

16 Q. (BY MR. CURRY) Going to the trust document  
17 itself.

18 A. Yes, sir.

19 THE REPORTER: Microphone.

20 MR. CURRY: Yeah, I will.

21 Q. (BY MR. CURRY) This would be the initial  
22 document that in terms of -- that defines the relationship  
23 between the trust, the trustees, and the unit holders.  
24 Correct?

25 A. Yes.

1 Q. And in terms of the -- the document, and based on  
2 your experience in serving as a fiduciary, the first  
3 document that you would ever go to in terms of defining  
4 what obligations you may owe to a beneficiary would be the  
5 trust itself. Correct?

6 A. That's where I always start, yes, sir.

7 Q. And -- and so in terms of your analysis in this  
8 case, the first thing that you would want to do would  
9 be -- is to read the trust document itself. Correct?

10 A. Yes, sir.

11 Q. And that's, in fact, one of the first things you  
12 did in connection with this engagement. Correct?

13 A. The first thing I do in any engagement is run a  
14 conflicts check. The second thing that I do is read the  
15 agreement.

16 Q. And did you -- and you undertook that same  
17 analysis in connection with this case. Correct?

18 A. Yes, I did.

19 Q. Because you knew that -- that in certain  
20 circumstances, general propositions or beliefs that you  
21 might have may be trumped by the actual agreement that the  
22 parties made in the trust document. Correct?

23 A. Well, I would say it a little bit differently.

24 MR. BITTING: Objection; form.

25 A. The trust document defines. I don't generally go

1 in with assumptions.

2 Q. (BY MR. CURRY) So basically the trust document,  
3 absent there being trumping by public policy or otherwise  
4 by law, the trust document defines the relationship.  
5 Correct?

6 A. Yes, sir.

7 MR. BITTING: Objection; form.

8 Q. (BY MR. CURRY) And in -- in -- one of the  
9 critical differences in this trust relationship and a  
10 traditional trust, for lack of a better word, is in a  
11 typical relationship you have a trust that's created.  
12 Correct?

13 MR. BITTING: Objection; form.

14 A. I'm having -- having trouble with your premise  
15 because --

16 Q. (BY MR. CURRY) Let me start with this. Let's  
17 start with -- let -- let's start with a typical individual  
18 trust that you managed while at the bank, okay?

19 A. Okay.

20 Q. You would have what they call a settlor.  
21 Correct?

22 A. Typical, yes.

23 Q. And tell the jury what a settlor is?

24 A. The person that creates the trust.

25 Q. And then you would have a trustee. Correct?

1 A. Yes. Or trustees.

2 Q. And then you would have beneficiaries. Correct?

3 A. Yes.

4 Q. Either one or multiple. Correct?

5 A. Yes, sir.

6 Q. And the beneficiaries typically would not have --  
7 would not buy their interest in that trust. Correct?

8 A. That -- that is the exception rather than the  
9 rule, yes, sir.

10 Q. In this instance, in order to be -- in the -- the  
11 trust when it was created was -- the beneficiaries were  
12 certain owners in Tenneco. Is that correct?

13 A. I -- I believe that was the source of the  
14 original distribution, yes, sir, the Tenneco.

15 Q. And it was a spinoff?

16 A. Yes.

17 Q. Is that correct? And the unit holders -- the  
18 units are actually -- from the time of the spinoff in 1983  
19 and, you know, give or take a month after, these units  
20 could actually be traded on the market. Correct?

21 A. Yes, sir.

22 Q. And that's the exception rather than the rule.  
23 Correct?

24 A. Well, it --

25 MR. BITTING: Objection; form.



1           A. It's not that much of an exception. We've talked  
2 about three today that have similar tendencies. So  
3 it's -- it's -- while it doesn't occur as often as a  
4 typical, you know, grantor trust or estate or will, it  
5 certainly happens.

6           Q. (BY MR. CURRY) Well, a significant difference  
7 between a -- a trust where the units can be traded is, is  
8 that if I no longer want to be a beneficiary in a trust  
9 such as the TEL Trust, I can simply sell my unit.  
10 Correct?

11          A. I would be surprised if that were ever the basis  
12 for one selling their units, but, I guess, yes, that's  
13 possible.

14          Q. Well, if I'm no longer interested in -- if I  
15 think that the TEL Trust is no longer a -- a potential  
16 venture that I want to partake in, I can actually go on  
17 the open market and sell that interest?

18          A. Yes, sir, you can.

19          Q. Even to this day?

20          A. That's correct.

21          Q. And whereas if -- if I wanted to be a beneficiary  
22 of Michael Dell's trust, I can't go out and simply buy an  
23 interest in his trust, can I, sir?

24          A. No, sir.

25          Q. And if I wanted to sell my interest in -- Michael

1 Dell has been fortunate enough to designate me as a  
2 beneficiary of his -- his trust that was created, there is  
3 not an open market for that type of beneficial interest,  
4 is there, sir?

5 A. No, sir, there's not.

6 Q. Section 2.02 of the trust document defines what  
7 the purposes were of the TEL Offshore Trust. Correct?

8 A. Yes, sir, it does.

9 Q. One of the things that the trust defined at the  
10 initial creation was that it was to be a passive entity.  
11 Correct?

12 A. Yes, sir. There's a specific reason that that's  
13 in there.

14 Q. And that's for tax purposes.

15 A. Yes, sir.

16 Q. Correct?

17 A. Correct.

18 Q. In fact the -- this type of trust is a -- is --  
19 was, in part, created because of the tax benefits to the  
20 beneficial owners. Correct?

21 A. That's correct, sir.

22 Q. The owners of the beneficial interest, including  
23 those that are represented by the ad litem in this case,  
24 and the other unit holders that are bringing this case,  
25 take their ownership interests subject to the terms of

1 this trust agreement. And that's set forth in  
2 Paragraph 3.03. Is that correct?

3 MR. BITTING: Objection; form.

4 A. (Reviewing document.)

5 Yes, sir, I believe that's true.

6 Q. (BY MR. CURRY) And the -- in addition, there are  
7 two other documents that -- that -- that come into play in  
8 this particular instance, and that's the partnership  
9 agreement between the trustee, and in this -- at the  
10 creation it would have been Tenneco, and as of today it  
11 would be Chevron. Correct?

12 A. That's correct.

13 Q. Have you read and reviewed that partnership  
14 agreement?

15 A. Yes, sir, I have.

16 Q. Paragraph 4.01 sets forth that the trust shall be  
17 the method of accounting for the trust. Correct?

18 A. What -- I've --

19 Q. Let me -- let me see if -- we may need to get a  
20 better copy. Unfortunately this copy, I didn't realize,  
21 had this highlighting on it.

22 But this -- this was in terms of the parties  
23 defined how the trust was to be accounted for in  
24 Paragraph 4.01. Correct?

25 A. Yes, sir. That it's to have -- its fiscal year

1 is to be based on a calendar year, and that the books and  
2 records will be kept on a cash basis.

3 Q. Do you know when the -- that -- that --  
4 throughout time the -- the -- in terms of everything that  
5 you reviewed, in terms of the accounting that was done in  
6 this instance, had a year-end as of October 31. Is that  
7 correct?

8 A. That --

9 MR. BITTING: Objection; form.

10 MS. PAULSON: Objection; form.

11 A. That appears to be the case, yes.

12 Q. (BY MR. CURRY) Did you see any instance when the  
13 calendar year was anything other than October 31?

14 MR. BITTING: Objection; form.

15 MS. PAULSON: Objection.

16 A. You mean the fiscal year?

17 Q. (BY MR. CURRY) Correct.

18 A. You said calendar year.

19 Q. I'm sorry. I meant to say fiscal year.

20 A. The -- the fiscal year that they used -- well,  
21 the as-of date for the reserve report that they used was  
22 10/31. The 10-K, I believe, is issued as of 12/31.

23 Q. And the -- and that's not unusual is it, sir?

24 MR. BITTING: Objection; form.

25 A. I don't know what you mean by being "unusual."

1 Q. (BY MR. CURRY) That -- that -- that's -- that's  
2 not untypical, in a royalty trust environment, to have  
3 a -- a -- a -- that they don't perfect -- they don't match  
4 up.

5 MR. BITTING: Objection; form.

6 A. Well, they don't -- if the trustee has latitude  
7 to have a fiscal year that's different than the calendar  
8 year, and doesn't have any requirements that are to be a  
9 calendar year, then I think they have the latitude to  
10 establish something other than 12/31. If the trust  
11 agreement lays out events which are to be as of 12/31,  
12 then I think that needs to be followed.

13 Q. (BY MR. CURRY) And do you know if the TEL Trust,  
14 during the time period that you were at the bank, and up  
15 through today, whether it always worked under a 10/31  
16 manner?

17 MR. BITTING: Objection; form.

18 A. I'm going have to infer from your question. The  
19 only thing that I had access to was, I believe, 2000  
20 through 2015. So that's what I would have referred to.  
21 In all cases the reserve report was prepared as of 10/31.  
22 If that's your question, then, yes, that's what they did.

23 Q. (BY MR. CURRY) And -- and -- and did you have --  
24 and -- and part of that time period was when you were with  
25 the bank. Correct?

1 A. It did overlap, yes.

2 Q. And -- and did you -- did you believe that the  
3 bank was acting properly when it did it in the manner in  
4 which -- when you were employed at the bank?

5 A. I didn't have anything to do with it. I had no  
6 idea whether they were or not, so I --

7 Q. As --

8 A. -- I had no opinion at the time. Are you talking  
9 about do I have an opinion now?

10 Q. And I'm asking did you have any opinion at the  
11 time.

12 A. I was unaware of what was going on.

13 Q. But in each -- through the -- I assume you've  
14 read reports from 2000 to 2016 is what you said. Correct?

15 A. I believe that's what I have. Yes, sir.

16 Q. And -- and in all instances the 10/31 was the --  
17 the date of the reserve report in terms that was included  
18 in the 10-K. Correct?

19 A. Yes. The bank was consistently wrong by using  
20 10/31.

21 MR. CURRY: Objection; nonresponsive.

22 Q. (BY MR. CURRY) This is from 10 -- that was  
23 consistent throughout the time period. Correct?

24 A. The 10/31 date was consistent. That's correct.

25 Q. And the -- the -- the public record reflected

1 that they were using the 10/31 date. Correct? Throughout  
2 that time period.

3 A. The reserve report reflected a 10/31 date. Yes,  
4 that's true.

5 Q. Throughout the time period?

6 A. In each and every case it reflected 10/31.  
7 That's correct.

8 Q. And if anybody had a problem with it in 2001,  
9 they could have brought -- said, "Hey, look, whoa. Why  
10 are you doing this on 10/31 rather than 12/31?" To your  
11 knowledge, did anyone ever complain about the method in  
12 which the reserve reports were being presented?

13 MR. BITTING: Objection; form.

14 A. To my knowledge, there were not complaints  
15 received, although I would be -- I would have no way of  
16 knowing one way or the other.

17 Q. (BY MR. CURRY) Is there any harm that has been  
18 caused by having the reserve reports prepared as of -- an  
19 as of date of 10/31 versus a 12/31?

20 A. Yes, sir. I believe there has been harm.

21 Q. Okay. Tell me exactly what that harm is.

22 A. In -- on -- on October 31st, 2008 there was an  
23 incomplete reserve report that was provided by DeGolyer  
24 and MacNaughton to the trustee. The trustee acknowledges  
25 in the year-end 10-K that they have an incomplete report.

1 They also point out that the price of oil and gas had  
2 declined precipitously between 10/31 and 12/31, and that  
3 that would have a potentially significant impact on the  
4 value of the trust.

5 The bank knew that the -- the 10/31 report was  
6 incomplete. It -- and they knew why it was incomplete.  
7 They received an updated report in March, which showed --  
8 March of 2009. They received it in May. It was as of  
9 March of 2009 that showed the value of the trust to be  
10 zero.

11 The logical and prudent thing at that point in  
12 time would have been to say what was the -- what was the  
13 value of the trust on 12/31, and then promptly disclose to  
14 the unit holders that there was a potential terminating  
15 event that had occurred. That was not done. So by not  
16 having a 12/31 report, there was -- I believe that that  
17 is -- I believe that it was a breach of trust from the  
18 initiation to have it as of 10/31. I believe it was a  
19 breach with no damage until 2008, when there was a  
20 material difference between the value on 10/31 and the  
21 value at 12/31 because of two events. That's the major  
22 impact of pricing and the significant impact of the  
23 Hurricane Ike event.

24 Q. Well, I'm not going to -- I'm going to go through  
25 all that with you later on. But in terms of the Hurricane



1     Ike event, that occurred well before 10/31.   Correct?

2           A.   The month before.

3           Q.   Well, it incurred before 10/31, and was  
4     already -- was an event that had occurred prior to 10/31.  
5     Correct?

6           A.   Again, it occurred in September.   The report was  
7     issued 10/31 and was said to be incomplete.

8           Q.   The -- in terms of the -- have you prepared an  
9     analysis of the difference between 10/31 and 12/31?   And  
10    I'm just speaking in terms of that two-month period.   In  
11    other words, the -- have you prepared a report as of 10 --  
12    of 12/31, I guess, would be the -- the -- the question I  
13    have.

14          A.   I have not --

15                   MR. BITTING:   Objection; form.

16          A.   -- I have not prepared an Excel spreadsheet.   I  
17    have done a -- a very quick walkthrough of the -- of what  
18    my analysis was of the situation and what the trustees  
19    should have been aware of.   I can't hand you a piece of  
20    paper, but I can tell you the calculations that I went  
21    through, if you're interested.

22          Q.   (BY MR. CURRY)   What calculations -- where are  
23    they reflected, your calculations?

24          A.   I just said they are -- they are what I went  
25    through -- in thinking through of what the trust -- what

1 the trust was aware of in the October 2008 through May  
2 of 2009 time frame, I went through and I collected all of  
3 the evidence that was available, all of the information  
4 that was available to the trustee at that point in time,  
5 and considered the math that was associated with -- with  
6 each of those pieces of information, from which I draw the  
7 conclusion that there was a terminating event as of the --  
8 the year-end 2008.

9 Q. All right. So I just want to know what those  
10 pieces of evidence are.

11 A. The value of the trust is reported by DeGolyer  
12 and MacNaughton in -- on October 31st, 2007.

13 Q. 2007?

14 A. 2007.

15 Q. On 3/31/2007?

16 A. 10/31/2007.

17 Q. Okay.

18 A. It was a part of the 10-K that year. It  
19 reflected a value of \$45 million. The PV10, the present  
20 value discounted at 10 percent, reflected a value of  
21 \$45 million.

22 Q. All right. The second piece of evidence.

23 A. The -- the value reflected in the 10/31/2008  
24 document, the price --

25 Q. And what was that value?

1           A. That -- that value was -- what was it, 15 -- ah,  
2 hold on. I have it in my report. Let me look, because I  
3 can give you the exact amount.

4           Q. If it's in your report, I don't need to know it.

5           A. Well, just so we can go through the math. And I  
6 want to be sure that I do tell you what it is. PV10 in  
7 the 2008 report was \$16,860,000.

8           The third component is the price of oil and gas  
9 between July -- the decline in the price of oil and gas  
10 between July and December of 2008. The next piece of  
11 information is the projected value of cleanup for Eugene  
12 Island 339, provided by Chevron.

13          Q. And that would have been the number that was  
14 incorporated into the 3 -- the -- the March report?

15          A. And then finally the March report itself, which  
16 reflected the zero value.

17          Q. Did you take into account the DeGolyer and  
18 MacNaughton report prepared at the close of -- as of  
19 10/31/09?

20          A. I certainly have looked at it, and I know what it  
21 said.

22          Q. What was the 10/31/09 number?

23          A. 10/31/09 was 9,417,000.

24          Q. What was the 10/31/10 number?

25          A. 15,025,000.

1 Q. What was the 10/31/11 number?

2 A. 8 million -- 8.5 million.

3 Q. What was the 10/31/11 number?

4 A. That's the one I just gave you.

5 Q. I'm sorry. '12 number.

6 A. '12 was 11.6.

7 Q. The '13 number.

8 A. 6.1.

9 Q. The '14 number.

10 A. 5.6.

11 Q. The '16 number, did you --

12 A. The '15 number is the last one I have, and that's  
13 1.6. And that is the PV10 number.

14 Q. And the PV10 numbers that you just read are  
15 included in your report on Page No. --

16 A. Page 5.

17 Q. -- 5. Is that correct?

18 A. That's correct.

19 Q. The only PV10 number that -- that reflects --  
20 that's incorporated into your chart on Page 5 that's below  
21 2 million is the 2015. Is that correct?

22 A. That's in this chart right here, yes, that's  
23 correct.

24 Q. And those were the only -- those were the present  
25 value numbers all on -- prepared by DeGolyer and

1 MacNaughton as of 10/31 in each instance. Is that  
2 correct?

3 A. That's correct.

4 Q. So is --

5 A. Now, I would point out that the 2008 -- '8 number  
6 was an admittedly incomplete report.

7 Q. And publicly was disclosed as an admittedly  
8 incomplete number. Correct?

9 A. That's correct, yes.

10 Q. There was not a misrepresentation that that was  
11 a -- a complete number, was there, sir?

12 A. No, sir. There was a -- there was conversation  
13 that -- that it did not include. There was a in-depth  
14 conversation as to what a terminating event of the trust  
15 would be on Page 14 of that document.

16 Q. Is the 2009 number, PV10, prepared by DeGolyer  
17 and MacNaughton, is that an accurate number?

18 A. It's the number that was reported by DeGolyer and  
19 MacNaughton, so I -- I -- and we are taking DeGolyer and  
20 MacNaughton as -- as the engineering firm. They were  
21 independent. So I believe that it represents their best  
22 effort. Yes, sir.

23 Q. Is the 2010 number an accurate number?

24 A. To the -- to the best of my knowledge, yes, sir.

25 Q. Is the 2011 an accurate number?

1           A. To the best of my knowledge. The problem with  
2 each of these is that I believe that the trust terminated  
3 in 2008.

4                   MR. CURRY: Objection; nonresponsive.

5           Q. (BY MR. CURRY) Is the number in 2012 accurate?

6           A. No, sir, because it reflects a number for a trust  
7 that had terminated.

8           Q. Is the number -- was the reserve report for those  
9 assets correct, sir?

10          A. I -- I believe that it was prepared in accordance  
11 with the -- with the guidelines that DeGolyer and  
12 MacNaughton used.

13          Q. The -- do you have any opinion as to what the --  
14 if the trust had terminated on 12/31/09, what the value of  
15 the -- I'm sorry -- 12/31/08, what the value of the assets  
16 were on that particular date?

17          A. No, sir, I do not.

18          Q. Have you made any effort to calculate that  
19 number?

20          A. The only effort that I've made to calculate, the  
21 only number that I have attempted to arrive at is whether  
22 or not the value of the trust interest was less than  
23 2 million, and I believe that it was. As to the value of  
24 the actual underlying assets, I have not looked at that.

25          Q. Would -- you -- you listened to -- you've read

1 Dr. Wiggins' testimony. Correct?

2 A. I've read his report and I spoke with him  
3 yesterday.

4 Q. And -- and in his report he basically corresponds  
5 the value with -- of the trust assets with the market  
6 value being functionally the equivalent of whatever the  
7 reserve number was. Correct?

8 A. No, sir --

9 MR. BITTING: Objection; form.

10 A. -- I don't believe --

11 THE WITNESS: I'm sorry.

12 A. I don't believe that's entirely accurate.  
13 What -- what he was evaluating was the -- the value of the  
14 trust interest, not the value of the underlying assets on  
15 a standalone basis.

16 Q. (BY MR. CURRY) Explain to me what you mean by  
17 that. I -- I don't understand the difference.

18 A. Well, the trust -- the trust has significant  
19 expense associated with its -- on an ongoing basis, that  
20 if the -- if the interest, the underlying interest was  
21 separated from the overlay of expense associated with the  
22 trust, it would have a very different value. The --  
23 the -- factored into the reports are the -- the costs --  
24 the overhead costs associated with running the trust,  
25 which were running at as much as \$1.2 million a year.

1           Q. Well, I guess the question I have is, is that --  
2   is on -- it's your opinion that what should be inserted  
3   into this chart is -- on the 2009 number -- I'm sorry --  
4   the 2008 number, instead of 16,860,927 is -- is some  
5   number less than 2 million. Correct?

6           A. I wasn't -- as of 10/31 they did not have the  
7   ability to value the interest. They didn't have the  
8   information, so I can't tell you what number should have  
9   been there. I can tell you that 16 million is in there,  
10   with the caveats that are included in the particular  
11   report. So I --

12          Q. I guess what -- but what number should be there  
13   on -- on 2008? What's the number? Fill in the blank.  
14   You -- is it some number less than 2 million? Is it 3  
15   million? Is it 8 million?

16          A. Had they taken the report that they received  
17   on -- and they received in May that was as of 3/31 and  
18   applied the information that they had at that point in  
19   time, they would have received -- they would have  
20   calculated a value of less than \$2 million for -- as of  
21   10/31. I believe they should have done it as of 12/31,  
22   but the same result would have occurred. It would have  
23   been less than \$2 million.

24          Q. And -- and -- but you've never actually performed  
25   that calculation?



1           A. No, sir. But I talked with Mr. Wiggins  
2 yesterday, and we went through the -- he -- we went  
3 through the numbers, and he confirmed that he believed  
4 that it would -- would have been -- well, it would have  
5 been zero, but it would have been -- certainly been less  
6 than \$2 million.

7           Q. How did you --

8           A. And I did not believe that -- that confirmed it  
9 for me. I also believe that the calculation, the numbers  
10 that I gave you just a moment ago, lead you to the -- to  
11 the same conclusion.

12          Q. How do you explain that the number goes from zero  
13 to 15 in a matter of months?

14          A. Well, one of the primary reasons is prices  
15 improved between 12/31 and December 31st of --  
16 October 31st of 2009. So that was a -- that was a primary  
17 driver.

18               I also believe that the -- that the expense  
19 number may have turned out to be somewhat less than the 86  
20 million. I'm not sure exactly what it was because  
21 whatever they spent in 2009 -- during the course of 2008  
22 through 2009, there is a lower number that's reflected in  
23 the October report, but I don't know what -- since I don't  
24 know exactly what they spent, I don't know what to add to  
25 what they reflect in the 2009 report to know whether it

1 was actually less than \$86 million or not. But I believe  
2 that it may have been something less than 86 million.

3 Q. It was about half of it, wasn't it, sir?

4 A. That was what was spent in 2009, yes, sir. But  
5 you have to add that -- that was what was left, but you  
6 have to add that to what was actually spent in 2009, and  
7 that's the number that I don't have.

8 Q. But in terms of the 86 million to what was  
9 included in 2010, it was -- it was approximately half.  
10 Correct?

11 A. I -- I don't know that. I'll -- I'll take your  
12 word for it. But I will also tell you that the  
13 terminating event is not a three-year running average or a  
14 two-year running average or a three-quarter running  
15 average. It's as of a certain date. And so if the  
16 criteria is met, the trust is terminated.

17 MR. CURRY: And objection;  
18 nonresponsiveness.

19 Q. (BY MR. CURRY) My question simply was it's half.  
20 Correct?

21 A. I don't know the -- I can't answer your  
22 question --

23 MR. BITTING: Objection; form.

24 A. -- because I don't have the two pieces of  
25 information.

1 Q. (BY MR. CURRY) And -- and you can't say what  
2 it -- what the -- what -- assuming -- let's just assume  
3 hypothetically that on -- choose the date -- sometime in  
4 2009 that the trust reports that the -- the -- the value  
5 is zero, which I assume is what you're advocating should  
6 have taken place. Correct?

7 A. I'm not sure that's exactly what I'm advocating.  
8 I'm advocating that, with the information that was  
9 available to them from the 3/31 report, that they should  
10 have valued the interest as of 12/31/08.

11 Q. And -- and -- and you obviously would -- would  
12 anticipate that they would publicize that. Correct? That  
13 they -- they would -- they would -- they would make some  
14 sort of disclosure of that number to the beneficial  
15 interest owners. Correct?

16 A. Well, there -- there are two pieces of  
17 information there. I would have expected that the 3/31  
18 report would have been disclosed, period, and that I  
19 certainly would have expected that a -- an event of  
20 termination being less than a value of less than  
21 \$2 million, that that also would have and should have been  
22 disclosed.

23 Q. And I understand what you're saying. That -- I'm  
24 agreeing with your assumptions.

25 A. Okay.

1           Q. I'm -- I'm taking those as -- as -- as something  
2 that should have taken place. What would have happened at  
3 that point in time in terms of the ability of the trust to  
4 then sell those underlying assets?

5           A. Under the terms of the trust, they would have  
6 entered up -- entered into a wind-up phase, during which  
7 time they -- what -- what I think they would -- would have  
8 done, what they should do is -- is gather the information,  
9 putting together in-depth bid -- bid packages, having a  
10 war room with all of the information available, identify  
11 the most likely buyers, invite them in to review the  
12 information to perform bids, and then evaluate those bids  
13 and, at the same time, receive from DeGolyer and  
14 MacNaughton updated information that was -- that looked at  
15 these interests, not only with flat pricing in an SEC  
16 case, if you will, but also under various alternatives  
17 based on different price decks depending on what people  
18 might realistically expect the price of oil and gas to do  
19 over the coming years and plug that in to -- to have an  
20 idea in their own mind as to what the range of value is  
21 and compare that to the bids that would be received from  
22 the people that you expose it to.

23           Absent receiving a bid that you believe to be  
24 market value, then you would proceed to auction, in all  
25 likelihood.

1 Q. And -- and -- and publicizing a zero value of  
2 these assets would have affected the value of the  
3 interest. Correct?

4 MR. BITTING: Objection; form.

5 A. There is no question it would have affected the  
6 value. What I don't know is whether it would have been  
7 positively or negatively. I think it could have been  
8 either.

9 Q. (BY MR. CURRY) It's -- it's certainly showing  
10 something that is -- that was worth 16 million on 10/31/08  
11 and then being worth zero on 12/31/08 would have a --  
12 would negatively impact the market perception of the value  
13 of those assets. True or false?

14 MR. BITTING: Objection; form.

15 A. You and I both know that it wasn't worth  
16 \$16.8 million on October 31st, 2008, because that was an  
17 incomplete report. So that's not a data point or a piece  
18 of information that -- I don't -- that any buyer or the  
19 trustee should have used.

20 Q. (BY MR. CURRY) Presenting the value as being  
21 zero on 12/31/08 would have negatively influenced the  
22 value of the perception of those assets. True or false?  
23 Yes or no?

24 MR. BITTING: Objection; form.

25 A. I -- I can't answer that. It could have been

1 either, because freeing this interest from the overlay of  
2 the trust expense with -- with -- with different pricing  
3 assumptions would -- could assign a value to that which  
4 was much greater than it was being held under the  
5 constraints of this trust, just as is defined by the  
6 trustee on Page 14 of that 12/31/2009 -- 2008 report.  
7 They -- they -- they describe exactly what -- what could  
8 happen on a termination event or what would happen, and I  
9 believe that that could've impacted the -- the value  
10 positively, but it might very well have been seen by the  
11 market as a negative. I can't speculate.

12 MR. CURRY: Objection; nonresponsive.

13 Q. (BY MR. CURRY) Can you answer my question yes or  
14 no? It would have percep- -- there would have been a  
15 negative perception if you publicize that the value of  
16 these assets is zero?

17 A. I've just described --

18 MR. BITTING: Objection; form.

19 A. -- that I cannot answer it with a yes or no, no,  
20 sir. I don't know what would have happened.

21 Q. (BY MR. CURRY) It would be pure speculation?

22 A. I can see where it might have --

23 MR. BITTING: Objection; form.

24 A. -- impacted it positively, and I can see where it  
25 might have affected the -- the unit value negatively.

1 Q. (BY MR. CURRY) At this point, it would be pure  
2 speculation as to what would have happened?

3 A. I don't know the answer, so it would be  
4 speculation on my part. Yes, sir. I know that it would  
5 have had an impact and that it should have been disclosed.

6 Q. But you don't know whether it would have been a  
7 positive impact or a negative impact?

8 A. I think it could have gone either way.

9 Q. And if it's -- do you know if the interest had  
10 been sold at that point in time, what the interest could  
11 have been sold for?

12 A. At what point in time, please?

13 MR. BITTING: Objection; form.

14 Q. (BY MR. CURRY) In -- post 12/31/08, and if they  
15 had been sold in the next six months, as to what the  
16 interest would have been sold for?

17 A. No, I can't tell you what they would have been  
18 sold for. No, sir.

19 Q. Do you know what amounts the trust would have  
20 received in any -- what effect it would have had on the  
21 price of the units as they were being traded on the market  
22 at that point in time?

23 A. I thought that's what we were just talking about.  
24 I can -- I can see a situation where it would have  
25 affected the -- the unit price positively, and I can see

1 where it could have affected the unit prices negatively.

2 Q. Have you done any type of market analysis to  
3 determine what the effect would have been?

4 A. No, sir. That was not my role.

5 (Discussion off the written record.)

6 Q. (BY MR. CURRY) Other than the failure to  
7 disclose, in essence, the information you've just  
8 described in terms of the analysis contained in the  
9 March 31, '09, report and the surrounding data points that  
10 you've described, is there any information -- in the  
11 potential that it was a terminating event, is there any  
12 information that you can specifically point to that was  
13 withheld by the trustees from the beneficial unit holders?

14 A. Yes, sir. I think I list in the -- in my report  
15 information that -- that the trustee had that I believe  
16 should have been disclosed.

17 Q. Just point to me the pages on your report where  
18 you're referring to.

19 A. I would point to the summary on Page 13, Item 4.  
20 And I would point specifically to the deposition cut that  
21 I have on Page 6, 7, and 8, which is where Mr. Ulrich  
22 outlined the alternatives that were available, and I  
23 believe that the alternatives that were considered should  
24 have been disclosed to the beneficial unit owners.

25 Q. Any -- is -- anything else other than Item 4 and



1 6, 7, and 8?

2 MR. BITTING: Objection; form.

3 A. Anything else involving that --

4 Q. (BY MR. CURRY) The failure to disclose.

5 A. -- which was not disclosed?

6 MS. PAULSON: Excuse me. I can't hear  
7 what's all going on because y'all are talking on top of  
8 each other. Could you let him finish before you ask him  
9 the question?

10 A. (Reviewing document.)

11 I believe that the bank's --

12 Q. (BY MR. CURRY) Just point me to point -- the  
13 part in your report. I'm not asking you to --

14 A. No. 6.

15 Q. Okay. Anything else that's a failure to  
16 disclose?

17 A. (Reviewing document.)

18 No. 11. No. 12. No. 13. No. 14 we've already  
19 talked about. No. 19. Those are the ones that -- that I  
20 believe involve disclosure.

21 Q. In any of those instances where there is a  
22 failure to disclose, have you made any type of an  
23 evaluation in terms of the harm that was caused by those  
24 actions from a monetary basis to the beneficial unit  
25 holders?

1           A. I have not calculated monetary damages, no, sir.  
2           That was not my role.

3           Q. Have you in any form or fashion calculated any  
4           damage figure for any of the unit holders?

5           A. I -- I am not -- I'm not --

6                   MR. BITTING: Objection; form.

7           A. -- a damage guy, so no, I made no calculations  
8           with respect to damages.

9                   THE WITNESS: Could we go off the record for  
10          about two minutes?

11                   MR. CURRY: Yes.

12                   THE VIDEOGRAPHER: We are going off the  
13          record at --

14                   MR. CURRY: Why don't we take a ten-minute  
15          break.

16                   THE VIDEOGRAPHER: -- at 11:50.

17                   MR. CURRY: Did you order lunch or did we --  
18          sorry.

19                   THE REPORTER: Off the record at what?

20                   THE VIDEOGRAPHER: We are going off the  
21          record at 11:50.

22                   (Break.)

23                   THE VIDEOGRAPHER: We are back on record at  
24          12:07.

25          Q. (BY MR. CURRY) Is there a specific time frame,

1 had the trustees taken the actions that you're suggesting  
2 should have been taken in the 2009 time period, that the  
3 assets should have been sold?

4 And by "specific" I'm speaking very specifically.  
5 And if you've not formed any opinions on this particular  
6 subject just tell me that.

7 A. No, I can tell you from my experience how long it  
8 should take to properly market assets and I could say that  
9 within -- within 18 months I believe that would be a  
10 reasonable time frame for the -- for the marketing and  
11 sale of assets.

12 But my answer to your question would be that it  
13 should be done prudently and with complete information.  
14 So -- and I believe that can be done in 18 months.

15 Q. Could it be done in a shorter time period?

16 A. It could be shorter, yes.

17 Q. Could it be longer?

18 A. Conceivably, yes.

19 Q. Well, in this particular instance, there would  
20 have been reasons that it -- taking longer might have been  
21 a prudent step. Correct?

22 A. No, sir.

23 MR. BITTING: Objection; form.

24 A. I don't agree with that.

25 Q. (BY MR. CURRY) Well, let's think about what

1 happened in 2000- -- let's just assume in June 2009 a  
2 decision's made to start marketing. Assume that to me --  
3 with me.

4 A. Okay.

5 Q. Was there any event in the next 18 months that  
6 affected the marketability of oil and gas assets in the  
7 Gulf?

8 MR. BITTING: Objection to form.

9 A. Well, pricing increased probably during that  
10 period of time, but the reserves -- if that's what you're  
11 looking for, the prices might have increased.

12 (Discussion off the written record.)

13 Q. (BY MR. CURRY) Are you aware of an event that  
14 occurred on April 20th, 2010?

15 MR. BITTING: Objection; form.

16 A. You'll have to remind me. Nothing comes to mind.

17 Q. (BY MR. CURRY) Anything significant that  
18 occurred in the Gulf region in April of 2010 that  
19 significantly affected the marketability of assets in the  
20 Gulf basin?

21 A. I'm sorry. I'm not -- the date's not --

22 Q. Have you ever heard of a situation called the BP  
23 Macondo situation?

24 A. Oh, yes. I'm sorry. I didn't identify with the  
25 date.

1 Q. What was the BP Macondo?

2 A. That was a -- an underground blowout of a -- a  
3 well, offshore Louisiana that blew.

4 Q. And soon after this accident, the federal  
5 government issued a moratorium of further drilling in the  
6 waters 500 feet or deeper. Correct?

7 A. I -- I don't know exactly --

8 MR. BITTING: Objection; form.

9 A. -- what the -- what they issued. They did issue  
10 an order limiting drilling and I don't recall whether that  
11 was new drilling. I thought it was with respect to new  
12 drilling. New drilling and new leasing. That's just my  
13 recollection.

14 Q. (BY MR. CURRY) And the -- the Macondo situation  
15 put a chill on Gulf Coast development for some period of  
16 time. Correct?

17 A. For new development, yes, sir. It didn't really  
18 affect the value of producing wells.

19 Q. Have you made any study of that?

20 A. I have made a study of the price of oil and gas,  
21 and offshore oil and gas, the price was not impacted  
22 because of the -- the blowout of that well.

23 Q. But in terms of -- of valuing assets, in other  
24 words maximize assets, the ability to new drill can play  
25 an impact on whether somebody will be interested in buying

1 or not buying an asset. Correct?

2 MR. BITTING: Objection; form.

3 A. To the extent that there is the development of  
4 new reserves available and new horizons to be exploited,  
5 to the extent that that might have been limited by the  
6 order that you referenced -- I don't believe it was, but  
7 to the extent that it -- that it did limit the  
8 development, then it might have impacted a property that  
9 was not fully developed. These were fully developed.

10 Q. (BY MR. CURRY) Well, certainly it would -- a  
11 trustee making a judgment whether to sell assets in the  
12 2010 time frame, it would be imprudent to not take into  
13 account the BP Macondo situation as to how it might affect  
14 the value of assets that are being sold. Correct?

15 A. That would be something --

16 MR. BITTING: Objection; form.

17 A. -- that would be easily identifiable as to  
18 whether or not it did impact them and -- and certainly I  
19 think that would be a factor that you would look at, yes.

20 Q. (BY MR. CURRY) It would be imprudent not to  
21 consider that, would it not, sir?

22 A. It would be --

23 MR. BITTING: Objection; form.

24 A. -- something that should be looked at, yes.

25 Q. It would be imprudent not to consider that.

1 Correct?

2 MR. BITTING: Objection; form.

3 A. I would look at what was impacting the value  
4 across the board and to the extent that the Macondo  
5 blowout impacted the -- the pricing, then -- then I would  
6 factor it in. To the extent that it didn't -- I would see  
7 what its impact was on the properties that I was  
8 marketing. If there was an impact, then I would factor it  
9 in. If there was no impact -- so, yes, I would consider  
10 it.

11 Q. (BY MR. CURRY) And -- and you've not made any  
12 type of analysis as to what impact it had either way, if  
13 any?

14 A. I don't -- I can't tell you, sitting here today,  
15 one way or another. I've told you that I don't believe  
16 that it does, that it did have an impact on it.

17 Q. And the basis of your opinion it had no impact is  
18 what?

19 A. That these properties were fully developed, that  
20 the only upside potential for development was in reserves  
21 that were already behind pipe and would be developed or  
22 exploited through recompletion, and that the Macondo  
23 blowout, to the -- to the best of my knowledge had no  
24 impact on the price of product from the Gulf. It affected  
25 new leasing and new development and these properties don't

1 fall in -- in that category of property. So that's why I  
2 don't believe that it had an impact.

3 Q. But you've not made any type of study or analysis  
4 of that. That's just based on your --

5 A. That's my belief --

6 Q. Belief?

7 A. -- based on my experience. Yes.

8 Q. Certainly the Macondo situation created an  
9 uncertainty within the Gulf. There was more government  
10 interaction with the operators at that point in time.  
11 Correct?

12 MR. BITTING: Objection; form.

13 A. There -- there was additional government review  
14 that impacted primarily new leasing and -- and controls  
15 over development and drilling of new wells.

16 Q. (BY MR. CURRY) And controls over development and  
17 operations of oil and gas operation in the Gulf?

18 A. Generally in the Gulf, yes, that's true.

19 Q. And certainly it would be a prudent step for  
20 trustees, if considering to sell assets, to ensure that  
21 the -- the Macondo situation was stabilized to ensure that  
22 the pricing would be maximized. Correct?

23 MR. BITTING: Objection; form.

24 A. I don't believe one had an impact on the other.

25 Q. (BY MR. CURRY) There was -- there has never



1    been, in your entire career in oil and gas, as much  
2    scrutiny on the offshore drilling as followed Macondo.  
3    Correct?

4           A.   For -- for new development and new leasing, that  
5    is absolutely correct.

6           Q.   And never in the history of the oil and gas  
7    business in your --

8           A.   I can't --

9           Q.   -- in your time period?

10          A.   -- I can't speak ever to the history. I know  
11   that it had a profound impact. There are other events  
12   over the course of the years that have had impacts as  
13   well. Macondo was -- was certainly -- it certainly raised  
14   government review of offshore production with -- with  
15   respect to the new leasing, and with respect to  
16   development of drilling of new wells.

17          Q.   In a profound way?

18          A.   For -- for -- for that limited aspect of the Gulf  
19   of -- Gulf of Mexico, which, again, I don't believe the  
20   TEL properties fall into, yes, it impacted those.

21          Q.   Well, in fact, it was -- Macondo created -- cast  
22   a shadow over the entire Gulf Coast in terms of drilling  
23   and production. Correct?

24                   MR. BITTING: Objection; form.

25          A.   I'm -- I'm -- I'm not willing to commit that far.

1 It -- it was a major event that was used to -- to shut  
2 down offshore leasing and to restrict development of new  
3 wells by the Obama administration. That -- that is a true  
4 statement.

5 Q. (BY MR. CURRY) And --

6 A. But beyond that, I'm not going to use hyperbole.

7 Q. Well, not being -- not using hyperbole, the fact  
8 was is that the government was coming in, in a very active  
9 way, in the Gulf Coast, and trying to reevaluate the  
10 entire operations of the Gulf Coast because of this  
11 incident. Correct?

12 MR. BITTING: Objection; form.

13 A. With respect to new leasing and new development,  
14 that is a true statement.

15 Q. (BY MR. CURRY) And -- and in terms of what other  
16 activities and what other restrictions they may have, for  
17 at least some period of time it was unknown, it was just  
18 known that the government was coming in at a very active  
19 way. Correct?

20 MR. BITTING: Objection; form.

21 A. I think that over -- I think that overstates.  
22 They came in, in a very specific way, and it had the  
23 impact that it had on new development and new leasing.

24 Q. (BY MR. CURRY) The trust issued a press release  
25 in October of 2008, explaining that the production from

1 the two most significant producing properties had ceased  
2 following the damage from Hurricane Ike. Correct?

3 A. Yes, sir, I believe that's correct.

4 Q. The trust explained that Chevron was assessing  
5 the economic feasibility of restoring production, but at  
6 that point in time no assurance could be given as to how  
7 or when the production might be restored on Eugene Island.  
8 Correct?

9 A. That's correct, yes.

10 Q. In fact, this -- at this point in time there were  
11 significant questions about -- not only on the Chevron and  
12 Eugene Island, but there had been a number of properties  
13 affected by the hurricanes in 2000- -- from the summer of  
14 2008. Correct?

15 A. That's a broad statement. Yes, they were -- the  
16 properties were impacted by -- by Hurricane Ike  
17 particularly, Ship Shoal and Eugene Island.

18 Q. You've not made any judgment as to how much  
19 Chevron had actually expended in costs in 2009. Is that  
20 correct?

21 MR. BITTING: Objection; form.

22 A. I don't know -- we talked about that just before  
23 our last break -- I -- they initially estimated  
24 \$86 million. They spent money during the course of 2009  
25 and they estimated the amount they had left to spend

1 beyond 2009. And I don't know those two components to be  
2 able to add them together.

3 Q. (BY MR. CURRY) Do you know whether they --  
4 whether they -- whether, in fact, the -- the amount  
5 expended had been incorporated in what -- in the amount or  
6 not? Did you make -- have you made any analysis of those  
7 numbers, I guess is what I'm asking?

8 A. Yes, I made --

9 MR. BITTING: Objection; form.

10 A. -- an analysis of those numbers, but you're --  
11 I'm not specifically sure what you're addressing in your  
12 question. But they were not factored in to the 10/31/2008  
13 DeGolyer and MacNaughton report. They were factored in to  
14 the March 31st DeGolyer and MacNaughton report, and the  
15 remaining expense was factored in to the October 2009  
16 DeGolyer report.

17 Q. (BY MR. CURRY) And you've not -- and you don't  
18 know -- the number you don't know is how much was spent in  
19 that interim year. Correct?

20 A. I don't know what the sum of what was actually  
21 spent in 2009, plus what was projected to be spent in  
22 2010. I don't know the sum of those two numbers. I don't  
23 know how close to the \$86 million estimate it comes.

24 Q. Do you know -- have -- have you read the DeGolyer  
25 and MacNaughton production?

1 A. I'm sorry. Ask that again.

2 Q. Have you read the DeGolyer and MacNaughton  
3 production in this case?

4 A. Have I read the production?

5 Q. The document production, the documents that  
6 DeGolyer and MacNaughton has produced.

7 A. Oh. Well, I have seen some DeGolyer and  
8 MacNaughton. I -- I don't know that I've seen all of it.  
9 What I've seen is what I've reported to you, so...

10 Q. Well, and I guess the question mark -- what I'm  
11 asking is you know DeGolyer and MacNaughton has actually  
12 produced documents in this case?

13 A. That's my understanding, yes.

14 Q. And my -- and they actually bear a Bates stamp  
15 bearing the number D&M.

16 A. Okay.

17 Q. Have you read those documents?

18 A. Not all of them, no. I don't think that -- I  
19 read whatever was sent to me. There were some D&M  
20 documents, but I don't recall significant boxes of  
21 documents.

22 Q. Did you read -- did you make any analysis as to  
23 who requested the preparation of each of the year-end  
24 reports, the 10/31 reports?

25 A. My understanding is that the D&M coordinated with

1 Chevron with respect to those annual engineering reports.

2 Q. Did you make any -- do you know whether or not  
3 Mr. Ulrich was responsible for requesting the 10/31  
4 reports, as opposed to Chevron?

5 A. Well, I think Mr. Ulrich accepted the 10/31  
6 reports that -- that -- that -- that came in, and that --  
7 I believe that Chevron had the primary interaction with  
8 DeGolyer and MacNaughton. But updating an engineering  
9 report from -- from one day to another over, you know, a  
10 90-day basis is a -- I mean, that's an hour's work. I  
11 mean, it's not -- it could be turned around overnight.

12 Q. Do you know how many hours were spent in  
13 preparation of the March 31 report?

14 A. I have no idea, no.

15 Q. Do you know --

16 A. But it would have to be -- it would have to  
17 include the hours that were spent on the October report  
18 because that was a large part of it.

19 Q. So it's your assumption, and you're assuming that  
20 the -- that the March 31 report, the bill that was  
21 provided by DeGolyer and MacNaughton, should be minuscule.  
22 It was just a ministerial function and would have been  
23 incorporated into 10/31?

24 A. No, sir. That's not what I said at all.

25 MR. BITTING: Objection; form.

1 Q. (BY MR. CURRY) Well, then tell me what you said,  
2 because it certainly -- you said it could be turned in  
3 overnight.

4 A. I said that an update of a report between  
5 October 31st and December 31st, with respect to a  
6 different price deck, could be turned around overnight.  
7 The March 31st report incorporated very different  
8 information, additional information that had been provided  
9 to Chevron between October and -- and the March date. The  
10 cost of cleanup, all sorts of additional information that  
11 had to be incorporated into it.

12 My guess is that -- that there were significant  
13 hours spent in preparing that report. My point earlier  
14 was that the cost of the report to -- the cost of the full  
15 report would be whatever was charged for the 10/31 report,  
16 plus whatever was charged for the 3/31 report. That's all  
17 I was trying to say.

18 Q. And -- and, in fact, do you know who requested  
19 the March report, whether it was Mr. Ulrich or whether it  
20 was Chevron?

21 A. Well, I believe there was a general understanding  
22 that the 10/31 report was incomplete, and that there would  
23 be another forthcoming.

24 MR. CURRY: Objection; nonresponsive.

25 Q. (BY MR. CURRY) Do you know who specifically

1 requested that report, whether it was Chevron or  
2 Mr. Ulrich?

3 A. I believe that I've testified that the  
4 interaction was -- with DeGolyer and MacNaughton was  
5 primarily through Chevron. However I do know that -- that  
6 there were meetings that took place with the D&M personnel  
7 and -- and bank personnel. So whether it was discussed in  
8 those meetings, I don't know. But I -- but there was to  
9 be a report following the 10/31 report. I don't think  
10 anyone ever said that it was going to be 3/31. 3/31 was  
11 just when the information became available.

12 MR. CURRY: Objection; nonresponsive.

13 Q. (BY MR. CURRY) And my question is a very simple  
14 question. Do you know who specifically requested the  
15 March 31 report, whether it was Mr. Ulrich, Chevron, or  
16 somebody else?

17 A. I don't believe anyone specifically requested a  
18 March 31 report. I believe they requested a report that  
19 would complete the 10/31 report that happened to be  
20 March 31st. And I don't know who requested it.

21 Q. And so it's your position, and your testimony,  
22 and your assumption that the March 31st report is -- is --  
23 was a completion of the 10/31 report. Is that -- did I  
24 concisely state your testimony?

25 A. Yes, sir. It incorporates the information



1 that -- that Chevron did -- or that DeGolyer and  
2 MacNaughton did not have from Chevron as of 10/31.

3 Q. And the -- but you can't tell me if it was  
4 requested by Chevron or Mr. Ulrich. Correct?

5 A. I -- I -- both sides knew that it was coming,  
6 because there was a completion of the 10/31 report  
7 forthcoming. I believe everyone was waiting for the  
8 completed report. It was decided that a completed report  
9 would be issued after the 10/31 report was forthcoming.  
10 So it was -- everyone was aware of it. It was in the  
11 10-K, the 12/31 10-K.

12 Q. My question is really simple, and it --

13 MR. CURRY: Objection; nonresponsive.

14 Q. (BY MR. CURRY) And I'm not sure why you just  
15 won't answer my question that you don't know who  
16 specifically requested the March report. Do you know  
17 whether it was Chevron or Mr. Ulrich or somebody else?

18 MR. BITTING: Objection; form.

19 A. I do not know the person's name --

20 MR. BITTING: Object to the sidebar.

21 A. -- I do not know the person's name that requested  
22 it. I do know that all parties were aware that an updated  
23 report would be forthcoming.

24 Q. (BY MR. CURRY) Do you know whether it was  
25 requested to be an actual update of the 10/31 report or

1 something else?

2 A. I don't think it was an update. I think it was a  
3 completed report.

4 Q. Do you know whether or not the purpose of the  
5 report was for Chevron to evaluate, potentially, a farmout  
6 to Arena?

7 A. I don't know what Chevron's purposes would be. I  
8 would -- so you'd have to talk to Chevron about that. I  
9 know what -- what it was used -- needed to be used for  
10 from a trust perspective.

11 Q. Do you know whether or not -- do you know the  
12 specific date that it was provided to the trust?

13 A. Yes. I believe it was May 17th, is my  
14 recollection.

15 Q. And what is your evidence that it was given to  
16 the trust on May 17th?

17 A. The cover letter that distributed.

18 Q. Who was the cover letter addressed to?

19 A. I don't -- if you want to introduce it into  
20 evidence, I'll be happy to tell you. My -- my basis  
21 for -- for the understanding that it was reviewed by the  
22 trust is that Mike Ulrich said it was received by the  
23 trust, and that information from it was included in the  
24 June and September trustee's meetings.

25 Q. Do you know the specific date it was given to the

1 trust?

2 A. I know that Mike Ulrich testified that he  
3 reviewed it in April, so -- perhaps it was in April. It  
4 was probably earlier than that.

5 Q. Well, if -- if the document was not dated until  
6 May, how could Mr. Ulrich have received it in April?

7 A. I'm sorry. Maybe I have my dates incorrect. It  
8 was my understanding that Mr. Ulrich said that he reviewed  
9 it in April. That's my -- that's my recollection. The  
10 cover letter that was on it, I -- I may be -- I may not be  
11 remembering the date correctly. But it was certainly  
12 after the March 31st date.

13 MR. CURRY: Where is my exhibit stickers?

14 (Discussion off the written record.)

15 (Exhibit 67 was marked.)

16 Q. (BY MR. CURRY) Let me show you Exhibit No. 67.  
17 Have you seen this document before today?

18 A. I don't recall seeing this document, no. I did  
19 see a series of e-mails that it could have been included  
20 in. I don't recall this specific one.

21 (Exhibit 68 was marked.)

22 Q. (BY MR. CURRY) I'll show you Exhibit No. 68 and  
23 ask if you've seen this specific version of the report.

24 A. Yes, sir, this is the one that I recall.

25 Q. Bear with me one second. I may not have seen all

1 of this.

2 MR. BITTING: Do you have another copy of  
3 those for Lisa or just the one?

4 MR. CURRY: I unfortunately did not bring  
5 extras. I didn't think I was going to use this.

6 A. I don't believe that I've seen the appendix. I  
7 believe that I've seen through Page 9.

8 Q. (BY MR. CURRY) Did you see the actual -- where  
9 it's defined as a letter report?

10 A. I see that it's entitled "Letter Report," yes.

11 Q. Is -- were any of the reports as of year-end  
12 entitled a "Letter Report"?

13 A. I would have to go back and look. I'm not sure.

14 Q. Did you -- did you see how they characterized it  
15 as a letter report on Page 381 of the document? Do any of  
16 the other reports characterize it as a letter report  
17 similar to this?

18 A. I don't know the answer to that. I'd have to go  
19 back and look at the other reports.

20 Q. This document is addressed to Chevron. Correct?

21 A. It is, yes.

22 Q. Have you ever seen a transmittal, e-mail or  
23 otherwise, where -- as to the specific date that it was  
24 given to the trust?

25 A. All I've seen is the testimony of Mr. Ulrich, who

1 testified that he saw it as of -- my recollection is that  
2 his deposition is April, but based on this date, that may  
3 not be right.

4 Q. It could be --

5 A. Whenever -- whenever Mr. Ulrich says in his  
6 deposition is when I believe he saw it.

7 Q. Yeah. But, obviously, if -- if -- if --  
8 Mr. Ulrich was deposed at what time period, sir?

9 A. What was it? Five months ago. Four, five, six  
10 months ago.

11 Q. And -- and this would have been an event that  
12 would have happened sometime in 2009. So six or seven  
13 years ago, if my math's right? Something like that.  
14 Correct?

15 A. Yes, sir.

16 Q. And so, obviously, if Mr. Ulrich testified that  
17 he saw it sometime in April and the document wasn't  
18 created in May, his may -- memory may have been faulty as  
19 to when he received this particular document. Correct?

20 MR. BITTING: Objection; form.

21 A. I -- I have -- I have -- don't dis- -- I don't  
22 agree with that, no, sir. I have -- well, may have been  
23 faulty, yes, I agree with that. But based on his  
24 testimony and watching his testimony, it was very clear  
25 that he had seen the document before, and he also

1 testified that he didn't recall whether or not he had  
2 discussed it with the other trustees or not.

3 Q. (BY MR. CURRY) And it's not -- my only question  
4 mark -- my only statement was is that it's impossible to  
5 see something that's not in existence. Correct?

6 MR. BITTING: Objection; form.

7 A. That would be impossible, yes, sir.

8 Q. (BY MR. CURRY) I'm going -- I'm going to ask you  
9 to assume with me that the -- the -- well, let me just ask  
10 this question.

11 You -- you don't know specifically who asked for  
12 this particular report to be prepared, whether it was  
13 Chevron or Mr. Ulrich. Correct?

14 A. I don't --

15 MR. BITTING: Objection; form.

16 A. -- know the answer to that, no.

17 Q. (BY MR. CURRY) And you don't know specifically  
18 who in terms of the annual reports would typically ask  
19 DeGolyer and MacNaughton to prepare those reports.  
20 Correct?

21 A. My understanding is it was interaction between  
22 Chevron and -- and DeGolyer and MacNaughton that was  
23 reported to the trustees in their meetings with Chevron on  
24 an ongoing basis.

25 Q. And nowhere in this particular report does it

1 state that it's an update of the 2008 report. Correct?

2 A. I -- I -- well, it's a report that's dated as of  
3 six months later, so it would -- by definition, it's --  
4 it's -- it's an update from the -- from the prior report,  
5 so --

6 MR. CURRY: Objection; nonresponsive.

7 Q. (BY MR. CURRY) Does it -- is there anywhere in  
8 this report that it states that it's an -- an update of  
9 the 10/31/08 report?

10 A. (Reviewing document.)

11 The indication that I have that this would be an  
12 updated report is the sentence that "Chevron has provided  
13 the estimated costs for the work required to clear the  
14 remaining infrastructure and abandon existing wells."

15 And that is information that was not available to  
16 Chevron on the 10/31 report and why it needed to be  
17 updated. So that would tell me that it -- that it was an  
18 update.

19 Is the word "updated" used in the report? No,  
20 sir.

21 Q. Is the 10/31/08 report ref- --

22 MR. CURRY: And objection; nonresponsive.

23 Q. (BY MR. CURRY) The 10/31/08 report is not  
24 referenced anywhere in this document, is it, sir?

25 A. Not -- no, sir, not in the -- not in the --

1 Q. Nowhere is --

2 (Simultaneous speaking.)

3 A. -- report. I have -- I haven't looked at the  
4 attachments, but I didn't -- doesn't appear to be.

5 Q. It uses the date of -- of -- the -- the price  
6 deck is a different price deck. Correct?

7 A. Yes. It was as of 3/30- -- as of 3/31.

8 Q. It's -- it's -- the as of date is -- is not  
9 10/31/08. Correct?

10 A. That's correct.

11 Q. The as of date is not 12/31/08. Correct?

12 A. That's correct.

13 Q. The as of date is not -- is -- is a March date in  
14 '09. Correct?

15 A. That's correct.

16 Q. It's not a -- March of '09 is not year-end.  
17 Correct?

18 A. That's correct.

19 Q. It's -- it's -- the prices on March of '09 would  
20 be different from the prices on 12/31. Correct?

21 A. They were, yes, sir.

22 Q. The estimate of expense was not dated as of  
23 12/31/08. Correct?

24 A. That's correct.

25 Q. The estimate of expense changed from March of '09



1 to December -- I'm sorry -- 10/31/09. Correct?

2 A. Well, the October report was as of October 31st,  
3 2008, if that -- if that's your question.

4 Q. No. The expense -- the -- the repair expense  
5 contained a different number in -- at the end of '09, in  
6 10/31/09, than was included in this document. Correct?

7 A. By definition, it would be different.

8 Q. By definition, a number 10/31/08 may be different  
9 as well. Correct?

10 A. I'm sorry. Ask the question again.

11 Q. By definition, an estimation as of 10/31/08 may  
12 be different than March '09. Correct?

13 A. They didn't have the information in October of  
14 '08. That's why the in- -- the report was incomplete.

15 Q. But by definition, though, the number could be  
16 different. Correct?

17 A. The information -- or the number is going to be  
18 different each year because the -- the number is going to  
19 factor in what -- what occurred in the past year and  
20 project that going forward.

21 Q. But you're going to have -- but, actually, a  
22 number -- an estimation could change even from a period of  
23 10/31/08 to March of '09 as you obtained greater  
24 information and more certainty or you -- you -- and the  
25 number could go up and the number could go down?

1 A. Well, it went --

2 MR. BITTING: Objection; form.

3 Q. (BY MR. CURRY) Correct?

4 A. It went from zero to \$86 million. So clearly it  
5 changed.

6 Q. But -- but it -- and that number could have  
7 gone -- that 86 million, had you made that estimation as  
8 of 10/31/08 based on the best available data at that  
9 point, it may have been higher than 86 million, and it  
10 could have been lower than 86 million?

11 A. It was estimated to be \$86 million, which would  
12 have resulted in a zero value, which is a terminating  
13 event for the trust.

14 MR. CURRY: Objection; nonresponsive.

15 Q. (BY MR. CURRY) What I'm saying is, is an  
16 estimate that was prepared, if it had been prepared -- you  
17 can't say what the number would have been on 10/31/08.  
18 It -- it could have been different than what was  
19 ultimately incorporated into this number based on the best  
20 available data at that point?

21 A. An engineering report is, by definition, an  
22 estimate, always is an estimate. The numbers are going to  
23 change between any two periods of time.

24 Q. To your knowledge, have you ever seen an estimate  
25 that's dated as of October 31st, ten thou- -- 2008?

1 A. In this case?

2 MR. BITTING: Objection; form.

3 Q. (BY MR. CURRY) Yes.

4 A. Well, there was a -- there was a incomplete  
5 report that was filed as of 10/31/2008, yes.

6 MR. CURRY: Objection; nonresponsive.

7 Q. (BY MR. CURRY) I'm just speaking, have you --  
8 have you seen an actual estimate of expense, repair  
9 expense, as of 10/31/08?

10 A. Oh, no, sir. They didn't -- they didn't have it  
11 as of 10/31/08.

12 Q. And you've not seen one that's been prepared in  
13 connection with this case. Correct?

14 A. I have walked through what it would look like  
15 with Mr. Wiggins, if that -- so we -- we've done -- we've  
16 been through that exercise, yes, sir.

17 Q. But you've not -- it's not -- it's not on any  
18 type of a write -- written document that was prepared at  
19 the -- at the time of the events. Sometime in the '08/'09  
20 time period, have you seen anybody that's calculated the  
21 anticipated repair costs as of 10/31/08?

22 MR. BITTING: Objection; form.

23 A. Your -- your question -- I'm sorry, but your  
24 question doesn't make sense to me because as of  
25 10/31/2008, they had not completed their estimate of

1 expenses. By 3/31 -- but by the 3/31 report they had --  
2 they did have their estimate of expenses which was  
3 included in the 3/31 update. They also knew what had been  
4 spent between 10/31/08 and 3/31/09, which would have been  
5 included in that report.

6 So I'm -- I'm confused by your question.

7 MR. CURRY: Objection; nonresponsive.

8 Q. (BY MR. CURRY) You've never seen an expense  
9 estimate prepared dated as of 10/31/08. Correct?

10 A. I said no, I did not.

11 MR. BITTING: Objection; form.

12 A. They didn't have it.

13 MR. CURRY: Let's take a lunch break.

14 MR. BITTING: Okay.

15 THE VIDEOGRAPHER: We are going off the  
16 record at 12:43.

17 (Break.)

18 THE VIDEOGRAPHER: We are back on record at  
19 13:41.

20 (Exhibit 69 was marked.)

21 Q. (BY MR. CURRY) Let me show you Exhibit 69. This  
22 is a typical what I'll call meeting of trustee package.  
23 Correct?

24 A. Yes, sir.

25 Q. And on most of the packages, if not all -- and

1 the packages will speak for themselves -- the first item  
 2 on the agenda is an operational review by Chevron.  
 3 Correct?

4 A. Yes, sir.

5 Q. Chevron would actually have a person participate  
 6 in the trustee meetings. Is that correct?

7 A. That's my understanding.

8 Q. Have you spoken to anyone with Chevron regarding  
 9 this matter?

10 A. No, sir, I have not.

11 Q. Do you know what the communications were beyond  
 12 what's stated in the minutes of any particular meeting by  
 13 any of the Chevron representatives that participated in  
 14 these meetings?

15 A. Only to the extent that Mike Ulrich -- Mike  
 16 Ulrich in his deposition made reference to a couple of  
 17 things that -- that Chevron said, but beyond that, no.

18 Q. And is it reasonable for the trustees to ask  
 19 representatives of Chevron to attend the meetings?

20 A. Yes, it is reasonable for them to.

21 Q. And Exhibit No. 70 is the package for March 23rd,  
 22 2009. Is that correct?

23 (Exhibit 70 was marked.)

24 A. Yes, sir, it is.

25 Q. (BY MR. CURRY) And if you'll go to -- do you

1 know who prepared this package?

2 A. I believe from the -- from Mike Ulrich's  
3 deposition, that it was prepared by the Bank of New York  
4 people.

5 MR. BITTING: Do you have another copy,  
6 Greg?

7 MR. CURRY: Yeah.

8 Q. (BY MR. CURRY) Go to the Page 11 -- I'm not sure  
9 if it's Page 11 -- if all the pages are numbered, but it's  
10 the one that has Page 11 which is the December 2008  
11 minutes?

12 A. Yes, sir, I see that. By the way I notice these  
13 are not Bates stamps. I'm assuming they are the same ones  
14 that have been produced in the case.

15 Q. Yeah. I'm not even sure how I got -- I think the  
16 first page is Bates-stamped -- I think these are native,  
17 potentially, and that's the reason that only the first  
18 page is --

19 A. Okay. I'd just like to point that out.

20 Q. -- is Bates-stamped.

21 The first page on both of the documents is  
22 Bates-stamped. Correct?

23 A. This one, the March is, as is the December, yes.

24 Q. And if you can just go to Page 11?

25 A. Yes, sir.

1 Q. And this is the minutes from the December 17th,  
2 2008, meeting. Is that correct?

3 A. Yes, sir, it is.

4 Q. You'll note that there is a notation that a Wyn  
5 Smith and a Dustin Oslund attended on behalf of Deloitte  
6 Touche. Do you know what Deloitte Touche's role was with  
7 the trust?

8 A. I believe that they were the accountants for the  
9 trust.

10 Q. And you note that a Lance Schuler was present  
11 from Andrews & Kurth?

12 A. Yes, sir.

13 Q. And that would be the attorneys for the trust.  
14 Is that correct?

15 A. Andrews & Kurth was counsel for the trust, yes,  
16 sir.

17 Q. And -- and it's reasonable for the trustees to  
18 rely upon guidance and advice of both an accountant and of  
19 a -- an attorney. Correct?

20 A. To the extent --

21 MR. BITTING: Objection; form.

22 A. To the extent relying on -- to the extent that --  
23 that advice is dispensed it would be reasonable to -- and  
24 it was reasonable, it would be reasonable to rely on it.

25 Q. (BY MR. CURRY) In fact the trust agreement

1 provides for that. Correct?

2 A. It gives them --

3 MR. BITTING: Objection; form.

4 A. -- the ability to rely on credible counsel.

5 Q. (BY MR. CURRY) And you have no reason to dispute  
6 that Deloitte's a credible counsel in terms of an  
7 accounting firm?

8 A. They are a well-respected --

9 MR. BITTING: Objection; form.

10 A. -- accounting firm.

11 Q. (BY MR. CURRY) Any -- any action or inaction  
12 taken by Deloitte in your review in this case that you're  
13 critical of?

14 A. No, sir. But frankly, I'm not sure I've seen any  
15 documents that Deloitte was involved with, so...

16 Q. Do you know, in terms of the roles that was  
17 played by the four trustees in terms of oil and gas  
18 expertise, whether that was brought to bear by the  
19 corporate trustee, the bank, or by the three individual  
20 trustees?

21 MR. BITTING: Objection; form.

22 A. I can only base an answer on -- on what I've seen  
23 from the documents that have been provided, and that is  
24 that the Bank of New York did the majority of the work and  
25 received the majority of the compensation. So I'm



1 presuming that they did the majority of the work.

2 The individual trustees you've indicated have an  
3 oil and gas background, so I would expect them to bring  
4 that to the table once they elect to -- to serve as  
5 trustee. So -- but -- but I would also expect the -- the  
6 trustee -- one is not supposed to have more or less input  
7 than -- than another. But, again, it appears to me that  
8 Bank of New York does the majority of the work.

9 (Exhibit 71 was marked.)

10 Q. (BY MR. CURRY) Exhibit 71. Was this the  
11 Andrews & Kurth document that you were referring to  
12 earlier today in terms of --

13 A. Yes, sir, it's one of them. I want to say there  
14 may have been more than one outline, and I couldn't tell  
15 whether they were the same outline for -- for multiple  
16 e-mails or whether they were slightly different and had  
17 different dates, but this is certainly one of them.

18 MR. BITTING: Could I get a copy of that  
19 one?

20 MR. CURRY: (Hands document to Mr. Bitting.)

21 Q. (BY MR. CURRY) Going now to Exhibit 71.

22 A. Thank you.

23 Q. Did you -- have you gone through and considered  
24 the various alternatives that were presented in this  
25 document?

1           A. Yes, sir, I've been through them.

2           Q. Is there any of the options that you see that  
3 have been set forth that you disagree with as an option?

4           A. Only to the extent that I have to qualify an  
5 answer by saying I don't know whether or not Andrews &  
6 Kurth was aware of the March 31st report. And so to the  
7 extent that they didn't have that information then they  
8 wouldn't have had everything available on which to base  
9 alternatives. So I don't know whether that was factored  
10 into their evaluation of alternatives or not.

11          Q. Setting that issue aside, is there -- do you have  
12 any criticisms of these various options?

13          A. I -- I don't have criticism, no. I think they  
14 are reasonable considerations of alternatives that were  
15 available to the trustee. I don't know that it's all  
16 encompassing, but what's here is -- is certainly viable,  
17 again, to the extent that they had all of the information  
18 available to the trustee.

19          Q. You'll agree with me that a trustee would face  
20 exposure, potentially, if it wrongfully terminated a trust  
21 early?

22                   MR. BITTING: Objection; form.

23          A. If you've wrongfully terminated a trust there is  
24 potential liability, yes, sir.

25          Q. (BY MR. CURRY) In fact if, for example, in this

1 instance, the -- the threshold of 2 million had not been  
2 met, and, in fact, it's 2 point million and 1 dollar, the  
3 trust did not automatically terminate. Correct?

4 A. Not if they receive a credible evaluation from an  
5 independent engineer saying that it's worth \$2,000,001.  
6 Or \$2 million for that matter, because I think the  
7 language is less than 2 million.

8 Q. And if -- if -- if the trustees treated a  
9 scenario of an automatic termination having occurred in  
10 the \$2,000,001 -- I'll use that so we don't have to go  
11 back to the trust document and read it precisely -- and,  
12 in fact, that hadn't occurred, they could face exposure  
13 for that. Correct?

14 MR. BITTING: Objection; form.

15 A. Well, if their -- if they had a credible report  
16 that said it was worth \$2,000,001, that would not qualify  
17 as a terminating event.

18 Q. (BY MR. CURRY) And not qualifying as a  
19 terminating event would create exposure if they treated it  
20 as a terminating event. Correct?

21 A. If they treated a --

22 MR. BITTING: Objection; form.

23 A. -- nonterminating event as a terminating event,  
24 they would face exposure, yes.

25 Q. (BY MR. CURRY) And, in fact, the way of -- to --

1 to -- the -- the method outlined in the trust agreement to  
2 terminate absent the \$2 million threshold is through -- by  
3 vote. Correct?

4 A. By calling a vote of the unit holders.

5 Q. Yes, sir.

6 MR. BITTING: Objection to form that last  
7 one.

8 Q. (BY MR. CURRY) The -- assume with me  
9 hypothetically that a vote is called and the -- the trust  
10 does not receive sufficient amount to -- to terminate.  
11 What's the effect of that?

12 A. That --

13 MR. BITTING: Objection; form.

14 A. -- it would --

15 THE WITNESS: I'm sorry?

16 MR. BITTING: Objection; form.

17 A. That it would not terminate with respect to the  
18 second option available to the trustee to terminate the  
19 trust.

20 Q. (BY MR. CURRY) But the trustee didn't have -- if  
21 the trustee still believed that it was in the best  
22 interest of the trust to terminate, would it have the  
23 option to then go to court?

24 A. Yes, sir.

25 Q. And if it went to court and was faced with the

1 prospect of a negative vote, historically, what's the  
2 likelihood that the court would allow a termination?

3 MR. BITTING: Objection; form.

4 A. I'm not sure I understand the question. Would  
5 you mind re- -- restating?

6 Q. (BY MR. CURRY) Assume with me that the vote --  
7 that they don't obtain sufficient votes --

8 A. Yes, sir.

9 Q. -- to terminate, and then they -- but they still  
10 believe that it's in the best interest to terminate.

11 A. Yes, sir.

12 Q. And they go to court. Is a court likely to  
13 overrule the vote of the trust if it's taken place?

14 MR. BITTING: Objection; form.

15 A. I don't know that I can answer whether it's  
16 likely or unlikely. It would be based on the facts and  
17 whether or not there were changed circumstance with  
18 respect to the trust. The judge would have to take that  
19 into consideration and would rule accordingly. I don't  
20 know that the non-vote would be determinative one way or  
21 the other. Or that the failed vote would be determinative  
22 one way or the other.

23 Q. (BY MR. CURRY) I know it's your position that  
24 the trust terminated at or about sometime in 2008, 2009?

25 A. Yes, sir.

1           Q. Whatever the date is, the date is. Assume with  
2 me that that, in fact, is not -- did not happen. Were  
3 these alternatives viable, as set forth in the Andrews &  
4 Kurth memo, for the trust to consider?

5           A. Sale, borrowing, termination, issuing in equity,  
6 cost saving, audit insurance, and specialized growth.

7           I don't believe that all of them are things that  
8 the trustee should consider, but I agree that each is an  
9 alternative that is available.

10          Q. And to some degree the trustees have to make a  
11 business judgment in terms of which one to consider or not  
12 to consider. Correct?

13          A. No, sir. I don't believe it's a business  
14 judgment. I think the trustee needs to conform with its  
15 fiduciary obligations under the terms of the trust  
16 agreement and be sure that it's not breaching any of its  
17 fiduciary duties.

18          Q. Following that -- whatever duties are set forth  
19 in the trust agreement, the trustees can make a judgment  
20 as to which of these options to consider. Correct?

21                 MR. BITTING: Objection; form.

22          A. The trustee can evaluate each of these options  
23 and I believe that some are viable, and some should be  
24 rejected, because I believe that some would result in  
25 breaches of trust.

1 Q. (BY MR. CURRY) Do you know if, for example,  
2 borrowing was something that -- that the loans that were  
3 provided by the bank to the trust, whether or not the  
4 trust received counsel from Andrews & Kurth that that was  
5 an appropriate step?

6 A. I have not seen anything where they have given  
7 advice that that was something that they should do, if  
8 that's your question.

9 Q. Do you have any belief that -- whether or not  
10 there is any advice given one way or another on that  
11 particular point?

12 A. Well, I know that they spelled it out as an  
13 alternative in -- in November of 2010. The first  
14 borrowing was in either late '10 or early '11, as I  
15 recall, the \$300,000 borrowing. I could be wrong on the  
16 date. I don't have any information available to me as to  
17 whether Andrews & Kurth gave them advice as to whether  
18 that was appropriate or not. I know that in my opinion it  
19 was not appropriate.

20 Q. Do you know if the -- whether it was  
21 appropriate -- well, let me just ask this.

22 I assume your -- your position is, is it was  
23 inappropriate to loan the money. Rather, the asset should  
24 have been sold completely by then. Correct?

25 A. Well, I believe the trust had terminated.

1 Q. Well, understood. But -- but if the trust needed  
2 cash to continue, and absent a loan, it had to find that  
3 cash somewhere. And by that, you still had a winding-up  
4 period of time. Correct?

5 A. Not -- not in the way that the trustee elected to  
6 go forth. If you are offering a hypothetical is are there  
7 circumstances where borrowing might have been appropriate,  
8 I would answer that, yes, there are circumstances where it  
9 might have been, but in -- as to how they did it, I don't  
10 believe that it was.

11 Q. When did the borrowing -- the first borrowing  
12 take place?

13 A. As I just indicated, I believe it was in 2000- --  
14 let's see. There was an initial borrowing of \$300,000,  
15 and I cannot recall now whether it was in 2010 or 2011.

16 Q. If, in fact, the trust did not terminate,  
17 borrowing is not -- is actually authorized by the trust  
18 document. Correct?

19 A. The trustee has the power to borrow, but it has  
20 to exercise that power in accordance with its fiduciary  
21 duties. And so you have to measure one against the other.  
22 Neither is an absolute.

23 Q. And but -- but it has -- the trust document  
24 provides that it's permissible. Correct?

25 A. They have the power to borrow, yes, sir.



1 Q. It's permissible under the trust document.

2 A. No, sir. I wouldn't use the word "permissible."  
3 I disagree with you. They have the power to borrow in  
4 accordance with their fiduciary responsibility. That  
5 doesn't make it permissible.

6 Q. The -- the borrowing was approved by all four  
7 trustees. Correct?

8 A. Presumably. I don't -- I can't tell you that  
9 definitively.

10 Q. Go to the minutes, the December 2010 minutes.

11 A. December 2010.

12 Q. Did I give you those?

13 A. I have December 2008.

14 Q. Let me give you December 2010.

15 A. And I have March 2009.

16 Q. Mark Exhibit No. 72.

17 (Exhibit 72 was marked.)

18 Q. I thought I had already given you that. If  
19 you'll go to the minutes.

20 MR. BITTING: Can I get a copy?

21 MR. CURRY: Unfortunately, somehow I only  
22 got -- with this particular document I think I only got  
23 two copies, or I've stuck one somewhere.

24 MR. BITTING: Let's make a note of what it  
25 is.

1                   MR. CURRY: I thought I had given him one.  
2     That's the reason I'm...

3                   Q. (BY MR. CURRY) Go to Page 8.

4                   A. Yes, sir.

5                   Q. You'll agree with me that under "Other Business"  
6     there was a discussion between -- of the trustees  
7     regarding the status of the underlying properties, the  
8     income and expenses, the status of the trust's net  
9     profits, and the special cost escrow, and the liquidity  
10    and capital resources of the trust, and certain  
11    alternatives available to the trust for the provision of  
12    funds to pay the liabilities of the trust. Do you see  
13    that?

14                  A. Yes, sir, I do.

15                  Q. Do you know if there was a discussion at this --  
16    at this meeting that resulted in the preparation of the  
17    November 2010 Andrews & Kurth memo?

18                  A. All I know is what is reflected in this document.  
19    I don't know what it might have caused to her.

20                  Q. Do you know if the -- at the -- the -- whether or  
21    not there was a discussion in the December meeting of a --  
22    of the various options set forth in the Andrews & Kurth  
23    memo?

24                  A. All I know is what's reflected in these minutes.  
25    So if it's not reflected in the minutes, I don't know it.

1           And I also don't know whether the March 2009  
2 report was factored in to the thinking at this point or  
3 any other.

4           Q. Do you know if the March 2009 report is  
5 referenced in any of the minutes -- I'm sorry -- in any of  
6 the corporate packages?

7           A. Yes, sir. It is -- it is referenced in the  
8 June -- well, it's referenced indirectly in the  
9 June packet and directly in the September packet.

10          Q. And then when you say "directly," it's  
11 actually -- the words -- the March 2009 report are --

12          A. The D&M March 2009 report.

13          Q. Let's go back to your report. Go to Page 3. And  
14 there is a discussion of the Arena farmout.

15          A. Yes, sir.

16          Q. Do you know what discussions were provided by  
17 Chevron in relation to -- if any, of the Arena farmout,  
18 during any of these meetings when Chevron was present as  
19 to whether or not it was contemplating a farmout to Arena  
20 or anyone else?

21          A. The only thing that I am aware of is -- is  
22 twofold. One, Mr. Ulrich, in his deposition, testified  
23 that he was not aware of the farmout until after it  
24 occurred. And then there is correspondence notifying the  
25 trustee of the farmout, which I think is dated in 2011, as

1 I recall. So in any event it was after the point of the  
2 farmout.

3 Q. But it's fair to say that a Chevron  
4 representative was present at each and every one of these  
5 meetings. Correct?

6 A. I haven't been through each one to verify. But  
7 there's certainly -- there was certainly a Chevron  
8 representative available at the ones that we've looked at.

9 Q. Did you review the December 31st, 2009 10-K that  
10 explained that working interests like Chevron were free to  
11 enter into farmout agreements, whereby working interest  
12 owner would transfer a portion of its interest unburdened  
13 by the net profit interests while retaining a lesser  
14 interest burden by the royalty interest, in return for the  
15 obligation to drill a well on the royalty properties. Do  
16 you recall that?

17 A. Are -- if you're reading directly from -- from  
18 the report, I -- I did look at that. So I would have seen  
19 that, and I'm certainly aware that Chevron had that  
20 ability.

21 Q. The -- the -- the -- the trust benefitted by the  
22 Arena farmout in at least two ways. The first is, is that  
23 at least a portion of the remaining reserves on Eugene  
24 Island 339, subject to the net profits interest, would be  
25 produced in the future. Correct?

1 MR. BITTING: Objection; form.

2 A. I -- I don't believe that the trust benefitted in  
3 any way from the -- from the farmout.

4 Q. (BY MR. CURRY) Well, in fact, Chevron agreed to  
5 participate in a joint well with Arena in 2014, which  
6 meant that all of Chevron's interest in that well would be  
7 subject to the net profits obligation. Correct?

8 A. That's from the 2014 report, as I recall. Again,  
9 I don't believe that they benefitted from the farmout,  
10 which is what we were talking about.

11 Q. Well, the farmout was -- it was a joint well with  
12 Arena. Correct?

13 A. The one you're referencing now is. The original  
14 wells were not joint well -- the original farmout did not  
15 include joint wells.

16 Q. Well, the -- you understand how a farmout works.  
17 Correct?

18 A. Yes, I do.

19 Q. And -- and that -- that -- that -- that the --  
20 you can elect to participate in some and not some. And  
21 the fact that the -- the -- the farmout allowed for at  
22 least some portion of the Eugene Island reserves to be --  
23 for the trust to participate in the future of those  
24 reserves in those situations where Chevron participated in  
25 a well. Correct?

1 A. I do not agree with that statement. No, sir.

2 Q. You'll agree that Arena, as the farmee, was --  
3 had to pay the cost of redevelopment of Eugene Island 339.  
4 Correct?

5 A. Under the terms --

6 MR. BITTING: Objection; form.

7 A. -- under the terms of the farmout they were --  
8 they were responsible for the expense of drilling a well.  
9 Yes, sir.

10 Q. (BY MR. CURRY) Under the general partnership  
11 agreement with Chevron, Chevron was not obligated -- was  
12 not prohibited from farming out to Arena or to anyone  
13 else. Correct?

14 A. They were not prohibited from doing so. No, sir.

15 Q. In fact, in royalty trusts you've seen farmouts  
16 occur for other royalty trusts. Correct?

17 A. There is -- there is no criticism of Chevron for  
18 farming out the interest.

19 Q. There's no -- and the -- and the -- and the trust  
20 agreement specifically incorporated the partnership  
21 agreement. Correct?

22 A. Yes, that's correct. There is no criticism of  
23 Chevron. That's not where the criticism lies.

24 Q. Well, my point is, sir, is there -- Chevron  
25 farmed out to Arena. Correct?

1 A. That's correct.

2 Q. The -- the trust agreement incorporates the  
3 partnership agreement. Correct?

4 A. Correct.

5 Q. The partnership agreement allows a farmout to  
6 occur?

7 A. Yes, sir.

8 Q. There is -- there is nothing that the trust can  
9 do to prohibit Chevron, if it makes the judgment to farm  
10 out, from farming out?

11 A. Ultimately no, but the -- the trustee does have a  
12 duty to investigate, particularly in a situation  
13 catastrophic, such as the -- what happened with Hurricane  
14 Ike, and that's where conversations with Chevron should  
15 have been taking place, not -- not with respect to the  
16 farmout.

17 MR. CURRY: I'm going to object as to  
18 responsiveness. Can you read my question back?

19 (Discussion off the written record.)

20 Q. (BY MR. CURRY) Chevron was free to farm out,  
21 under the terms of the trust -- the partnership agreement  
22 that's incorporated in the trust agreement. Correct?

23 A. Chevron had the ability to farm out. Yes, sir.

24 Q. And in terms of the communication -- in -- in  
25 terms of whether Chevron withheld from the trust during

1 its quarterly meetings the fact that it was farming out,  
2 you don't know one way or another. Correct?

3 A. I don't know whether Chevron withheld that  
4 information or not. No, sir.

5 Q. But you certainly know, and you've seen evidence  
6 that -- that -- that the operational aspects of the  
7 properties are being discussed with Chevron at each and  
8 every one of these meetings. Correct?

9 A. Chevron participated in each of the meetings, and  
10 I know that what is reflected in the minutes was  
11 discussed, so to that -- to that extent, yes.

12 Q. And that's operational aspects of the properties.  
13 Correct?

14 A. It appears so, yes.

15 Let me re- -- I believe that most of the  
16 conversations were from an accounting perspective, rather  
17 than from an operational perspective.

18 Q. Look at the minutes that you have in front of you  
19 and see what it says as to what the role is for Chevron in  
20 the -- in the meetings.

21 A. (Reviewing document.)

22 I -- I don't see the -- I see operations by  
23 Chevron and that Ms. Cruz-Partida reviewed and discussed  
24 the information contained in the third-quarter reports,  
25 and that's why I believe it's primarily accounting.



1 Q. Go to the agenda.

2 A. "Operations Review by Chevron."

3 Q. Do you know if there was -- do you know what that  
4 entailed, whether it was just going over the balance  
5 sheets that are included or the financial statements that  
6 are included or whether it's a discussion of the  
7 challenges that they're having and any other issues  
8 they're having and the potential things that are going on  
9 on -- particularly in the proposed Ike situation?

10 MR. BITTING: Objection; form.

11 A. That would depend on -- Yesenia Cruz-Partida's  
12 role with -- with Chevron, and I -- I don't know what that  
13 is. I know that what's attached is primarily accounting  
14 information, which also includes cost estimates, so  
15 presumably cost estimates were discussed as well.

16 Whether she is an accounting operations person or  
17 whether she is a -- a -- an oper- -- an offshore engineer  
18 that can discuss, you know, drilling activities, I -- I  
19 don't know the answer to that.

20 Q. (BY MR. CURRY) And -- and you -- but you don't  
21 know exactly what was told and what wasn't told and what  
22 was discussed and what -- what -- what each of these four  
23 trustees took into account vis-à-vis the Arena farmout.  
24 Correct?

25 A. All I know is what's reflected in the minutes

1 with respect to these meetings.

2 Q. In terms of the -- in your experience, it's  
3 not -- trust- -- trustees, at times, obtain insurance to  
4 protect themselves. Correct?

5 MR. BITTING: Objection; form.

6 A. Trustees do sometimes obtain insurance, yes, sir.

7 Q. (BY MR. CURRY) And there's nothing nefarious  
8 about obtaining insurance, is there?

9 MR. BITTING: Objection; form.

10 A. As -- as a general matter, no.

11 Q. (BY MR. CURRY) Well -- and, in fact, if -- if a  
12 trust corpus is -- as it's becoming smaller in a  
13 liquidating trust, the need for insurance becomes actually  
14 greater, does it not?

15 MR. BITTING: Objection; form.

16 A. No, sir. I'm not sure I -- I agree with the --  
17 with the premise of the question. It was -- it was the  
18 timing of purchase of the insurance in this case that gave  
19 me some pause.

20 Q. (BY MR. CURRY) Well, let's -- let me -- trustees  
21 under the terms of a trust agreement have some ability for  
22 indemnification from the trust. Correct?

23 MR. BITTING: Objection; form.

24 A. Yes. There are -- are clauses which can limit  
25 the liability of a trustee subject to certain limitations

1 in the trust code.

2 Q. (BY MR. CURRY) And if -- if -- if there's the --  
3 the smaller the -- the size of the trust is, the corpus of  
4 the trust, the -- the -- the funds in the trust, the --  
5 the -- the less likelihood that there will be funds to pay  
6 a -- an indemnity obligation as an example. Correct?

7 MR. BITTING: Objection; form.

8 Q. (BY MR. CURRY) Just -- I think I'm just doing  
9 math.

10 A. I'll -- I'll certainly agree with you that  
11 there's less money available to pay. If there is less  
12 money in the trust, there's less money available to pay  
13 out. That -- that is obvious math, yes.

14 Q. And the -- the -- the individual trustees in  
15 particular are going to have the -- you want to have as  
16 qualified people serving in those capacities as possible.  
17 Correct?

18 A. You would want --

19 MR. BITTING: Objection; form.

20 A. You would want qualified people as -- as -- to  
21 serve as co-trustees, yes.

22 Q. (BY MR. CURRY) And in order to service  
23 co-trustees, individuals may want to have -- ensure that  
24 there is going to be assets available to provide for the  
25 indemnity that may be needed for the -- the role they're

1 playing as trustees in a trust. Correct?

2 A. I don't --

3 MR. BITTING: Objection; form.

4 A. I don't believe that there is an indemnity that  
5 is available to the trustees here, so I would -- I  
6 would -- I -- I take exception with your -- with your use  
7 of the term "indemnification."

8 Q. (BY MR. CURRY) I'm not asking you about what's  
9 happened here. I'm speaking about in terms of -- of -- a  
10 trust wants to have qualified trustees. Correct?

11 A. Yes, I agree with that.

12 Q. And -- just like a board of directors wants to  
13 have qualified board members. Correct?

14 A. Correct.

15 Q. And board off- -- board -- many, many companies  
16 obtain director and officer insurance for their boards.  
17 Correct?

18 A. That's correct.

19 Q. And -- and some people won't serve on a board if  
20 they don't obtain D&O insurance. Correct?

21 A. I agree with that, yes.

22 Q. And particularly if it's a -- if it's a company  
23 that's undercapitalized, you're going to be less likely to  
24 serve on a board that's undercapitalized without D&O  
25 insurance certainly than one that's -- that's Exxon.

1 Correct?

2 MR. BITTING: Objection to form.

3 A. That's potentially true, yes, sir. But, again, I  
4 was taking exception with the -- you -- word  
5 "indemnification." That's where I had a concern.

6 MR. CURRY: Objection; nonresponsive. Move  
7 to strike.

8 Q. (BY MR. CURRY) It would be -- do you not believe  
9 that it would be imprudent to attempt to sell the reserves  
10 in this case, the assets, at a time when some of the  
11 assets were shut in after one of the most -- after the  
12 most costly hurricane in the United States' history?

13 A. Help me with your question. You said --

14 Q. I'll start all over.

15 A. -- do you not believe --

16 Q. I'll start over.

17 A. Okay.

18 Q. I'll rephrase it.

19 You'll agree with me that production from the  
20 most significant properties involved in this trust as they  
21 existed in October 2008 have been interrupted and revenue  
22 had dropped substantially as a result of the hurricane?

23 A. That's correct, yes, sir.

24 Q. Until production was reestablished at Eugene  
25 Island, a potential purchaser would give little, if any,

1 value to the Eugene Island assets. Correct?

2 A. No, sir. I can't --

3 MR. BITTING: Objection; form.

4 A. I don't -- I don't know that that is an accurate  
5 statement.

6 MR. BITTING: Objection; form.

7 Q. (BY MR. CURRY) Well, you'll agree with me that  
8 the fact that -- so it's your position that -- that --  
9 that potential bidders would place significant value on  
10 the Eugene Island reserves even though they were shut in?

11 A. Potentially, yes.

12 Q. And the reason that they -- a potential bidder  
13 would place significant value on the Eugene Island  
14 reserves is because they believe that they'd be able to  
15 ret- -- make a return on their investment. Correct?

16 A. Correct. Yes, sir. And that they would -- it  
17 would be taken outside the overlay of the expense  
18 associated with the trust.

19 Q. And -- and so the -- the -- a bidder, even in  
20 those situations, would potentially see an upside, but --  
21 you're not going to invest money in something unless you  
22 think you can make money. Right?

23 A. Different investors are going to have different  
24 parameters, and the value is going to be -- their  
25 assessment of value is going to be based upon their

1 individual parameters, and some could be extremely  
2 optimistic, some very pessimistic.

3 Q. But those that -- the highest bidder typically --  
4 typically would be the most optimistic?

5 A. Or the one with the best information.

6 Q. The most typical bidder in these situations would  
7 be the actual operator of the properties. Correct?

8 A. That would be certainly someone that you would  
9 include in your -- in your bid list, yes.

10 MR. BITTING: Objection; form.

11 Q. (BY MR. CURRY) It's your opinion, in fact, it  
12 would be the -- the most -- typically, that would be  
13 the -- the -- the most typical buyer?

14 MR. BITTING: Objection; form.

15 Q. (BY MR. CURRY) Haven't you testified to that  
16 previously?

17 A. In -- I believe that the most likely buyer should  
18 include the operator of the property. I have testified to  
19 that before, and I do believe that to be true.

20 Q. And that's -- that's the -- that's the -- kind of  
21 your -- that's the low-hanging fruit, for lack of a better  
22 word?

23 MR. BITTING: Objection; form.

24 A. In -- in many cases, it is, absent any other  
25 considerations with regard to conflicts and that sort of

1 thing.

2 Q. (BY MR. CURRY) And in the -- in the 2009 time  
3 period, the Arena farmout tells you that -- that -- that  
4 your low-hanging fruit's potentially not available in this  
5 case. Correct?

6 MR. BITTING: Objection.

7 A. I'm sorry. Would you say that again?

8 Q. (BY MR. CURRY) In the 2009 time period, the  
9 low-hanging fruit was not there because Chevron would  
10 probably have very little interest in acquiring this asset  
11 because it was, in fact, looking for somebody to farm out  
12 at this time period. Correct?

13 A. No, sir. I don't --

14 MR. BITTING: Objection; form.

15 A. I don't agree with that statement at all.

16 Q. (BY MR. CURRY) Well, in fact, Chevron was  
17 looking to farm out. Correct?

18 A. Because of the outstanding net profits interest  
19 is -- is my -- is the reason that I believe that to be  
20 true.

21 Q. You don't have any clue why Chevron was looking  
22 to farm it out?

23 A. Yes, sir, I do. I mean, the economics are -- are  
24 readily apparent. It's -- there's -- there's no  
25 speculation involved there. Their potential return on



1 investment with the outstanding net profits interest is  
2 much less than without the net profits interest.

3 Q. Had Chevron not farmed out, would they have  
4 acquired this interest?

5 MR. BITTING: Objection; form.

6 A. I believe that they were a -- were certainly a  
7 potential bidder that would have been interested.

8 Q. (BY MR. CURRY) Do you -- do you know if Chevron  
9 ever approached the trustees and said, "Hey, look, we're  
10 thinking about farming out. You know, rather than do  
11 that, can we just buy you out"?

12 A. I would hope -- I would have thought that those  
13 conversations would take place initiated by the trustee,  
14 but I've seen no evidence that it occurred from either  
15 direction.

16 Q. On what date, exclamation point, did this trust  
17 terminate?

18 A. I'm sorry. "Exclamation point." I don't know --

19 Q. Fill in the bank.

20 A. I -- I believe the --

21 MR. BITTING: Objection; form.

22 A. -- that there was a -- that the information was  
23 available for the trust to terminate as of 3/31/2009. I  
24 believe that the trustee should have asked for an as of  
25 report for 12/31/2008. But I believe that based on a

1 combination of the 10/31 report and the 3/31 report, that  
2 the trust terminated.

3 MR. CURRY: Objection; nonresponsive.

4 Q. (BY MR. CURRY) Fill in the bank.

5 A. 12/31/2008 is the first date, I believe, that --  
6 you could reasonably infer other dates as well, but that  
7 is the primary date.

8 MR. CURRY: Objection; nonresponsive.

9 Q. (BY MR. CURRY) I said, "Fill in the blank." I  
10 didn't ask for everything after you fill in the blank.

11 A. I believe there could be multiple dates then --

12 MR. BITTING: Objection; form.

13 A. -- is the answer to your question.

14 Q. (BY MR. CURRY) Okay. Give me every date that  
15 the trust terminated.

16 A. 10/31/08, 12/31/08, and upon receipt of the 3/31  
17 report, which ostensibly was in May.

18 Q. Which of those dates is the end of the year?

19 A. 12/31.

20 Q. Is that the only one that's the end of the year?

21 A. That is the only end-of-the-year date. That's  
22 correct. And I believe the trustee was obligated to have  
23 a value for that 12/31 period.

24 MR. CURRY: Objection; nonresponsive.

25 Q. (BY MR. CURRY) What are the sales of assets in

1 the Gulf of Mexico took place in 2009, 2010?

2 A. As -- as a general matter?

3 MR. BITTING: Objection; form.

4 Q. (BY MR. CURRY) Yeah.

5 A. I don't know.

6 Q. Any?

7 A. I -- I don't know the answer to that.

8 Q. Do you know if any took place?

9 A. I don't know the an- -- no, I don't. I don't --  
10 I don't have any information in that regard.

11 Q. Have you evaluated the values placed on the  
12 assets by RNR at any point in this case?

13 A. The values assigned by RNR?

14 Q. Correct.

15 A. No, sir, I don't believe that I have.

16 Q. Are you aware that --

17 A. Well, to the extent that I see what -- what they  
18 acquired, the interest, I -- I know that information. So  
19 I know that they made two acquisitions of the property, so  
20 I'm aware of how they valued those. Or I know what they  
21 bought them for. I don't know necessarily how they  
22 evaluated them.

23 Q. Have you seen any document -- strike that.

24 (Exhibit 73 was marked.)

25 Q. (BY MR. CURRY) Exhibit 73 is your first invoice

1 in this matter. Is that correct?

2 A. Yes, sir. This was -- well, the first invoice  
3 that I submitted. It was --

4 MR. BITTING: Thank you.

5 A. It was not paid.

6 Q. (BY MR. CURRY) Has it ever been paid?

7 A. No, sir.

8 Q. Who were you contacted by in connection with  
9 this?

10 A. Initially I spoke with Glenn Karisch in July  
11 of -- of 2016. Shortly after that I also talked with Dan  
12 Bitting.

13 (Exhibit 74 was marked.)

14 Q. (BY MR. CURRY) This is Exhibit 74, your second  
15 invoice in this matter?

16 A. Did you ask if this is my second invoice?

17 Q. Yes.

18 A. Yes, sir, it is.

19 Q. Has it been paid?

20 A. No, I don't believe. I believe that these two --  
21 these first two invoices were not paid. They were  
22 submitted together.

23 Q. Do you know when they were submitted?

24 A. I know that I heard they were not going to be  
25 paid in early December, so...

1 Q. Do you know why they weren't paid?

2 A. That -- because I had not been approved by the  
3 Court as an expert witness, is my understanding.

4 (Exhibit 75 was marked.)

5 Q. (BY MR. CURRY) Exhibit 75, is that your third  
6 invoice in this matter?

7 A. In January, yes, sir.

8 MR. BITTING: Could I get a copy?

9 MR. CURRY: Yes.

10 MR. BITTING: Thank you.

11 (Exhibit 76 was marked.)

12 Q. (BY MR. CURRY) This is Exhibit 76, your third  
13 invoice in this matter?

14 A. I think it would be the fourth, wouldn't it?

15 Q. I'm sorry. Very well could have been.

16 A. Yes, sir, it is.

17 Q. And if I -- my math is correct, in the September,  
18 October, and January bills, you'd spent a total of 13.5  
19 hours going into the work in -- I'm sorry -- going --  
20 leading up to the January work. Is that correct?

21 A. I'll trust your math. Or if you want -- you want  
22 me to verify it, I will.

23 Q. Please verify it.

24 A. And so you're talking about the --

25 Q. Prior to January, you spent --

1           A. Prior -- prior to January. Okay. So it's 5.7.  
2 That would be six, seven hours. So seven hours prior to  
3 the January invoice, yes.

4           Q. And then in January, you spent 4.7 hours before  
5 you started drafting your report. And it says -- yeah --  
6 well, I say 4.7. January 12th you started drafting your  
7 report and made this combined entry of two and a half with  
8 "Review SEC filings." Correct?

9           A. No, sir. The -- the first entry, it was not time  
10 spent by me, it was time spent by a -- an associate with  
11 our firm. If you'll look on the right-hand side you'll  
12 see PWM. And he did some research for me to get a copy of  
13 the statute that was in existence in 2- -- in 1983. And  
14 we did not charge any amount for that time because he  
15 obviously had not been approved by the court, but he did  
16 the work for me so it's reflected on the invoice.

17          Q. But what I'm saying is that this is -- this  
18 basically outlines up to the January 12th -- through the  
19 January 12th time entry of PWM, the three other invoices  
20 would basically set forth what you had done that you felt  
21 necessary to begin preparation of your report. Correct?

22          A. Well, sure, yes.

23          Q. And so basically, what you had done prior to  
24 preparation of your report, you -- you'd spoken to Dan --  
25 Mr. Bitting regarding your engagement letter in

1 September 6, 2016. You reviewed the trust agreement for  
2 half an hour in -- on September 13th, 2016. Correct?

3 A. No -- no, sir. You're -- as far as what's  
4 reflected on the bills that weren't paid, I was told that  
5 I hadn't been approved and wasn't going to have been paid,  
6 so there was time that was actually spent that's not  
7 reflected on any invoice because I wasn't going to be paid  
8 for it.

9 Then when -- when I was finally approved in -- in  
10 January, I went back and reviewed the trust agreement and  
11 began work on the report.

12 Q. What documentation were you provided to --  
13 provided prior to January that you reviewed gratis, on the  
14 house, so to speak?

15 A. There was quite a bit of documentation. Much of  
16 it was -- I believe the dates are on the -- the  
17 information date that I received them is on the  
18 information of the -- the list of documents that I  
19 received.

20 (Discussion off the written record.)

21 Q. (BY MR. CURRY) Do you know what date the Dropbox  
22 was created for you?

23 A. I don't recall off the top of my head, no, sir.

24 Q. How many hours did you spend gratis?

25 A. Round numbers, probably 10 or 12.

1 Q. What all did you do in that 10 or 12 hours?

2 A. Primarily review the documents that had been  
3 provided to me, and then the -- the way that I draft my  
4 reports is -- is obviously building from the introduction  
5 and building the facts, so the first thing that I would do  
6 in conjunction with -- with drafting my report would be to  
7 reconstruct and -- and build the important facts relative  
8 to the administration of the trust.

9 Q. So -- but assume with me that the jury is going  
10 to believe that your time sheets are the most accurate  
11 assessment of what -- how much time you spent prior to  
12 the -- beginning your report, you'll agree with me that  
13 it's about seven hours is total time you'd spent before  
14 you started drafting a report?

15 A. There was time --

16 MR. BITTING: Objection; form.

17 A. -- in addition to that, but I didn't bill for it  
18 because I knew I wasn't going to get paid for it. I had  
19 been advised that I hadn't been approved.

20 MR. CURRY: Well, objection, nonresponsive.

21 Q. (BY MR. CURRY) Your -- your -- your -- you spent  
22 seven hours -- you billed for seven hours prior to  
23 starting your report. Correct?

24 A. The time -- the time -- the invoices reflect what  
25 they reflect, so...



1 Q. And you -- what day did you execute an engagement  
2 letter?

3 A. I don't remember the exact date.

4 Q. How many depositions have you -- did you review  
5 before drafting your report?

6 A. Mike Ulrich's deposition. I believe that's the  
7 only one that I had reviewed.

8 Q. Did you indicate to your counsel that it would be  
9 important for you to also hear from any other witness  
10 before drafting your report?

11 A. Any other witness. I was interested in the input  
12 from -- from Mr. Wiggins, of course. Beyond that, I don't  
13 recall discussion about any specific witnesses.

14 (Discussion off the written record.)

15 MR. BITTING: You doing okay? Do you need a  
16 break or anything?

17 THE WITNESS: I'm good for another five  
18 minutes or so, ten minutes.

19 (Exhibit 77 was marked.)

20 Q. (BY MR. CURRY) In fact, sir, the trustees  
21 actually did approach Chevron regarding the possibility of  
22 buying out the interests, did they not?

23 A. Let me read this, please.

24 (Reviewing document.)

25 Yes. The -- the -- they offered -- they

1 effectively offered zero.

2 Q. So -- and this would have been within the time  
3 frame that you were suggesting that a sale should have  
4 taken place, correct, the 18-month window?

5 A. Yes, sir.

6 Q. And the most likely buyer of the assets,  
7 typically being the operator of the property. Correct?

8 MR. BITTING: Objection; form.

9 A. Yes, sir. And this is -- this is after the Arena  
10 farmout.

11 Q. (BY MR. CURRY) The -- but this would have been  
12 the -- but you don't know at what point in time they  
13 actually -- that Mr. Ulrich and the -- the trustees  
14 approached Chevron and said, hey, would you be interested  
15 in buying this?

16 A. Well, this is dated in October of 2010. The  
17 Arena farmout was in December of 2009. So -- and I'm  
18 presuming that it was somewhere after December of 2009 and  
19 he didn't take a year to respond.

20 Q. Do you have a -- do you know that for a fact?

21 A. Do not know that for a fact, sir.

22 Q. Do you know if, in fact, at this point that the  
23 trustees knew the Arena -- the farmout had occurred?

24 A. In fact, unfortunately, I don't believe that they  
25 did based on some information that I reviewed.

1 Q. Do you -- but Chevron, the value that they placed  
2 on it at this point in time was zero. Correct?

3 A. They -- they offered zero. Whether that's what  
4 they had it valued for I have no way of knowing.

5 Q. But that's what they offered?

6 A. That they -- what -- all I know is what Mike  
7 reflects here and that it was effectively zero.

8 Q. And -- and it would be -- that it was prudent to  
9 turn that offer down. Correct?

10 A. I would not have accepted zero. That's correct.

11 Q. Prudent to turn -- to turn it down?

12 A. Right. We -- we now know that Chevron had  
13 already farmed out the interest and didn't have any  
14 effective interest remaining in there.

15 MR. CURRY: Objection, nonresponsive.

16 Q. (BY MR. CURRY) Can you just answer my question?  
17 I mean, we've been doing this all day long and I've been  
18 very patient with you when you don't answer my question.  
19 And just -- just -- can you please just say was it prudent  
20 for them to turn this down, yes or no?

21 MR. BITTING: Objection; form.

22 A. I -- I would not --

23 MR. CURRY: And I'm sorry, Counsel, I  
24 apologize.

25 A. -- I would not have accepted a zero offer.

1                   MR. CURRY: It's been -- it gets frustrating  
2 for me, and I apologize to you and the other counsel for  
3 my shortness. And because of that, I am going to take a  
4 break. And -- and I hope -- do hope you'll accept my  
5 apologies for that.

6                   MR. BITTING: All right. Let's take a  
7 break, then.

8                   THE VIDEOGRAPHER: We are going off the  
9 record at 14:43.

10   (Break.)

11                   THE VIDEOGRAPHER: We are going back on  
12 record at 15:04.

13   (Exhibit 78 was marked.)

14           Q. (BY MR. CURRY) You've seen Exhibit 78. Correct?

15           A. Yes, I have.

16           Q. And you'll agree that the trustee -- or the trust  
17 had discussions over a period of time with Chevron  
18 regarding the status of the insurance proceeds from  
19 Hurricane -- the hurricane. Correct?

20           A. I am aware that they did, yes.

21           Q. And that they were pushing for a resolution of  
22 the insurance issue. Correct?

23           A. Yes, I'm aware that they had discussions.

24           Q. And they were pushing for resolution?

25           A. Presumably. I --

1 Q. And you haven't -- and that's a prudent step for  
2 the trust to take. Correct?

3 A. I --

4 MR. BITTING: Objection; form.

5 A. That they are talking about resolution of the  
6 insurance payments is important and is prudent to ask  
7 about, yes.

8 (Exhibit 79 was marked.)

9 Q. (BY MR. CURRY) Exhibit 79. You've seen this  
10 letter. Correct?

11 A. Yes, I have.

12 Q. And it discussed that -- the fact that Chevron  
13 had made certain dispositions on West Cameron 643 and East  
14 Cameron 371. Correct?

15 A. That's what it's addressing. Yes, sir.

16 Q. And both of those buyers had allowed the leases  
17 to expire. Correct?

18 A. Yes, sir.

19 Q. And that means they just basically let the assets  
20 go. Correct?

21 A. If they let the leases expire, then the lease is  
22 no longer valid, so nothing would be owed. Yes, sir.

23 Q. And they let the assets go?

24 A. Yes, sir.

25 Q. And this is -- Chevron didn't just -- in response

1 to that earlier October e-mail, Chevron didn't just flat  
2 say no as to the sale of the assets, did they?

3 A. I'm sorry. I'm not sure I understand the  
4 question.

5 Q. You recall the e-mail that I -- we mentioned  
6 earlier, a few moments ago, the October 29th e-mail --

7 A. Yes, sir.

8 (Simultaneous speaking.)

9 Q. -- of the sale?

10 A. Yes.

11 Q. Chevron didn't just say no in response to that  
12 e-mail, did they?

13 A. I -- I -- I don't know what Chevron said --

14 Q. Go to the third --

15 A. -- beyond what -- beyond what's referenced in  
16 this e-mail.

17 Q. Go to the fourth paragraph of this letter.

18 A. Yes, sir. I knew that was an outstanding issue.

19 Q. Chevron at least expressed some potential for  
20 buying the interest out. Correct?

21 A. I don't see that in that paragraph. Are we  
22 talking about Exhibit 79?

23 Q. "Instead of advancing funds, Chevron will  
24 consider the proposal outlined in your October 29th, 2010  
25 e-mail."

1           A. Sir -- I'm sorry. Oh, that's the -- I'm sorry.  
2 I wasn't counting this letter as a sign [phonetic]. My  
3 apologies. My fault.

4           (Reviewing document.)

5           Okay. Yes, sir. I --

6           Q. So, in fact, the -- the -- the company with  
7 the -- at least one of the potential buyers, and likely  
8 buyers of these assets, Chevron was at least willing to  
9 consider selling. Correct? Buying. I'm sorry. Correct?

10          A. I would think that they would be willing to -- a  
11 willing buyer, yes. They were clearly considering it.  
12 There is an ele- -- an additional element that the trust,  
13 I don't believe, was aware of at this point, and that is  
14 that Chevron had significantly reduced its interest in the  
15 property.

16          Q. At least as to one asset?

17          A. Correct.

18          Q. And only one asset?

19          A. Correct.

20          Q. Out of the six?

21          A. You're right. Yes, sir. The one that produced,  
22 what, roughly 50 percent of the income.

23                 (Exhibit 80 was marked.)

24          Q. (BY MR. CURRY) It was prudent, as reflected in  
25 Exhibit 80, for the trust to continue to push Chevron on

1 the insurance issue. Correct?

2 MR. BITTING: Objection; form.

3 A. Yes, sir. The insurance settlement aspect was --  
4 was important, and it was prudent for them to pursue it.

5 Q. (BY MR. CURRY) And Chevron continued to play  
6 dodgeball, for lack of a better word, that's reflected in  
7 Exhibit 81. Correct?

8 (Exhibit 81 was marked.)

9 A. (Reviewing document.)

10 MR. BITTING: Objection; form.

11 A. Playing dodgeball, not having the information, I  
12 don't know -- I don't know what the reasoning was, but  
13 your -- yours is probably a pretty good description of it.

14 (Exhibit 82 was marked.)

15 Q. (BY MR. CURRY) Exhibit 82. It's prudent for the  
16 trust to continue to push Chevron, and also to push  
17 Chevron to consider making an offer to buy out the royalty  
18 interests. Correct?

19 A. Well, it would be a prudent thing --

20 MR. BITTING: Objection; form.

21 A. -- it would be a prudent thing to do in each of  
22 these e-mails that you have given me if, in fact, the  
23 trust had not terminated.

24 Q. (BY MR. CURRY) Well, but --

25 A. So there --



1 Q. I'm sorry. I didn't mean to interrupt you.

2 A. No. The -- you recognize that it's my position  
3 that the trust had terminated.

4 Q. I understand that.

5 A. And so as -- as an overlay to my answer on each  
6 of these, yes, it's prudent to do those things for a --  
7 for a trustee to do these things, but doing these things  
8 for a trust that should have terminated sort of offsets  
9 the prudence, if you will.

10 Q. Well, just in response to that, the step that  
11 would have been taken had the trust terminated was to sell  
12 the asset. Correct?

13 A. Over a period of time, yes.

14 Q. And -- and so the -- that step is being taken --  
15 at least they're trying to see if they can be sold to  
16 Chevron through these letters. Correct?

17 A. Some of these same steps would still have to have  
18 been taken had they terminated the trust timely. You are  
19 correct.

20 Q. And, in fact, even had they terminated the trust,  
21 they would have needed to determine whether insurance was  
22 available?

23 A. As I say, you're correct, that even had they  
24 treated the trust as terminated, some of these items  
25 would -- would still require follow-up.

1 Q. All of that would have required follow-up?

2 A. Yes, all of it would have.

3 MR. BITTING: Could I get a copy of your 81  
4 and 82?

5 (Discussion off the written record.)

6 (Exhibit 83 was marked.)

7 Q. (BY MR. CURRY) Exhibit 83 is Chevron's response  
8 to the December 22nd letter. Correct?

9 A. It is.

10 Q. And they're basically saying they don't have  
11 sufficient information yet that -- to -- to make a  
12 purchase because they're waiting on the D&M report.  
13 Correct?

14 A. Let me see if that flows naturally. Let's see.  
15 "In regard to the reserve report, they have confirmed that  
16 they have all the needed information and are currently  
17 working on the estimates."

18 I'm not sure that that's not a separate issue.

19 Q. If you'll look in the preceding correspondence  
20 from Chevron, they state that they're going to wait on the  
21 reserve report before making an offer. Or, I'm sorry,  
22 it's in the letter from the trust.

23 Well, let me just say -- the letters will speak  
24 for themselves. But are you aware that Chevron was --  
25 before making a cash offer to buy them out, was waiting on

1 the latest reserve report?

2 A. There was a reference to the reserve report.  
3 This is a January of '11. I -- I thought that the  
4 reference to it might have been earlier in 2010, so I'm  
5 not -- if there was a connection there, then you are  
6 right. I'm not -- I'm just not sure of the time.

7 (Exhibit 84 was marked.)

8 Q. (BY MR. CURRY) Exhibit 84 is a letter from the  
9 trust to Chevron regarding the potential sale process.  
10 Correct?

11 A. (Reviewing document.)

12 MR. BITTING: I don't think I have that.

13 MR. CURRY: (Hands document to Mr. Bitting.)

14 A. (Reviewing document.)

15 It -- it does ask a question with respect to,  
16 when future sale or sales of product is involved, ask  
17 Chevron to identify buyers.

18 I -- I'm not sure that I've seen this particular  
19 letter -- letter before.

20 Q. (BY MR. CURRY) So it appears that the trust and  
21 the trustees are within that 18-month -- your window of --  
22 of when the property should have been sold opened, at the  
23 earliest, of October of '08, that this would be within --  
24 I'm sorry -- October -- 12/31/08. Correct?

25 MR. BITTING: Objection; form.

1           A. It would be -- so -- well, this would be two  
2 years later.

3           Q. (BY MR. CURRY) So this would just -- would be  
4 outside your window. Correct?

5           A. It's with- -- it's without -- it's outside the  
6 window, and it also is not with all of the available  
7 facts.

8           In essence, it appears -- and, again, this is the  
9 first time I've seen this letter. But it appears to me  
10 that the trust is competing against itself in this letter,  
11 and in the meantime, Chevron has -- has farmed out the  
12 majority of its interest with respect to 339, and they're  
13 attempting to shift the burden to Chevron to come up with  
14 a number of these things that -- that -- that surprise --  
15 that -- and that surprises me with first impression.

16           And, finally, the -- the -- I believe the trust  
17 to have terminated. So this -- this letter -- I have  
18 several -- this letter raises several questions in my  
19 mind.

20           Q. Go to Paragraph 23.

21           A. Of the --

22           Q. I'm sorry. Paragraph 23 of the trust agreement.

23           A. I'm sorry. Which section?

24           Q. Paragraph 9.02.

25           A. 9.02. Oh, Page 23.

1 Q. Yeah.

2 A. Okay.

3 Q. The trust agreement actually provides for -- upon  
4 termination, gives guidance as to how a sales can take  
5 place. Correct?

6 A. Yes.

7 Q. And it -- it leaves -- it does not -- the window  
8 that the trust agreement provides is greater than the  
9 18th-month window that you've set forth in your testimony.  
10 Correct?

11 MR. BITTING: Objection; form.

12 A. Yes, sir, I've talked about the 18 months in --  
13 in the context of the three-year period provided by the  
14 trust agreement. I'm aware of what it says.

15 Q. (BY MR. CURRY) The trust agreement provides for  
16 three years. Correct?

17 MR. BITTING: Objection; form.

18 A. Yes.

19 Q. (BY MR. CURRY) This -- this -- this  
20 February 28th, 2011, letter is written within three years  
21 of the earliest of the window that you've mentioned.  
22 Correct?

23 A. It's within two years of what I believe to have  
24 been the termination date. It's just outside of two years  
25 from what I believe to be the termination date.

1 Q. That's --

2 A. It's within -- it's within the three years,  
3 but --

4 Q. My question was, was -- it's within three years.  
5 Correct?

6 A. This letter is within three years of what I think  
7 the termination date was, yes.

8 Q. Chevron would need to be involved in any sales  
9 process of these assets. Correct?

10 A. Because of the partnership overlay, I think they  
11 would need to be involved, yes.

12 Q. In fact, the partnership agreement -- and Chevron  
13 houses all the data?

14 A. Correct.

15 Q. Any buyer would -- with due diligence would have  
16 to be with the cooperation of Chevron?

17 A. I think that's true, yes.

18 Q. Chevron indicated in February of '11 the  
19 potential that they may have an interest in buying the  
20 assets for the first time. In terms of more specifically  
21 beyond just a passing interest, just saying, Chevron  
22 states that it would be interested in discussing the value  
23 and entering into possible negotiations for the  
24 properties -- and I'm now paraphrasing -- before it went  
25 on the open market.

1 A. Could you help me out? I'm looking at --

2 Q. Last paragraph.

3 A. -- Exhibit -- Exhibit 84.

4 Q. No. I'm sorry. Go to the Chevron letter, the  
5 February 28th, 2011, Chevron letter.

6 MR. CURRY: Did I not mark that?

7 (Discussion off the written record.)

8 (Exhibit 85 was marked.)

9 Q. (BY MR. CURRY) 85, Chevron indicates that it's  
10 interested in entering into possible negotiations.  
11 Correct?

12 A. (Reviewing document.)

13 I -- I'm sorry. This is the first time I've seen  
14 this. So tell me -- would you ask your question again,  
15 please.

16 MR. CURRY: Can you just repeat it?

17 (The requested material was read.)

18 A. I'm not -- I'm not sure that that's correct. It  
19 says that if the trustees have established a value,  
20 Chevron would be interested in discussing the value.

21 Q. (BY MR. CURRY) It appears that the trusts are  
22 trying to at least create some interest on behalf of  
23 Chevron's -- of acquiring the assets. Correct?

24 A. I'm -- I'm seeing these letters -- these last two  
25 letters for the first time, and I have to tell you that

1 they give me pause because they're -- they appear to be  
2 shifting the burden of -- of their responsibility to do  
3 certain things to Chevron that they should have been  
4 undertaking themselves. So I'm -- these letters concern  
5 me.

6 Q. Do you know if the -- the -- the process that's  
7 undertaken is -- because Chevron is going to be involved  
8 in the data room and have all the assets, that Chevron is  
9 going to be involved in the sales process with the trust's  
10 assets because all the information a potential buyer is  
11 going to need is housed within Chevron?

12 A. Well, Chevron --

13 MR. BITTING: Objection; form.

14 A. -- has the information -- Chevron has the  
15 information, but the trust would be entitled to that  
16 information. I think they could put together their own  
17 data room. I don't know that Chevron would have to be  
18 involved in the data room.

19 Q. (BY MR. CURRY) Go to Exhibit No. 86.

20 (Exhibit 86 was marked.)

21 Q. (BY MR. CURRY) Have you seen this letter before?

22 A. (Reviewing document.)

23 I have not seen this letter before.

24 Q. That's my only question, is have you seen this  
25 letter before?



1 A. I have not.

2 (Exhibit 87 was marked.)

3 Q. (BY MR. CURRY) Have you seen Exhibit No. 87  
4 before?

5 A. (Reviewing document.)

6 I have not, no.

7 (Discussion off the written record.)

8 (Exhibit 88 was marked.)

9 Q. (BY MR. CURRY) Have you seen Exhibit No. 88  
10 before?

11 A. (Reviewing document.)

12 MR. BITTING: Do you have another one?  
13 Greg? A copy.

14 MR. CURRY: (Hands document to Mr. Bitting.)

15 A. (Reviewing document.)

16 I did know that this had been received. I have  
17 not actually seen the letter.

18 (Exhibit 89 was marked.)

19 Q. (BY MR. CURRY) Have you seen Exhibit 89 before?

20 A. No.

21 MR. BITTING: Can I get a copy of 89?

22 MR. CURRY: Yeah. Just a second. I think  
23 that's it.

24 (Hands document to Mr. Bitting.)

25 Q. (BY MR. CURRY) Go back to Exhibit 85,

1 February 28th, 2011, the letter --

2 MR. CURRY: I need to get my copy of that  
3 one back.

4 The February --

5 THE WITNESS: 85?

6 MR. CURRY: The February 25th, 2011, letter.

7 THE WITNESS: Oh, February 28th.

8 MR. CURRY: February 28th. I just threw all  
9 my folders over there to you.

10 MR. BITTING: I may have given it to Lisa.

11 MR. CURRY: February 28th?

12 MR. BITTING: It's 85?

13 MR. CURRY: Yeah.

14 MS. PAULSON: I don't have it.

15 MR. CURRY: Let's see if we've got another  
16 one.

17 I can't -- sorry. I gave him my copy.

18 Q. (BY MR. CURRY) This would be within the -- would  
19 be Chevron's describing how it believes the sales process  
20 might look in February of 2011. Is that correct?

21 A. It spells out -- it spells out a process, yes.

22 Q. And it -- go to the third -- the -- the -- the  
23 first bullet point, "Chevron's proposed process to effect  
24 the sales," and it says, "The process would follow  
25 Chevron's divestment model, which markets properties on a

1 competitive bid basis."

2 That's, in essence, an auction. Correct?

3 A. It may not be an auction. Competitive bid basis  
4 you might have an invite -- a specific number of people to  
5 come in and -- and review data in a data room who would  
6 form those bids, and those bids would be competitive bids.

7 So if you -- if you define that as an auction as  
8 opposed to a true auction -- I think there's a difference  
9 is my point.

10 Q. But that's -- that's a -- that's a reasonable way  
11 to sell oil and gas assets in particular?

12 A. It is -- it is a way, yes.

13 Q. A reasonable way?

14 A. It can be. So it wouldn't be my first choice,  
15 but it's a -- it is a way.

16 Q. And the second point that Chevron states is that  
17 the likely buyers would be small, independent companies  
18 operating in the Gulf of Mexico, other trustees, and  
19 financial institutions.

20 Do you agree that that would be the assessment of  
21 potential buyers?

22 A. No, sir. I don't think it's limited to those  
23 three.

24 Q. The third point that Chevron makes is the likely  
25 interest of potential buyers, buyers will be looking for a

1 cash flow stream that at present does not exist and whose  
2 forecast is several years in the future. Due to current  
3 market conditions in the Gulf of Mexico where there are  
4 more sellers than buyers, it is anticipated there will be  
5 low interest in the offering.

6 Would you agree with me that that -- that market  
7 conditions in the Gulf of Mexico where there were more  
8 sellers than buyers had actually existed from 2008 through  
9 2011 -- through the end of 2008 through February 28th,  
10 2011?

11 A. I don't have --

12 MR. BITTING: Objection; form.

13 A. -- an opinion on that.

14 Q. (BY MR. CURRY) And the worst time to be selling  
15 something is when there's more sellers than buyers.  
16 Correct?

17 MR. BITTING: Objection; form.

18 A. That is not the ideal consider -- the ideal  
19 point, no. Assuming that that's the case.

20 Q. (BY MR. CURRY) Well, you would expect that  
21 Chevron, who had significant experience in this area,  
22 would have some knowledge as to the Gulf of Mexico?

23 A. No, sir. What I see is a letter that spells out  
24 six bullet points of why this thing isn't worth a damn and  
25 then says, oh, by the way, we might be interested in

1 buying it, let us take a look at it once you figure out a  
2 value. I'm -- I'm troubled by this letter.

3 Q. Chevron states that -- that the -- well, did  
4 Chevron ever buy it?

5 A. No, they did not.

6 Q. Did they ever make an offer to buy it?

7 A. I don't -- not that I'm aware of.

8 Q. Do you have any reason to believe that the market  
9 was hot in February of 2011?

10 A. I don't believe --

11 MR. BITTING: Objection; form.

12 A. -- that this is necessarily a good representation  
13 of the market in general from the potential buyers which I  
14 think is -- is not correctly stated to -- to its potential  
15 appeal to -- to certain kinds of buyers.

16 Q. (BY MR. CURRY) And certainly you're not an  
17 expert in any of these things, are you, in terms of  
18 whether this market was hot, cold, or indifferent.  
19 Correct?

20 A. I consider myself an expert in the -- in the  
21 purchase and sales of -- of interest. With respect to  
22 what the market was for offshore properties on  
23 February 28th, 2011, I don't have an opinion as I sit here  
24 today.

25 But in general, I consider myself an expert on

1 process. This is not the process that I would follow.

2 Q. The process that -- that the trustees undertook  
3 to sell these assets ultimately in pieces, you have no  
4 quarrel that sometimes properties can be sold in pieces?

5 MR. BITTING: Objection; form.

6 A. That can be a prudent and reasonable way to do  
7 it.

8 Q. (BY MR. CURRY) In terms of the value of these  
9 properties, you certainly -- you have never -- that --  
10 that was an evaluation that was not done by you but was  
11 done by Dr. Willingham. Correct? Dr. --

12 MR. BITTING: Wiggins.

13 Q. Wiggins. I'm sorry. Dr. Wiggins.

14 MR. BITTING: I think you just promoted  
15 Mr. Willingham.

16 MR. CURRY: Yeah, I apologize.

17 A. Well, there was the -- the -- there was the SEC  
18 report prepared by DeGolyer MacNaughton and then there was  
19 the review by Mr. Wiggins.

20 Q. (BY MR. CURRY) And that -- but -- but you have  
21 not independently undertaken any type of market value  
22 study at all. Correct?

23 A. Not for -- not for purposes of establishing  
24 market value, no, I have not.

25 (Exhibit 90 was marked.)

1 Q. (BY MR. CURRY) Exhibit No. 90, have you seen  
2 this before?

3 A. (Reviewing document.)

4 Yes, sir. This was the letter that I was  
5 referring to earlier today from 2011 notifying them of the  
6 farmout.

7 Q. And Chevron didn't even tell them who it was that  
8 had farmed it out. Correct?

9 A. They -- it does not say Arena, no.

10 (Exhibit 91 was marked.)

11 Q. (BY MR. CURRY) Have you seen Exhibit No. 91  
12 prior to today?

13 A. (Reviewing document.)

14 I have not seen this letter, no.

15 (Exhibit 92 was marked.)

16 Q. (BY MR. CURRY) Have you seen Exhibit No. 92  
17 prior to today?

18 A. (Reviewing document.)

19 Yes, I believe I have seen this letter.

20 Q. Do you know the -- the -- how -- the processes by  
21 which the sales of certain of the properties came to be  
22 made? For example, the RNR acquisition.

23 A. I'm not specifically sure how RNR identified the  
24 interest, no.

25 Q. Do you know how they came to be the purchaser?

1 A. No.

2 Q. Do you know what steps were taken to determine  
3 whether it was a fair price or an unfair price that was  
4 being sold?

5 A. I do not, no.

6 Q. Do you have any criticisms of the process?

7 A. I -- since I'm not -- I don't know what the  
8 process was, I -- I can't compliment or criticize.

9 Q. Go back to the trust agreement.

10 A. Yes, sir.

11 Q. You'll agree with me that absent a termination,  
12 there was no duty or requirement, shall I say, of the  
13 trustees to dispose of any of the assets?

14 MR. BITTING: Objection; form.

15 A. Are you looking at a particular part --

16 Q. (BY MR. CURRY) Paragraph 6.14.

17 A. 6.14.

18 Well, this -- this relieves -- I'm sorry. I may  
19 answer your question if you want to restate it.

20 Q. The trust agreement provides that trustees shall  
21 be under no obligation to diversify of the trust assets or  
22 dispose of any of the waste in assets. Correct?

23 A. Yes, sir. That's -- with respect -- yes, sir.  
24 But that's -- that's -- that is what that says.

25 Q. And the UPA, -- are you -- can provide -- you can



1 trump the -- well, I'll strike that. Let me get the  
2 question exactly as I wrote it.

3 The Uniform Prudent investor Act can be  
4 eliminated by the provisions of a trust. Correct?

5 A. It -- it can be eliminated in its entirety --  
6 well, almost in its entirety, and certain aspects of it  
7 can be eliminated. This eliminates the diversification  
8 requirement.

9 Q. And it eliminates the -- any obligation to -- to  
10 sell wasting assets. Correct?

11 A. From the diversification perspective, I think  
12 that's correct, yes.

13 Q. It does -- there is no qualification. The  
14 language states that trustees shall be under no obligation  
15 to diversify the trust assets or -- that's -- means --

16 A. Well --

17 Q. -- or to dispose of any wasting assets?

18 A. Oil and gas by definition are wasting assets  
19 so --

20 Q. So by definition, the trust was under no  
21 obligation to sell any of the oil and gas assets?

22 MR. BITTING: Objection; form.

23 Q. (BY MR. CURRY) By definition, that includes the  
24 oil and gas interests. Correct?

25 A. Except -- except under certain circumstance.

1 There are other circumstances where they are required to  
2 do that.

3 Q. And the only other circumstance that the trust  
4 agreement provides for the sale of the assets is upon  
5 termination. Correct?

6 A. Correct.

7 Q. If termination did not take place, there would be  
8 no obligation to dispose of any of the wasting assets.

9 MR. BITTING: Objection.

10 Q. (BY MR. CURRY) The oil and gas assets. Correct?

11 MR. BITTING: Objection; form.

12 A. I think that's an overly broad statement. I  
13 think -- I think that there are situations where the sale  
14 of assets would have been the correct thing to do from a  
15 prudence perspective in managing the assets with care,  
16 skill, and caution, so...

17 Q. (BY MR. CURRY) What I want you to do is point me  
18 to a provision of the trust agreement that would  
19 require -- that would trump the language of 6.14 that  
20 states that the trustee shall be under no obligation to  
21 dispose of any of the wasting assets?

22 MR. BITTING: Objection; form.

23 A. I would point you to the purpose of the trust  
24 which is to conserve and protect the value of the units --  
25 of the beneficial -- of the royalty interests, and there

1 are clearly circumstances where recognizing a -- where it  
2 would be prudent in order to protect and conserve the  
3 royalty interest that certain assets be sold and that that  
4 would be fulfilling the term of the trust, and I believe  
5 that that would trump their -- their no-obligation  
6 provision in 6.14.

7 Q. (BY MR. CURRY) I'm asking -- sir --

8 MR. CURRY: Objection; nonresponsive.

9 THE WITNESS: I'm sorry.

10 Q. (BY MR. CURRY) Just point me to the paragraph.  
11 Is it Paragraph 2.02? Is that the only paragraph you're  
12 pointing me to?

13 A. That is -- that is the one that I was -- 2.02.  
14 Is that correct? The purpose of the trust, that that --  
15 in fulfilling the purpose of the trust, yes, that would --  
16 could overcome the section you were talking about just a  
17 moment ago.

18 Q. Is there -- does it -- does it anywhere in  
19 Paragraph 2.02 say that it overcomes Paragraph 6.14?

20 A. Again, Paragraph 6.14 is in there for a very  
21 different reason than 2.02. If you'd like to talk about  
22 that, we can.

23 Q. No. I want to ask you does anywhere in  
24 Paragraph 2.02 --

25 A. It does not speak to 6.04, no.

1 Q. There is no specific obligation written that says  
2 under any circumstance that the trustees are required to  
3 sell the assets of the trust other than upon termination.  
4 Correct?

5 A. No, sir. I believe 2.02 encompasses the  
6 potential sale if that's what is necessary to be done in  
7 order to conserve and protect the units.

8 MR. CURRY: Objection; nonresponsive.

9 Q. (BY MR. CURRY) I'm speaking where it says  
10 specifically if X, Y, and Z occurs, you need to sell these  
11 assets. Is there any language in this agreement that says  
12 that other than upon termination?

13 A. There is no language in here that says X, Y, and  
14 Z you will sell, that's correct.

15 Q. In fact, there is language that says that the  
16 trustees shall be under no obligation to dispose of any of  
17 the a- -- wasting assets, which is all of the assets in  
18 this trust. Correct?

19 A. That language --

20 MR. BITTING: Objection; form.

21 A. -- is in this document, as is the language in  
22 Section 2.02.

23 Q. (BY MR. CURRY) Do you know -- go to  
24 Paragraph 7.09.

25 A. Yes, sir.

1 Q. Do you know what's the -- what is provided in  
2 Sections 10, 11, or 12 of the Texas Trust Code as it was  
3 in effect at the time of this document?

4 A. Yes, sir, generally it had to do with --

5 MR. BITTING: Object -- objection; form.

6 THE WITNESS: Excuse me.

7 A. I knew generally that it had to do with  
8 charitable trusts, it had to do with events that are not  
9 in play with respect to the administration of this trust.

10 MR. BITTING: And -- and you said -- you  
11 didn't ask me for why I object to form. I'm going to tell  
12 you anyway. I think you said Texas Trust Code, and this  
13 provision refers to Texas Trust Act and they're not the  
14 same.

15 MR. CURRY: I'm sorry.

16 Q. (BY MR. CURRY) What is Sections 10, 11, and 12  
17 of the Texas Trust Act?

18 A. They generally involved elements that are not in  
19 play with the administration of this trust dealing  
20 primarily, as I recall, with charitable trusts.

21 Q. The Uniform Prudent Investor Act is not in  
22 Sections 10, 11, or 12 of the Texas Trust Code or the  
23 Texas Trust Act. Correct?

24 MR. BITTING: Objection; form.

25 A. The Prudent Investor Act was not a part of the

1 Texas Trust Act at all. And it -- there is not a 10, 11  
2 or 12, per se, in the trust code.

3 Q. (BY MR. CURRY) The trustees could not go out and  
4 buy additional property. Correct?

5 A. That's correct.

6 Q. What special skills and expertise did the  
7 trustees have in administering the royalty trust?

8 A. They held themselves out as being a professional  
9 trustee with capabilities of administering royalty trusts.  
10 The website, as I recall, speaks to their abilities in  
11 serving in these institutional-type trusts, is my  
12 recollection.

13 Q. You have previously testified in cases as to a  
14 fair fee by a trustee?

15 A. I have, yes.

16 Q. Do -- do you -- do you believe that the trust --  
17 trustees performed certain acts that benefitted the trusts  
18 from 2008 to today?

19 MR. BITTING: Objection; form.

20 A. Do I believe that they've done things that  
21 benefitted the trust since it terminated? No, sir, I  
22 don't believe that they have administered the trust  
23 properly since 2008.

24 Q. (BY MR. CURRY) Well, let me ask you this. Did  
25 they make all the annual reportings that were required?

1 A. Presumably, they -- they did.

2 Q. Did they engage in a sales process of the assets?

3 MR. BITTING: Objection; form.

4 A. Yes, they did.

5 Q. (BY MR. CURRY) Did -- and that's, in fact,  
6 exactly what you -- the step that you thought should have  
7 taken place actually took place. Correct?

8 MR. BITTING: Objection; form.

9 A. No, sir, not in the form that it should have.

10 Q. (BY MR. CURRY) It took place. A sales process  
11 took place?

12 A. A sales process took place. Yes, sir.

13 Q. And -- and you don't know the manner in which it  
14 was sold -- the assets were sold to RNR. Correct?

15 A. Correct.

16 Q. Do you know the manner in which any of the sales  
17 took place?

18 A. Well, I know that there were -- there were three  
19 separate sales. The process as to how each was reached, I  
20 don't know the specifics of how they were marketed. No,  
21 sir.

22 Q. And without knowing the specifics, you can't be  
23 critical of what was -- how they were handled. Correct?

24 MR. BITTING: Objection; form.

25 A. I am not critical of the -- I'm not critical of

1 the sales to RNR or the -- or the final sale. I just  
2 don't believe that the trust as a whole was -- was  
3 administered as it should have been, and I believe that a  
4 greater value could have been achieved had the trust been  
5 administered properly.

6 Q. (BY MR. CURRY) And in large part, though, that's  
7 speculation on your part -- let me finish my question --  
8 because you can't identify any specific buyer that would  
9 have paid more than RNR, for example, for the assets that  
10 RNR purchased. Correct?

11 A. As I sit here today, no, sir, I can't do that.

12 Q. You can't identify any specific buyer that would  
13 have paid more than any of the buyers, RNR or Arena, of  
14 any of the assets. Correct?

15 A. Again, as I sit here today, I cannot give you the  
16 name of an entity that would have paid more or less. Just  
17 a process that I believe would have achieved more.

18 Q. You can't identify any specific buyer that would  
19 have bought the assets earlier than, say, RNR bought the  
20 assets, can you, sir?

21 MR. BITTING: Objection; form.

22 A. I don't know the answer to that because it wasn't  
23 properly -- it wasn't -- if it had been properly done, I  
24 believe that the answer to the question is yes. I cannot  
25 provide you with a name today, no.



1 Q. (BY MR. CURRY) And you can't even provide me  
2 with a universe of buyers in terms of it would have been  
3 likely A, B, and C that would have bought it?

4 A. Are A, B, and C supposed to be the names of oil  
5 companies?

6 Q. Correct.

7 A. I'm not here to give you a list of people that  
8 might or might not have bought it. So no, I --

9 Q. In fact, though, in your -- based on your  
10 experience in oil and gas assets, the most likely buyer of  
11 asset is the operator of those assets?

12 A. That is --

13 MR. BITTING: Objection; form.

14 A. -- that is overstated. It is certainly the first  
15 place that I typically go. And when -- and in this case  
16 it would have been appropriate, for example, to go to  
17 Chevron until they made the farmout. Once they made the  
18 farmout, they were no longer the most likely party to  
19 acquire.

20 Q. (BY MR. CURRY) And then the most likely party to  
21 acquire would then have become Arena. Correct?

22 A. Not most likely. But the -- the most -- what --  
23 the top on the list to talk to, if you will.

24 Q. And -- would have become Arena?

25 A. Again, yes. That -- that's -- it would have been

1 Arena, but you would have marketed beyond just Arena. You  
2 wouldn't do a negotiated sale with just Arena, under most  
3 circumstances.

4 MR. CURRY: Objection; nonresponsive.

5 Q. (BY MR. CURRY) It would have then become Arena.  
6 Correct?

7 A. No, sir.

8 Q. The most -- the -- the -- the first person that  
9 you would go to?

10 A. Arena would have been one of the primary -- would  
11 have been a party that I certainly would have gone to, but  
12 they would not have been the only party.

13 Q. And do you know if Arena was the only one that  
14 went to when Arena purchased these assets?

15 A. Well, I'm not -- when Arena entered into the  
16 farmout agreement, you mean?

17 Q. When they purchased certain of the trust assets?

18 MR. BITTING: Objection; form.

19 A. They didn't purchase -- well, I'm sorry. That's  
20 incorrect.

21 I -- I don't know whether that's the only entity  
22 to which the trust spoke or not. I don't know.

23 Q. (BY MR. CURRY) Did you -- were you aware that  
24 RNR had a desire to purchase assets that were ultimately  
25 purchased by Arena, but RNR was surprisingly, to their

1 surprise, outbid by Arena on the acquisition?

2 A. I didn't know whether RNR had put in a bid for  
3 the third package or not. So I hear that you're telling  
4 me that they did.

5 Q. Do you know who -- how many people put in bids on  
6 the third package?

7 A. I don't know who it was -- how the solicitation  
8 took place. So I don't know how many had the opportunity  
9 to bid.

10 Q. Do you know how many took place on the second  
11 package?

12 A. I don't know on any of the three how many it  
13 was --

14 Q. It didn't have --

15 A. -- presented to, and -- and how many responded.

16 Q. Well, how can you -- if you don't know the  
17 answers to any of these questions, how can you say you --  
18 you -- you -- you seem to be saying that the -- that they  
19 didn't do a good enough job, but you don't know what the  
20 job was they did?

21 A. The job was to administer the trust in accordance  
22 with their fiduciary duty, and I believe that they  
23 breached their fiduciary duties. I -- I know how to sell  
24 oil and gas properties, and I would have a process that is  
25 different from the one that they -- that they ultimately

1 used.

2 But my -- my opinions in my report have to do  
3 with the administration of the trust, not the process that  
4 they used for the sale of the assets.

5 Q. Okay. And I hear what you're saying, but  
6 you're -- you're -- the -- the step in the administration  
7 process that you seem to be saying that would have taken  
8 place, the but for, if they had administered it properly,  
9 here's what would have happened is that the trust would  
10 have dissolved and the assets would have been sold.  
11 That's the -- that's the -- kind of the -- the -- the next  
12 step in the process that would have happened in -- in --  
13 in your world. And what I'm trying to understand is, is  
14 that you've not evaluated that next step as to what would  
15 have happened, as I hear your testimony. Correct?

16 A. My role was not to value the -- the assets for  
17 purpose of sale. That -- that was done by Mr. Wiggins,  
18 and I rely on his estimates of value for -- for what the  
19 property should have been sold for at different points in  
20 time. I have not done an independent analysis of -- of  
21 what they should have received. I believe that what  
22 Mr. Wiggins has reached the conclusion that they should  
23 have been sold for is more than what they ultimately  
24 received.

25 The purpose of my testimony is with regard to the

1 administration of the trust and their fulfillment of the  
2 fiduciary duties that they had. I believe that they had a  
3 duty to investigate what was going on. And as we see in  
4 all of these exhibits, 83 through 92, there were -- that  
5 they were all undertaken during a time where interest had  
6 been shifted to Arena and the trust wasn't aware of that.  
7 They did not do the proper investigation to uncover these  
8 things.

9 Q. Well, sir -- I mean, let's -- let's talk about  
10 the investigation they did do. They met with Chevron on a  
11 quarterly basis, at least. Correct?

12 A. Chevron participated in their meetings, yes.

13 Q. And -- and Chevron was their general partner in  
14 the -- under the partnership agreement. Correct?

15 A. They were.

16 Q. And -- and Chevron never disclosed it during any  
17 of those meetings. Correct?

18 A. Never disclosed what, sir?

19 Q. The Arena farmout, to your knowledge.

20 A. Apparently they didn't.

21 Q. And it's -- it's -- they're certainly engaging in  
22 correspondence and communications with Chevron both in  
23 writing and verbally during this entire time period.  
24 Correct?

25 A. There is the correspondence that we --

1 MR. BITTING: Objection; form.

2 A. -- that we just went through. There -- there may  
3 be additional correspondence.

4 Q. (BY MR. CURRY) And in terms of the questioning  
5 that's -- that's occurring outside of the written record,  
6 we at least know that there is verbal conversations that  
7 are taking place at the same time on a quarterly basis as  
8 to what was taking place, whether it was pure accounting  
9 or they're operational, or other issues that were being  
10 discussed, we know that there were conversations that are  
11 taking place. Correct?

12 MR. BITTING: Objection; form.

13 A. We know that there are conversations taking place  
14 in the quarterly meetings. Yes, sir.

15 Q. (BY MR. CURRY) And we know, to some degree, that  
16 at least through the packages we're seeing annotations as  
17 to what the current status is of certain properties within  
18 that package. Correct?

19 A. The -- in some respects -- at times the packages  
20 are updated with new information as it becomes available.  
21 Yes, sir.

22 Q. We know that -- at least on an annual basis that  
23 Chevron's communicating with our engineers, DeGolyer and  
24 MacNaughton, in providing information as to the --  
25 necessary to prepare reserve reports. Correct?

1           A. Chevron is interacting with -- with DeGolyer and  
2 MacNaughton, yes.

3           Q. And if the -- if the net revenue interest in a  
4 well, or a particular well, or a series of wells is being  
5 reduced, Chevron would communicate that to DeGolyer and  
6 MacNaughton. Correct?

7           A. Would you ask that question again?

8           Q. If the net revenue interest in a particular well  
9 is being reduced, or changing, that would be reflected in  
10 those efforts with DeGolyer and MacNaughton. Correct?

11          A. That would have been one way, yes. There are  
12 others.

13          Q. Well, I understand, sir, that there is -- you  
14 know, that -- that there are other ways to do certain  
15 things, that -- that -- I can arrive in Dallas, Texas  
16 today and there is probably four or five ways that I can  
17 get there. Correct?

18          A. Sir, you can get to Dallas, Texas any way you  
19 wish.

20          Q. I can drive. Correct? Yes?

21          A. Yes.

22          Q. I can catch the Vonlane fancy bus. Correct?

23          A. Correct.

24          Q. I can catch a Southwest Airlines flight?

25          A. Maybe.

1 Q. There is more than --

2 A. Certainly there are many ways to get to Dallas.

3 Q. And there is -- and there is -- there is more  
4 than one way to administer trusts. Correct?

5 MR. BITTING: Objection; form.

6 A. Sir, that analogy that -- that doesn't hold any  
7 water. I'm sorry.

8 Q. (BY MR. CURRY) But there is more than one way to  
9 administer trusts. There -- there is --

10 A. There is the correct way and there is the  
11 incorrect way, if that's your -- if that's the point.

12 Q. Well, sir, there -- there -- trustees have to  
13 make judgments and have to make decisions. Correct?

14 A. There are some elements that require the exercise  
15 of judgment, of course.

16 Q. And there is -- there -- trustees don't have the  
17 benefit of hindsight in making those decisions, do they?

18 A. No, sir. They have to deal with the information  
19 that is available at any given point in time.

20 Q. And certainly a -- and the -- the trustees in  
21 this case were faced with two catastrophic, in some  
22 respects, events, being a hurricane, one. Correct?

23 A. Yes, sir.

24 Q. And, two, to a lesser extent, I understand, but  
25 the Macondo situation was certainly a paradoxical type of



1 event that doesn't occur with any frequency in our  
2 business. Correct?

3 A. See -- see, those aren't the two things that I  
4 think were most significant. Certainly the -- the  
5 hurricane was important. The Macondo situation we've  
6 already talked about. But the other catastrophic event  
7 that was going on at the same time was the price of oil  
8 and gas, and -- and where it was going. And these are --  
9 these are things that the trustees should have been aware  
10 of and should have put into the position of asking and --  
11 certain questions that appear never to have been asked.

12 Q. Well, the -- and, in fact, the -- I guess the  
13 third overlay, in terms of the pricing, was was that one  
14 of the most significant depressions that we've had in your  
15 lifetime. Correct?

16 A. Absolutely.

17 Q. October 2008, not only did a hurricane wipe  
18 through this field, but -- but the 401K plans of most  
19 Americans and the oil and gas market had one of its  
20 biggest downfalls in -- in the history of oil and gas.  
21 Correct?

22 A. Well, I'm not here --

23 MR. BITTING: Objection.

24 A. -- to talk about 401Ks, but certainly oil and gas  
25 prices were -- were massively impacted by the decline in

1 price that occurred, particularly between July and  
2 December of 2008.

3 Q. (BY MR. CURRY) But the biggest part of that  
4 decline occurred literally at or about the same time as  
5 this hurricane. Correct?

6 A. Much of it did. There is no question of that.  
7 Which, again, is why I believe that the trustees should  
8 have been aware of a potential terminating event outside  
9 of the March 31st report.

10 Q. The trustees made an effort to communicate the  
11 bleakness of the situation post-hurricane to the  
12 beneficiaries through the 10-Ks and the -- correct, sir?

13 A. Not as fully as they should have, no.

14 Q. Which -- what specific 10-K do you point to that  
15 did not adequately communicate the circumstances of the  
16 hurricane?

17 A. The -- there is -- in each of the 10-Ks,  
18 beginning -- starting obviously with the October --  
19 with -- I'm sorry -- with the 12/31/2008 10-K, said that  
20 there was destruction, catastrophic destruction of -- of  
21 the properties as a result of Hurricane Ike. Each of them  
22 did say that, but there is additional information that I  
23 believe should have been disclosed that wasn't.

24 Q. And -- and that would have been the March 2009  
25 reserve information. Correct?

1 A. That -- that would have been part of it, yes.

2 Q. Well, what else is it?

3 A. That -- that the -- they're listed in my report.

4 But that the trustee was consider -- considering  
5 resigning, that the -- that the trustee was considering  
6 borrowing money, that the trustee was -- was -- the four  
7 or five things that I've listed that I believe should have  
8 been disclosed that weren't. The most important of which  
9 is, of course, the March report.

10 Q. Well, just in terms of the -- the -- if, in fact,  
11 the trustee is considering resigning, but hasn't resigned  
12 and doesn't resign, and -- and -- is there any reason  
13 to -- to -- to disclose that if -- until it has made the  
14 decision to resign?

15 A. Yes, there is. If the reason to resign is the  
16 result of these catastrophic events, and the uneconomic  
17 position of the trust going forward, I do believe that  
18 that is material information which should be disclosed.

19 Q. When did they -- when did the trustee make the  
20 decision to consider resigning, and which trustees  
21 considered resigning?

22 A. Bank of New York considered resigning. And I  
23 would have to refer to the Ulrich deposition as to the  
24 time frame -- oh, it was in 2009. It was during 2009.

25 Q. Did it ever resign?

1 A. No.

2 Q. So at the same time that the events that you're  
3 complaining about, Bank of New York made the decision, in  
4 formulating your opinions, to potentially resign. Is that  
5 a correct statement?

6 A. Mike Ulrich testified --

7 MR. BITTING: Objection; form.

8 A. -- that they considered resigning.

9 Q. (BY MR. CURRY) And you believe that to be a  
10 truthful and accurate statement?

11 A. Yes, sir, I do. I take him at his word.

12 Q. Mr. Ulrich, based on your knowledge of him, is a  
13 truthful and honest person. Correct?

14 A. Yes, he is.

15 Q. You never saw him intentionally act in the -- in  
16 the best interest of Texas Commerce Bank, to the detriment  
17 of any of your corporate trustee beneficiaries, did you,  
18 sir?

19 A. No, I did not.

20 Q. You're not an engineer. Correct?

21 A. No, sir, I'm not.

22 Q. You do not prepare reserve reports?

23 A. No, sir, I do not.

24 Q. You're a user of reserve reports?

25 A. A user of reserve reports? Yes, sir.

1 Q. Or been a user?

2 A. Yes, sir. I work with them quite often.

3 Q. Reserve reports do not necessarily equate to the  
4 market value of an asset. Correct?

5 A. Not necessarily.

6 Q. They can be higher, they can be lower, the actual  
7 market value?

8 A. That's true.

9 Q. The market value study is different than an SEC  
10 reserve report. Correct?

11 A. Yes, sir. The results may end up being the same,  
12 but the process is usually a bit different.

13 Q. In terms of what the exact process is between a  
14 market value study and a reserve report, you've -- you've  
15 not undertaken that analysis. Correct?

16 A. I have -- I have not, but the -- the primary  
17 differences between the two is that a market value would  
18 take into account the upside from probable, and -- and  
19 behind pipe reserves, which an SEC report doesn't. And in  
20 this case there -- there is not much of that, as I  
21 understand it, based on Mr. Wiggins' review. Also, it  
22 wouldn't be flat pricing.

23 Q. It could be up, it could be down?

24 A. It could be up, it could be down.

25 Q. It's based on a strip. Correct?

1           A. It's based on each individual purchaser's vision  
2 of the market.

3           Q. But typically it would be based on a strip that  
4 the reservoir engineer determines to be appropriate?

5           A. For an SEC case?

6           Q. Yes.

7           A. Yeah. Well, it's basically flat pricing based on  
8 the amount received the date of the report, the effective  
9 date of the report.

10          Q. In a -- but in a fair market value evaluation  
11 it's flat pricing. Correct?

12          A. A fair market -- no, sir, not -- a fair market  
13 value would have pricing that would be in line with what  
14 the outlook is for the --

15          Q. Future market?

16          A. -- for the future market for the particular  
17 person doing or entity doing the evaluation. They might  
18 all be different. Your market value may be different from  
19 my market value.

20          Q. Typically a -- a buyer is -- is -- is -- is going  
21 to use a lower pricing than today's pricing in a fair  
22 market value evaluation. Correct?

23          A. No, sir.

24                   MR. BITTING: Objection; form.

25          A. I don't think that's accurate at all.

1 Q. (BY MR. CURRY) Did you make any type of analysis  
2 of the actual -- what effect the various events had in  
3 terms of the -- for example, the hurricane on the actual  
4 TEL Trust market capitalization?

5 A. Not the market capitalization. I was looking at  
6 it in the context of the value of the -- of the royalty  
7 interests.

8 Q. And the market capitalization would be, in  
9 essence, what the -- the price that the units were selling  
10 for in the open market. Correct?

11 A. Yes, sir. I had not looked at that.

12 Q. Do you know how much the price dropped in the --  
13 the three months following the hurricane from basically --  
14 or the two months basically following the  
15 October-to-January-2009 time period?

16 A. I have not looked at the pricing of the stock in  
17 any way, shape, or form.

18 Q. Do you know if the stock took a -- fell by over  
19 150 -- I'm sorry -- 150 -- I'm sorry -- over -- took over  
20 a 50 percent drop in that time period?

21 A. Now I can get mad at you. I haven't looked at  
22 the stock price, period. So if I haven't looked at it,  
23 period, I don't know the answer to any of those questions.

24 Q. Do you know if -- but in this instance, the  
25 difference between this trust and a normal trust is, if

1 there's any concern about the fact that the -- okay,  
2 Eugene Island's shut in, a trust beneficiary can exit by  
3 virtue of selling its interests. Correct?

4 MR. BITTING: Objection; form.

5 A. I do -- I believe that this is a normal trust.  
6 So I'm -- I'm going to -- I'm going to qualify my answer  
7 with I believe this to be a normal trust. And, yes, in  
8 this particular instance, the beneficiary has the ability  
9 to buy units or sell units --

10 Q. (BY MR. CURRY) Okay.

11 A. -- as they may desire to do.

12 Q. I'm -- I'm going to respond to your -- your  
13 comment. A traditional trust, the -- does not have the  
14 ability to exit through a sale. Correct?

15 A. Correct. That -- that is a distinct difference  
16 between those two trusts. Very few trusts -- in fact, in  
17 most cases no two trusts are ever alike, so.

18 Q. But a traditional trust does not have the ability  
19 to sell. Correct?

20 A. As I would -- that's actually --

21 MR. BITTING: Objection; form.

22 A. I agree with that.

23 MR. CURRY: Why don't we take a  
24 10-or-so-minute break.

25 THE WITNESS: Okay.



1 THE VIDEOGRAPHER: Going off the record at  
2 16:17.

3 (Break.)

4 THE VIDEOGRAPHER: We are back on record at  
5 16:39.

6 Q. (BY MR. CURRY) Exhibit 22 from the Ulrich  
7 deposition, you've read this document before, correct?

8 A. The conveyance, yes, sir, I have.

9 Q. And as a result that you knew that and reading  
10 the partnership agreement that Chevron had every right to  
11 farm out to Arena. Correct?

12 A. They do have that ability, yes.

13 Q. And the -- those agreements also provide that  
14 Chevron controls the development plans for assets.  
15 Correct?

16 A. That's correct.

17 Q. But Chevron can develop it without regard to what  
18 the trustees ask them to do. Correct?

19 A. That's correct.

20 Q. And then the trustees can't control how Chevron  
21 develops the properties?

22 A. No, sir, they cannot.

23 Q. Go to Page 12 of your report. And you address  
24 exculpation.

25 A. Yes, sir.

1 Q. Give me an example of a breach by a trustee that  
2 is done intentionally?

3 A. I would say that the charging of these that is  
4 not in accordance with the terms of the instrument is an  
5 intentional breach of trust. So I think from this case,  
6 that would be a -- a perfect example.

7 Q. Give me a nonintentional example of a -- of a  
8 breach?

9 A. Non -- nonintentional?

10 Q. Yes.

11 A. Are -- do you -- do you mean one committed in bad  
12 faith or with reckless indifference?

13 Q. No. One that is nonintentional. What is an  
14 example of a breach that is nonintentional?

15 You've given examples in other cases. Correct?

16 A. Well, I'm thinking back over -- over my  
17 experience and my --

18 Q. Why don't you pull your cases out, your -- the  
19 list of your cases and point to the case -- give me the  
20 numbers where you testified on behalf of a trustee.

21 A. On behalf of a trustee?

22 Q. Correct.

23 A. Okay. Let's see. Three.

24 Q. And that is which case?

25 A. Funchess.

1 Q. And who was the client?

2 A. Compass Bank.

3 Q. And what was the allegation in that case?

4 A. Let's see. This had to do with a fee issue, a  
5 fee dispute as to whether proper fees were being charged.

6 Q. And the exculpation clause came in to be -- came  
7 in to be an issue in that case. Correct?

8 A. I don't recall off the top of my head.

9 Q. It was a Beaumont case. Is that correct?

10 A. It was. It was in 2008, as I recall.

11 Q. And you indicated that the trustees are protected  
12 by the exculpation clause. Correct?

13 A. I -- I may have. I just don't recall right now.

14 Q. And why would they -- why would their actions  
15 have been exculpated?

16 A. Well, my recollection is I -- that's not -- that  
17 may have been one of my opinions, but I believe that my  
18 primary opinion was they were charging fees in accordance  
19 with what was normal and customary in the area.

20 Q. In fact that was -- you -- you actually -- the --  
21 you're -- you -- you had -- originally were going to  
22 testify that their fees -- that the dispute that it was  
23 exculpated, that the federal judge said you could not  
24 testify about that. Correct?

25 A. No, sir. The --

MR. BITTING: Objection; form.

A. -- Funchess case wasn't in federal court.

Q. (BY MR. CURRY) Okay. Did you -- what's the next case you testified on behalf of a trustee?

A. The Dishman case.

Q. And that would have been the case in --

A. That was in --

Q. -- Beaumont in the federal court case?

A. That's correct.

Q. And in this case you were going to testify that their actions were exculpated. Correct?

A. I -- I was going to testify with regard to the exculpation and we -- we looked at that earlier today. What -- what I was not allowed to testify to was that the exculpation clause modified the -- any fiduciary duties that -- that they had.

Q. And the -- it was your opinion that it had modified them. Correct?

A. According to my recollection, yes, that I had a -- that it modified the standard of care, I think is what I had said.

Q. And the -- what were the actions by the trustee in that case?

A. It had to do with the accusation of a trust beneficiary that the trustee had leased a piece of

1 property and that they should have participated in the  
2 drilling of some wells that -- that -- on the property  
3 instead of leasing.

4 Q. And your reason that you believe that it was  
5 exculpated was because the trustees simply made a business  
6 judgment that it was better to lease than to not lease.  
7 Correct?

8 A. I -- I --

9 Q. And I'm simplifying it to a short block. But  
10 that was the -- the essence of your opinion. Correct?

11 A. I don't think my opinion had anything to do with  
12 business judgment. I think my --

13 Q. A trust judgment?

14 A. My opinion is that they had met their fiduciary  
15 duty and that -- that they had properly evaluated the  
16 situation and come to the correct conclusions, is my  
17 recollection.

18 Q. And basically what you had -- the two options,  
19 one was to lease, one was not to lease. Correct?

20 A. Yes.

21 Q. And it was to lease to Samson or to basically  
22 become a working interest owner. Correct?

23 A. Participating mineral interest owner, yes.

24 Q. And the -- you believed and testified that --  
25 that it was a reasonable exercise of their judgment to

1 have made the decision to lease. Correct?

2 A. Yes, that's certainly the conclusion that I  
3 reached.

4 Q. And -- and even if that exercise of judgment had  
5 not been -- met the standard of care that was imposed by  
6 the trust document, you believe that the trust document  
7 would have, nonetheless, have exculpated them because it  
8 was not an intentional or bad faith exercise of their  
9 judgment. Correct?

10 A. I believe that that's-- that's true. But there  
11 were -- there were more reasons than just that. But, yes,  
12 that's a fair summary.

13 Q. So basically when trustees have competing  
14 propositions, they can be exculpated for following one  
15 path as opposed to another path. Correct?

16 A. Well, the exculpation is going to be if they  
17 didn't act intentionally -- didn't breach the trust  
18 intentionally, in bad faith, or with reckless indifference  
19 to the interest of the beneficiary. So you --

20 Q. And -- and -- understood.

21 And -- and -- and -- and you concluded the  
22 decision to not lease was -- was a -- that they  
23 intentionally made the decision not to lease. Correct?

24 A. That's correct.

25 Q. I'm sorry. To lease.

1 A. That they made the decision to lease. Correct.

2 Yes.

3 Q. And -- and that was an intentional act?

4 A. Yes, it was.

5 Q. But even though they intended not to lease, you  
6 still, nonetheless, believed that that would have been  
7 exculpated by the terms of the trust document. Correct?

8 A. I believe that their decision to lease would have  
9 been excul- -- exculpated because it was not a breach.  
10 Entering into the lease was not a -- first of all, it  
11 wasn't a breach at all, but certainly wasn't a breach that  
12 was -- that was intentional, in bad faith, or with  
13 reckless indifference to the --

14 Q. Even though the act was intentional itself?

15 A. Even though the act was intention- -- most --  
16 most acts by trustees are, in fact, intentional. Not all,  
17 but most are.

18 Q. And -- and -- but yet even when they make -- do  
19 an intentional act, it's still in your view fall -- can  
20 fall within the exculpation. Correct?

21 A. It is, yes, sir, because the -- if you look at  
22 114.007, it is a breach of trust. That's -- that's the  
23 header. A breach of trust committed intentionally, in bad  
24 faith, or with reckless indifference.

25 So the breach of trust has to occur first. And

1 I, in Dishman, my position was that the breach of trust --  
2 or that the decision to lease was not a breach of trust.

3 Q. The next case where you testified on behalf of a  
4 trustee or -- yes, I guess, in this instance it would be  
5 testimony.

6 A. Well, 5 I did, but it I don't believe it is  
7 relevant here. That had to do with five individuals that  
8 left Compass Bank and opened up their own trust company  
9 and potentially took secrets and so that -- I don't know  
10 that we want to spend time --

11 Q. Covenant -- basically a covenant not to compete?

12 A. Exactly. Yes.

13 Against the trustee there.

14 8 and 9 are -- are -- were very similar cases,  
15 one involving Bank of America, one involving JPMorgan, and  
16 I was representing the corporate fiduciary in both of  
17 those.

18 Q. And what was the allegation?

19 A. Both of those had to do with the leasing of  
20 property in the Eagle Ford out of -- they were -- they  
21 were both based out of San Antonio and had to do with the  
22 management of the leasing activity with respect to the  
23 leases that were given in the Eagle Ford.

24 Q. And what was the allegation by the trust -- by  
25 the beneficiaries?



1           A. In -- gosh, it's been so long. Let's see. In  
2 one case that they did not receive proper value for the --  
3 the lease -- that they should have leased for -- I believe  
4 it was a higher royalty and more bonus. And in the other,  
5 for more bonus but also for not including certain terms  
6 and provisions in the lease that they ultimately granted.

7           Q. And in both instances you believe the actions  
8 would have been exculpated as well as meeting the standard  
9 of care. Correct?

10          A. Well, in -- in both cases I didn't believe there  
11 was a breach of trust where exculpation would -- would  
12 have been applicable. Those were -- that was my primary  
13 opinion in both cases.

14          Q. But secondarily, even if --

15          A. Secondarily, it -- if it were a breach, it  
16 certainly didn't meet the standards that -- of -- of the  
17 exculpation clause.

18          Q. Next case where you testified on behalf of a  
19 trustee?

20          A. No. 10, I don't -- but, again, I don't believe  
21 that that -- that one involved a -- a third-party  
22 corporate -- not a third party. It involved a  
23 relationship between JPMorgan. It's a case that settled,  
24 I was involved in a very short period of time. I don't  
25 even know that I filed a report in it, now that I think

1 about it. But I was designated.

2 No. 11 is the STS case that we talked about  
3 earlier today where the -- it's the liquidating trust that  
4 held \$100,000 in south Te- -- 100,000 acres in south Texas  
5 where the original discovery well in the Eagle -- on which  
6 the original discovery well in the Eagle Ford was drilled.  
7 The trustee, JPMorgan, subsequently made additional leases  
8 of the property. The unit holders believed that JPMorgan  
9 should not have leased as quickly as they did, that had  
10 they waited, the potential for greater royalty and greater  
11 bonus would have -- would have been in place.

12 My -- my position was that JPMorgan met its --  
13 its standard of care under the term of the instrument and,  
14 in fact, was obligated to move forward with the lease  
15 because of the nature of this particular liquidating  
16 trust, and that -- that it was -- with respect to  
17 exculpation, I don't -- there was not an exculpation  
18 clause, as I recall, in the -- it was a very strange  
19 situation back from 1901. I don't believe there was an  
20 exculpation clause applicable there.

21 Q. And -- and the -- the -- but -- but that was  
22 essentially a timing issue, that the -- the trust  
23 beneficiaries were saying action should have been taken  
24 sooner than -- or later than they were taken?

25 A. Act- -- actions that were taken should not have

1     been taken then, but at a later date.

2           Q.   And it's just -- they had the benefit of the  
3     hindsight that the market was actually going to go up?

4           A.   That's exactly right.

5           Q.   And -- and, really, in the oil and gas business,  
6     it's unfortunate that -- hindsight would be beautiful.  
7     Correct?

8           A.   Well, hindsight would be beautiful in anything  
9     involving -- whether it's the stock market or oil and gas  
10    or -- or anything else, but you have to deal with the  
11    facts that are available at the time.

12          Q.   And that's true for all trustees.   Correct?

13          A.   Yes, it is.

14          Q.   And in particular -- next case where you  
15    testified on behalf of a trustee?

16          A.   No. 13 had to do with a leasehold interest that  
17    was held in a trust that was -- it was actually farmed  
18    out.   The allegation was that the bank did not have the  
19    authority with respect to certain of the interests to --  
20    to make the farmout, and the farmout was not in the -- in  
21    the best interest of the -- of the beneficiaries.  
22    There -- I believe that there was exculpation involved in  
23    that case.  I don't remember the clause specifically.  But  
24    my position was that -- that -- that they had met their  
25    fiduciary obligations and that -- that there was no breach

1 that -- that rose to the level of the exculpation.

2 Q. But even if there was a breach, it would have met  
3 the -- it was -- it fell within --

4 A. It would have been -- it would have been excused  
5 because it was -- it didn't rise to the level of -- of  
6 intentional, bad faith, or reckless indifference --

7 Q. And that's even though that they intentionally  
8 made the decision to do the leasing. Correct?

9 A. The farmout.

10 Q. The farmout?

11 A. Yeah.

12 Q. An intentional act, but yet still covered by the  
13 exculpation. Correct?

14 A. Well, there were two different -- there were  
15 three trusts that were in place. There was an argument  
16 that one of them had terminated, and that the farmout was,  
17 in fact, invalid because the bank didn't have the  
18 authority to do it. So there was -- there were issues  
19 around that. The other two it was -- whether it was  
20 proper or not to make the farmout.

21 Q. And the next case where you testified on behalf  
22 of the trustee?

23 A. No. 17, the -- the Neuhaus case I testified.  
24 There I gave deposition testimony.

25 Q. What was the nature of the allegation?

1           A. This involved -- this involved many, many issues  
2     having to do with distributions to the income beneficiary  
3     during his lifetime, as well as the holding of bank stock  
4     and whether or not that was a -- created a conflict of  
5     interest, and whether or not it violated the -- the duty  
6     of the loyalty.

7           My conclusions were that because of language in  
8     the particular instrument that it did not. And -- and I  
9     don't recall the -- there being -- that exculpation being  
10    a particular issue in the case. The case ultimately  
11    settled, so I -- it -- it didn't go to trial.

12          Q. But in terms of your -- your determining there  
13    hadn't been a duty of loyalty, one of the things you do do  
14    is look at the trust language. Correct?

15          A. You have to look at the trust instrument in every  
16    case. Yes, sir.

17          Q. As you would in this case. Correct?

18          A. Yes.

19          Q. Next case where you testified on behalf of the  
20    trustee, if any?

21          A. There is an ongoing matter, No. 19, Frost Bank,  
22    with regard to the estate of Rees, Oliver. That's No. 19.  
23    And I have -- I have been deposed in there? Yes, I have  
24    been deposed, but the trial's set for sometime later this  
25    year.

1 Q. What's the nature of the allegation?

2 A. This was an independent executor, where Frost  
3 was -- was making the determination as to -- we had a  
4 situation where a husband, married wife, there was a  
5 prenuptial agreement. The husband brought some separate  
6 property into the marriage and then proceeded to actively  
7 engage in the oil and gas business. The -- the -- Frost,  
8 as independent executor, is faced with having to make  
9 decisions as to which assets are separate and which assets  
10 are community property. They made that determination,  
11 filed the inventory in the estate tax return, and one of  
12 the six residual beneficiaries is contesting the bank's  
13 process of determining whether or not the assets were --  
14 we basically said they were community. They were saying  
15 they should have been separate.

16 Q. Is there a trust document involved in that?

17 A. It's a will.

18 Q. Is there an exculpation clause?

19 A. I don't believe there is in that case.

20 Q. The next case where you testified on behalf of a  
21 trustee?

22 A. This case. I believe -- you'll recall that I  
23 made the call today to have this list sent to me. I think  
24 that there are a couple of additional cases that need to  
25 be added to it.

1 Q. Is there any case in which there has been an  
2 exculpation clause contained in the agreement that you  
3 testified about that -- that -- where you didn't say that  
4 the act of the trustee was not exculpated? Does that make  
5 sense, what I'm saying?

6 A. Where -- where the trustee has not been --  
7 what -- not in the cases that we've just gone through  
8 where I was testifying on behalf of the corporate  
9 fiduciary. Or the fiduciary period.

10 Q. Is there any case where there is an exculpation  
11 clause, where you're testifying on behalf of the  
12 beneficiary, that you've testified that the act that's  
13 being complained of was exculpated?

14 A. Was exculpated?

15 Q. Yes.

16 A. No, I don't -- not that I can think of.

17 Q. Was there any case where you've testified on  
18 behalf of a beneficiary that you've stated that the act  
19 was not exculpated?

20 A. This case would be an example of that.

21 Q. And is -- and in every instance where there is an  
22 exculpation clause, where you've been testifying on behalf  
23 of a beneficiary, has your testimony been that whatever  
24 you're saying was wrongfully done, it didn't fall within  
25 the exculpation clause?

1           A. In several cases it is situations very much like  
2 we have in this case, where the exculpation clause was  
3 written at a time when -- when greater exculpation was  
4 permitted. And it -- there are issues with respect to a  
5 limitation being placed around the exculpation clause  
6 because of the implementation of 114.007. That's  
7 generally the issue. And I've been involved with that  
8 issue on several occasions.

9           Q. And you've noticed I've limited my language to  
10 the language of the statute, my questioning. To the -- to  
11 the current statute. Correct?

12          A. Yes. I thought I was responding to your  
13 question --

14          Q. Has there been any instance where you've -- where  
15 the -- the language of Section 1 -- let me make sure I get  
16 it right. You were involved in -- were you involved in  
17 creating the Texas Pattern Jury Charge?

18          A. No, sir, I was not.

19          Q. Do you know Joyce Moore?

20          A. Yes, I've met Joyce. I certainly don't know her  
21 well. I've met her, and I've heard her speak on one or  
22 two occasions.

23          Q. Do you consider her an expert in the field of  
24 fiduciary relationships?

25          A. I've considered her an expert in the field of



1     fiduciary litigation. I don't know about her experience  
2     with respect to the administration of trusts.

3           Q. Basically the stated law now is that -- that  
4     exculpatory clauses are enforceable, but only to the  
5     extent that they don't attempt to exculpate breaches of  
6     duty that are in bad faith, or intentionally, or with  
7     reckless indifference to the interest of the beneficiary.  
8     Correct?

9           A. That's 114.007 language. Yes, sir. Or with  
10    respect -- there is another added dimension to that, that  
11    you cannot exculpate for breach of trust for the profits  
12    that may be obtained by the trustee.

13          Q. In terms of one of the criticisms you have is the  
14    failure to call for a vote to permit the sale of the net  
15    profits interest when the -- when the assets still had  
16    value. You don't know what that vote would have been,  
17    correct, if a vote had been called?

18          A. I -- no, I do not know what the result of a vote  
19    would have been.

20          Q. Do you know a lawyer named Chris Terry?

21          A. Chris Terry? I don't believe so.

22          Q. Do you know an individual named Stephen Becker?

23          A. Stephen Becker? The name sounds familiar.

24          Q. Do you know the engineering firm of Platt and  
25    Sparks?

1 A. Yes, I do.

2 Q. Competent engineering firm?

3 A. Yes.

4 Q. Have you worked with them before?

5 A. Yes, I have.

6 Q. Have you hired them before?

7 A. I don't believe I've hired them. I may have --  
8 I've either worked -- the most -- the most -- excuse me --  
9 my most recent experience was either with or against them.  
10 I believe it was against them in a case. And then I have  
11 seen their engineering reports in the past involving  
12 various properties that I've reviewed.

13 Q. Do you -- based on everything you've seen, it's  
14 been competent work?

15 A. Yes.

16 Q. Correct?

17 (Exhibit 93 was marked.)

18 Q. (BY MR. CURRY) Exhibit 93 are basically the two  
19 lists of documents that you've reviewed in this case.  
20 Correct?

21 A. Yes. Plus what I gave you this morning.

22 Q. The three documents?

23 A. Yes.

24 Q. The XTO case, the trust code, and I believe those  
25 would be the two?

1           A. No. I gave you the XTO case. And I thought I --  
2       didn't I give you two things? No, I guess that was the  
3       only thing that I gave you this morning. I apologize.

4           Q. You actually didn't give it to me. You showed it  
5       to me.

6           A. Yes, these are the two lists.

7           Q. And just to be -- make sure I'm perfectly clear,  
8       you'll -- you'll agree with me that starting in the public  
9       filings post 2008, October, the -- the -- the trustees  
10      made an effort to paint a pretty bleak picture of these  
11      assets, in terms of not knowing when they were going to  
12      produce, for example, and when production would be  
13      restored, but these assets started -- they were trying to  
14      communicate to the beneficiaries that things weren't  
15      necessarily hunky dory.

16                  MR. BITTING: Objection; form.

17          A. They did not make the disclosure that they should  
18      have made as to how bleak the picture was. They had a  
19      couple of sentences in there that it was -- didn't know  
20      whether production would ever be restored, but they did  
21      not provide the information that they had an evaluation in  
22      hand that reflected it to be zero.

23          Q. (BY MR. CURRY) But they didn't -- but they  
24      didn't give full disclosure of the -- any additional  
25      reports that they obtained from DeGolyer and MacNaughton.

1 Correct?

2 MR. BITTING: Objection; form.

3 A. I have not -- besides the March 31st, 2009  
4 report, I am not aware of any that weren't passed on.

5 Q. (BY MR. CURRY) And then they were passed on  
6 fully. Correct?

7 A. As far as I know, yes.

8 Q. And -- and -- and -- and all of those showed an  
9 improving circumstance. Correct? From March of 2009?

10 A. I don't know that they were all improving.

11 MR. BITTING: Objection; form.

12 A. They all reflected value.

13 Q. (BY MR. CURRY) Well, they -- they -- we've gone  
14 through earlier that the highest value that you see on  
15 your -- your sheet was post 2009. Correct?

16 A. Of the years --

17 MR. BITTING: Objection; form.

18 A. Only reflected from 2000- -- no, the -- the  
19 highest value was from 2007.

20 Q. (BY MR. CURRY) And then the highest value post  
21 2008 was what year?

22 A. 2010.

23 Q. And that was at 12/31 -- or what date as of 2010?

24 A. This would have been the report that would have  
25 been as of 10/31/2009.

1 Q. And you're not -- you're not going to testify as  
2 to what effect, in terms of damage, that that disclosure  
3 would have made. Correct?

4 MR. BITTING: Objection; form.

5 A. Well, the effect as to the damage?

6 Q. (BY MR. CURRY) Yes. You've stated on a number  
7 of occasions you're not a damage expert. Correct?

8 A. That -- that's correct. But the damage that I  
9 think occurred by not -- are not financial. They're  
10 breaches of fiduciary duty, so...

11 Q. I understand.

12 A. Okay.

13 Q. But the breach, in terms of what financially it  
14 has cost any beneficiary or cost to the beneficiaries,  
15 you've not made that calculation?

16 A. It is my intent to testify with respect to the  
17 effect of not disclosing it. However I am willing to have  
18 no testimony with respect to a -- to a financial number  
19 associated with that. I'm not calculating those damages.

20 Q. So I hear -- hear what you're going to have to  
21 say about what the effect was. What was the effect of not  
22 disclosing it?

23 A. Well, the effect was not making the beneficiaries  
24 aware that the trust had actually undergone a terminating  
25 event which triggered the required liquidation of the

1 properties in accordance with the terms of the instrument.  
2 Instead they kept the -- the -- the trust going. I  
3 believe Mr. Ulrich testified that the benefit was keeping  
4 the trust alive. He kept the trust alive for -- from 2009  
5 through 2016 when there were, effectively, \$6 million of  
6 overhead paid unnecessarily because the trust had already  
7 terminated.

8 Q. Well, there would have been overhead that was  
9 necessary to pay for some period of time post 2009, even  
10 under your scenario. Correct?

11 A. I agree that there would have been some. Yes,  
12 sir.

13 Q. It would have been -- for whatever period it was  
14 necessary to expose the assets to the market, and to  
15 complete sales, and complete dissolution of the trust,  
16 there would have been some period necessary to do that.  
17 Correct?

18 A. There was some period of time for which costs  
19 would have been incurred. You're correct.

20 Q. And whether it's one year, two years, three  
21 years, you don't know that time period?

22 A. Well, I've -- I've -- I've testified that I  
23 believe that a -- a reasonable period of time for sale  
24 would have been in the neighborhood of 18 months. So  
25 that's my opinion.

1 Q. But in terms of what that sale price would have  
2 actually been in an 18-month sale, you don't know?

3 A. I'm relying on Mr. Wiggins for that, and he  
4 has -- he has said what he believes it would have sold  
5 for.

6 Q. Do you know if but for this litigation, the trust  
7 could have been dissolved as of today?

8 MR. BITTING: Objection; form.

9 A. I'm sorry. I don't understand the question.

10 Q. (BY MR. CURRY) But for this lawsuit, whether  
11 this -- these -- this -- the anticipation was that the  
12 trust would have been dissolved in years preceding?

13 A. The trust should have been terminated back in  
14 2009 or '10.

15 Q. I'm -- I'm speaking in terms of the dissolution.  
16 But for this lawsuit -- you said that the expenses had  
17 occurred in 2010, '11, whatever time period, within that  
18 three-month window you think sometime around the 18-month  
19 period, it could be a little bit more, it could be a  
20 little bit less. But do you know if there is anything  
21 that is necessitating the trust being still in place other  
22 than this lawsuit?

23 MR. BITTING: Objection; form.

24 A. Well, the -- the -- yes, determining the extent  
25 of damages, if any, for breaches of fiduciary duty by

1 the -- by the trustee.

2 Q. (BY MR. CURRY) I understand. That's this  
3 lawsuit. Right?

4 A. Well, that's -- but that's what's -- that's  
5 what's being determined by this lawsuit. So --

6 Q. And -- and -- but there is -- to your knowledge,  
7 at least from the time period in which the assets -- all  
8 the assets were sold, the only reason that the trust is  
9 having to remain in existence is this lawsuit. Correct?

10 A. As of this moment in time I believe that to be  
11 true, yes.

12 Q. And the -- and that would have been true from a  
13 short period of time subsequent to the last disposition of  
14 assets. Correct?

15 A. In 2016, yes.

16 Q. And you certainly agree that there has been --  
17 that there is expenses that have to be paid for a  
18 trust to -- for the trust to be in existence. Correct?

19 MR. BITTING: Objection; form.

20 A. There are expenses that are incurred when a trust  
21 is in existence, yes.

22 Q. (BY MR. CURRY) For example, SEC filings with a  
23 trust such as this one. Correct?

24 MR. BITTING: Objection; form.

25 A. Correct. But, again, I believe that the trust



1 should have terminated a number of years ago.

2 Q. (BY MR. CURRY) Well -- and I understand that.  
3 But the appropriate expenses for a trust such as this is  
4 to -- is payment to the trustees. Correct? Setting aside  
5 any type of breaches of fiduciary duty. I'm just talking  
6 about the --

7 A. During a period of time that a trust is being  
8 properly administered, there are costs associated with its  
9 administration, including compensation to the trustee,  
10 yes.

11 Q. Including -- that would be costs to pay for  
12 professionals, such as the accountants. Correct?

13 A. While it's properly open --

14 MR. BITTING: Objection; form.

15 A. -- yes, that's correct.

16 Q. (BY MR. CURRY) To pay the reservoir engineers.  
17 Correct?

18 A. To -- while it's properly open. Correct.

19 Q. To pay for the administration of notices going to  
20 the beneficiaries?

21 A. While it's properly open. Correct.

22 Q. To pay the -- you reviewed all of the trust  
23 packages, the monthly trust -- I'm sorry -- the quarterly  
24 trust --

25 A. The quarterly trust packages? Yes, sir, I did.

1 Q. And you saw that -- where they added in that line  
2 of expenses. Correct?

3 A. Yes. As a part of the financial accounting, yes.

4 Q. Have you made any type of analysis of any of  
5 those expenses to whether or not they were appropriate or  
6 inappropriate?

7 A. Well, I believe that a number of the expenses are  
8 associated with the cost of maintaining the trust beyond  
9 2000- -- we'll call it 2000- -- mid 2010 are inappropriate  
10 because I think the trust should have -- I think the trust  
11 was terminated.

12 So once those assets were liquidated, in my  
13 opinion some 18 months beyond the first -- January 1st,  
14 2009, so putting it somewhere in the neighborhood of mid  
15 2010, that those expenses that were incurred were  
16 unnecessary and, in fact, were breaches of trust for --  
17 for having done a number of things that we haven't talked  
18 about that are included in my report.

19 Q. And what I'm asking, though, is that the --  
20 the -- that those expenses would have -- let's just use  
21 the example of from June, roughly, 2009 and the first six  
22 months of 2009, just to try to get us on a turf that we're  
23 not going to fight about.

24 A. There would have been expenses -- reasonable  
25 expenses incurred for the first six months of 2009, yes.

1 Q. And those would have been appropriate expenses,  
2 such as paying the accountants, paying engineers, paying  
3 the lawyers, paying the -- the transfer agent. Those are  
4 appropriate expenses to pay. Correct?

5 A. As long as they are calculated properly.  
6 Obviously, paying the trustee's fee in an improper manner  
7 was not appropriate.

8 Q. The -- and -- and in terms of the -- when -- the  
9 time period, even using your calculation of that  
10 information being first available that the trust may have  
11 terminated in -- sometime -- it became known in June  
12 of 2009 and going out 18 months from that time period  
13 would have taken us at least through almost the entirety  
14 of 2010. Not mid 2010, but the entirety of 2010, to use  
15 that 12-month window. Correct?

16 A. I don't believe --

17 Q. I'm sorry. 18-month window.

18 A. I don't believe that I ever said that they became  
19 aware of it in June of 2009. I think that they were aware  
20 of it in -- in May, but that's -- I'm -- that's piddling.

21 So, in essence, 18 months would have taken you  
22 through the end of 2010 if the full 18 months were  
23 required to liquidate the -- the assets.

24 Q. And then it -- and then there may still be -- and  
25 it could have taken longer than that. 18 months is not a

1 hard-and-fast deadline. Correct?

2 A. It's, I think -- I think it's a reasonable period  
3 of time to market the assets.

4 Q. But -- but -- but it could have taken longer.  
5 Correct?

6 A. Could it have taken longer? It could have,  
7 certainly.

8 Q. And, in fact, the trust document allows for even  
9 as much as three years. Correct?

10 MR. BITTING: Objection; form.

11 A. Three years before it goes to absolute auction.

12 Q. (BY MR. CURRY) And then that -- and then there  
13 will be some period of time even after the absolute  
14 auction that -- that could be required. Correct?

15 A. All of those -- of course, those things could  
16 have happened. I don't believe that it is reasonable that  
17 they would have happened, but they could have happened.

18 MR. CURRY: Objection; nonresponsive.

19 Q. (BY MR. CURRY) It's -- the -- the trust document  
20 allows for a three-year period, and then it goes to  
21 absolute auction. Correct?

22 A. I -- I would -- I would say it differently.  
23 The -- the -- the trust agreement requires the sale of  
24 assets upon termination of the trust, and if they are --  
25 for whatever reason can't be sold within three years, then

1 it goes to absolute auction.

2 So if -- if that were to occur, then, yes, you  
3 could take more than three years. But I can't envi- --  
4 envision a circumstance where it didn't sell within three  
5 years that you wouldn't have already gone to absolute  
6 auction.

7 So I just think that it's extremely unlikely and,  
8 frankly, would be imprudent to allow it to go beyond the  
9 three-year point.

10 Q. And using the three-year point, we would have  
11 been talking about all of '9, all of '10, and all of '11.  
12 Correct?

13 A. Arguably, yes.

14 Q. And then there still may be some period of time  
15 to finish up the affairs in terms of the accounting and so  
16 forth of the -- of the trust?

17 A. It -- that's -- that's possible. I -- I think  
18 it's unlikely, but it's possible. It's unlikely that that  
19 would be a prudent course of conduct.

20 Q. You understand that there were certain  
21 beneficiaries that complained about the liquidation of  
22 the -- of the trusts. Correct?

23 MR. BITTING: Objection; form.

24 A. Yes. But they were never made aware that the  
25 trust had terminated of its own volition.

1 Q. (BY MR. CURRY) Well, I'm --

2 MR. CURRY: Objection; nonresponsive.

3 Q. (BY MR. CURRY) You understand that there were  
4 beneficiaries that complained that the assets were being  
5 sold. Correct?

6 A. I -- yes, beneficiaries who did not have proper  
7 disclosure. And so I -- I don't think they can make an  
8 informed decision.

9 Q. But they had disclosure of every SEC filing that  
10 is a part of the record in this case. Correct?

11 A. The SEC filings, but they didn't have the -- the  
12 3/31 that showed a terminating event for the trust.

13 Q. Well, it's not -- it's actually not a terminating  
14 event because it's not a -- it's not a report as of a  
15 year-end. Correct?

16 A. Any reasonable prudent trustee would have said,  
17 "And what would this have been as of 12/31?"

18 Q. But it's not a 12/31 report, is it, sir?

19 A. It clearly -- it clearly is not. However, all of  
20 the factors that were present to make it worth zero were  
21 present even more so as of 12/31.

22 MR. CURRY: Objection; nonresponsive.

23 Q. (BY MR. CURRY) It is clearly not a 12/31 report.  
24 True or false?

25 A. It is clear that we do not have a 12/31 report.

1 We should have.

2 MR. CURRY: Objection; nonresponsive.

3 Q. (BY MR. CURRY) It is clearly not a 12/31 report,  
4 is it, sir?

5 A. The report dated 3/31 is clearly not a 12/31  
6 report.

7 Q. Nor is it a year-end report?

8 A. It is not a year-end report.

9 Q. Have I been courteous to you today?

10 A. For the most part.

11 Q. Have you answered my questions as truthfully as  
12 you possibly can?

13 A. I've answered your questions as -- as truthfully  
14 and as directly as I possibly can.

15 Q. Truthfully?

16 A. I said truthfully and directly as I possibly can.

17 Q. You promised to answer that last questions as  
18 true as you can say, but you've answered my questions as  
19 directly as you possibly can?

20 A. I --

21 Q. I'm joking with you.

22 All of your opinions have either been stated here  
23 today or included in your report, correct, that you've  
24 formulated as of today?

25 A. Well, with the exception -- looking at these

1 documents that were -- that were from approximately  
2 Exhibit 83 through Exhibit 92, looking at those documents  
3 which I had not seen before, I believe -- I believe that  
4 those documents are problematic from the -- for the -- for  
5 the trustee, and I have opinions that there were -- that  
6 there were obligations of the trustee that were abdicated  
7 to Chevron and that Chevron was in the -- in the -- in one  
8 sense had put -- placed in -- in a potential conflict of  
9 interest situation where it was supposed to identify  
10 potential purchasers and how it should be marketed and  
11 then said, "Oh, by the way, we'll be interested in looking  
12 at it."

13 And, finally, the -- the series of letters which  
14 say "We need to sell enough to raise \$2 million" I find  
15 very problematic. That's not how you -- that's not how  
16 you market properties, and it's -- it's the quickest way  
17 to not receive fair value for your property.

18 So I -- I thought -- I have serious concerns  
19 about those documents that are -- that's not expressed in  
20 my report.

21 Q. I'm going to talk to you, then, about those  
22 opinions and -- or those serious concerns.

23 In terms of -- do you have any knowledge as to  
24 whether or not the -- the trust -- the general partnership  
25 agreement and/or the conveyance requires Chevron to be



1 involved in the sales process?

2 A. Chevron needs to be involved in the sales process  
3 as -- as general partner of the partnership, yes.

4 Q. And absolutely has to be involved in the sales  
5 process. Correct?

6 A. They -- they have to be involved in the sales  
7 process, yes. That's what I answered.

8 Q. And the -- the -- in terms of the ultimate  
9 decision whether to buy or to -- I'm sorry -- to sell  
10 would ultimately not be Chevron's. Correct?

11 A. The -- the ultimate decision to sell rests with  
12 the trustee.

13 Q. And do you -- in terms of the desire to -- to --  
14 to obtain at least \$2 million, that is not a -- if I want  
15 to sell an asset and I want to get at least X dollars,  
16 that's not an improper goal, is it, sir?

17 A. I have -- I have been -- the Starrett decision,  
18 the Militello case that we talked about earlier, was --  
19 was -- was a case exactly like this where the trustee went  
20 out and said, "We want to sell \$2 million worth of  
21 product, of oil and gas properties," and I -- I believe  
22 that that -- that methodology, that procedure for the  
23 sale, is a breach of fiduciary duty. I believe that for  
24 TEL to do that in this case is -- is a breach of their  
25 fiduciary duty. That's not proper. That is not a proper

1 way to market the interest, and it is a very sure way of  
2 receiving less than full value for your interest.

3 Q. To say that I want to get at least X dollars in a  
4 sale is -- is not -- is an improper objective of a trustee  
5 or anybody else who's selling an asset?

6 A. That is -- that's not how I read the letter.  
7 What I said -- the way I read the letter is, "I want to  
8 sell enough interest to -- to achieve \$2 million."

9 Q. Did -- do you know if they've ever -- if they  
10 ever sold any of the interest in an effort to -- to  
11 receive only \$2 million?

12 A. I hope not. I don't believe so.

13 Q. But there is no --

14 A. To do it that way, I think, is -- is -- is  
15 evidence of bad faith, frankly.

16 Q. And -- and why is that evidence of bad faith,  
17 that -- that I want to get at least X dollars?

18 A. To market the property in -- in that manner is --  
19 is, in my opinion, a sure way not to receive market value.

20 Q. And I'm just asking you, why are you not going to  
21 get market value? If -- if I want to get at least X  
22 dollars -- I want to sell my car for at least \$25,000, why  
23 am I not going to get market value because I've set an  
24 objective as to what I want to sell it for?

25 A. It's because you want \$2 million. Okay. We'll

1 buy 5 percent of your interest for \$2 million. You're --  
2 you're matching an interest point to a dollar point  
3 instead of -- instead of the other way around. You're  
4 matching the dollar to -- to some amount as opposed to  
5 identifying what the -- what the true value of the  
6 interest is and then marketing that accordingly.

7 Q. If you're -- if you're marketing the -- the  
8 product, however you're marketing it, and -- and your  
9 objective is to obtain \$2 million, as long as you have  
10 marketed it effectively, why -- why is there any harm?

11 I mean, I'm just trying to --

12 A. The harm --

13 Q. I don't understand your opinion whatsoever.

14 A. The harm is, by the trustee, telling the  
15 prospective purchaser that "I want" -- "I need to raise  
16 \$2 million," and then having an interest built -- having a  
17 potential purchase arranged around that desire to hit  
18 \$2 million is, in my opinion, backwards and dangerous.

19 Q. And, in fact, Chevron didn't -- the only  
20 potential purchaser that that was communicated to was  
21 Chevron, and Chevron didn't buy it, did they?

22 A. Chevron did not buy it, but the approach is what  
23 I have very serious concerns about.

24 Q. And the -- each -- all four of the trustees were  
25 involved in those communications. Correct?

1           A. Presumably.

2           Q. In fact, they all four were signing many of those  
3 letters. Correct?

4           A. Their -- I noticed that their names were on some  
5 of them, yes.

6           Q. And everything that you complained about in your  
7 report in terms of each and every one of the steps that  
8 were taken, which, if any, of those were only the banks  
9 being involved in?

10          A. Well, I have no way of knowing that for sure. I  
11 would -- I believe that -- that with respect to the  
12 miscalculation of fees -- we already have a finding of  
13 intentional breach of trust -- I believe that that would  
14 have been solely laid at the door of -- of Bank of New  
15 York. I -- I can't tell you that with absolute certainty.  
16 I believe that.

17          A -- the decision not to make disclosures with  
18 respect to the -- the 3/31 report and not to make  
19 disclosures with respect to the alternatives being  
20 considered by the bank appear, based on what I see here,  
21 to be decisions of -- of the trustee -- of Bank of New  
22 York as trustee without the participation of the others.  
23 Again, I can't be -- I can't be sure of that, but based on  
24 what I've seen here, it appears that way.

25          Q. Well, the other trustees were aware of the

1 March 31 report at least through the -- the board -- the  
2 trust packages. Correct?

3 A. They should have been, yes.

4 Q. And -- and so if it wasn't disclosed, they had  
5 knowledge it wasn't disclosed. Correct?

6 A. I -- I don't know that. For -- I -- I don't know  
7 the answer to that question.

8 Q. And the -- what was the other element that you  
9 said?

10 A. The steps being considered that were not  
11 disclosed by -- by Bank of New York -- for example,  
12 resignation, borrowing money, those kinds of things -- the  
13 decision not to disclose those -- I don't know whether the  
14 individual trustees participated in that decision or  
15 whether it was done unilaterally by the Bank of New York.

16 Q. Well, the other trustees certainly had access to  
17 the Andrews & Kurth memos, and it appears that there were  
18 discussions. Correct?

19 A. Yes, but there are two different time frames.

20 MR. BITTING: Objection; form.

21 A. In Mike Ulrich -- Ulrich's deposition, he said  
22 that these things were considered in 2009, and the  
23 Andrews & Kurth memo was, as I recall, 2010 and 2011,  
24 so --

25 Q. (BY MR. CURRY) So you're basically saying if

1 a -- if I'm a trustee and I'm thinking about resigning, I  
2 have a duty to -- in a royalty trust, to -- to tell the  
3 world that I might resign. Even if I -- if I don't take  
4 any steps to -- to get management approval or to otherwise  
5 act on that consideration, I have a duty to disclose.

6 A. I'll give you --

7 Q. Right?

8 A. I'll give you this -- no, it's not correct. I'll  
9 give you the same answer that I gave you earlier in -- in  
10 the deposition; and that is, the trustee has a duty to  
11 disclose information that is material to the interest of  
12 the beneficiary.

13 And so it depends on circumstance. And I believe  
14 that -- that circumstances involving the state of this  
15 trust and the decision to consider resigning because of  
16 the uneconomic nature of the trust is material to the  
17 interest of beneficiaries and should have been disclosed,  
18 for example.

19 Q. Well, in that same time frame, they were --  
20 they're basically -- they're -- they're making -- and  
21 we've gone through this in terms of what disclosures they  
22 are making in terms of the bleakness of the -- the assets  
23 in the 10-Ks. Correct?

24 A. They have three or four sentences in there with  
25 regard to unlikely that there will be distributions for a

1 period of time, but there was never the disclosure that  
2 the trust had a terminating event.

3 Q. And -- and whether the trustees ever believed  
4 that there was a terminating event, you've seen no  
5 evidence that they ever reached the same conclusion you  
6 did. Correct?

7 A. Well, I -- I have -- I have seen evidence that  
8 they had the information available to them that there was  
9 a terminating event. Or at least Bank of New York did,  
10 yes.

11 Q. But you've never seen anything that -- that  
12 suggests that they believe that their -- a terminating  
13 event had occurred? Nothing. Not -- there's not a single  
14 piece of paper that you've seen where they have connected  
15 that dot and said, "Oh, my gosh, this thing expired on  
16 12/31/08"? You -- there's not a single piece of paper  
17 that you can point to where they've actually made that  
18 connection?

19 A. Well, that's why we're here.

20 Q. I'm just saying, point me to the paper where  
21 you've seen that they made that connection that, in fact,  
22 it had terminated.

23 A. Again, they -- they did -- apparently didn't make  
24 that connection, which -- which is why we're here. But  
25 they had the information available to them and should have

1 known that it occurred.

2 I can't -- I can't make the idea appear in their  
3 head. I just know it was available to them at the time.  
4 Not with hindsight, but with the information that was  
5 available to them for -- frankly, it was available to them  
6 in -- on 10/31, but it was bolstered even more by the 3/31  
7 report. All of the information necessary to realize that  
8 there was a terminating event was available to them. All  
9 they had to do was -- was evaluate and investigate the  
10 assets, which they're required to do under the Prudent  
11 Investor Act, and it was apparent and obvious that the --  
12 that the trust had terminated.

13 Q. Well, the method by which the trust terminates is  
14 a year-end report that states that there's 2 million or  
15 less, and that never occurred. Correct?

16 A. Well, first of all, that -- that never occurred  
17 because they didn't get year-end reports, which, as I --  
18 as I testified earlier, I believe was a breach of trust.

19 Q. They followed the same methodology they had been  
20 followed for -- as many years as you have records, they  
21 had been followed even during the time period in which you  
22 were at Texas Commerce Bank and working with the same --  
23 with the same trust. Correct?

24 A. Doing the same thing over and over --

25 MR. BITTING: Objection; form.



1 A. -- doesn't excuse the breach.

2 Q. (BY MR. CURRY) There is not a single year  
3 that -- that there was ever a report done on 12/31.  
4 Correct?

5 A. As -- well, I only go back to the records that I  
6 was supplied with, and I believe that was either 2000 or  
7 2001.

8 Q. And --

9 A. And during that period of time, they were all  
10 dated as of 10/31, as I recall.

11 Q. And for at least eight years preceding this  
12 alleged breach, the -- the trustees had been notifying the  
13 public that that's when they were doing the as-is -- as-of  
14 report of the reserves. Correct?

15 A. I believe it was in the -- it was in the 10-K.  
16 That's correct.

17 Q. And it was -- it was included in the 10-K in '08  
18 and '09 and onward. Correct?

19 A. Well, if you follow that logic, there would never  
20 have been a termi- -- there could never be a terminating  
21 event because they didn't do what they were required to  
22 do. Or they didn't have to do what they were required to  
23 do, and -- and I'm telling you that I believe that their  
24 obligation under the terms of the agreement are to get a  
25 year-end report. They should have done it every year.

1           It may be that there was no damage associated  
2 with that until 2000- -- 12/31/2008, but it sure as hell  
3 was present then.

4           Q. Sir, with no disrespect, I mean -- let's just  
5 assume that the -- that the report had been done on  
6 12/31 -- I'm sorry -- 10/31/09 and the value -- instead of  
7 3/31/09, would that have been a terminating event?

8           A. Well, it would depend on the nature of what was  
9 reflected in the -- in the 10/31 -- if they had a 10/31  
10 report that reflected a zero valuation, the prudent thing  
11 to -- to do would be to ask the -- DeGolyer and  
12 MacNaughton to prepare a record as of 12/31/2009, just as  
13 the prudent thing to have done here would have been to ask  
14 DeGolyer and MacNaughton for a report as of 12/31/08,  
15 which they were required to have anyway.

16          Q. And that they notified each of the trust members  
17 for at least a period of 16 years, to your knowledge, that  
18 they were never doing that. Correct?

19                   MR. BITTING: Objection; form.

20          A. As I -- as I answered a few moments ago, doing  
21 something over and over that is wrong doesn't make it  
22 right.

23          Q. (BY MR. CURRY) I'm just saying, for 16 years,  
24 they notified the beneficiaries of how they were doing it.  
25 Correct?

1           A.   And for 16 years they were doing it wrong.

2                   MR. CURRY:   Pass the witness.

3                   MS. PAULSON:   We'll reserve ours.

4                   MR. BITTING:   We'll reserve our questions.

5                   THE VIDEOGRAPHER:   We are going off the  
6 record at 17:33.

7                   (THE DEPOSITION CONCLUDED AT 5:33 P.M.)

CORRECTION PAGE

WITNESS NAME: TOM MCBRIDE DATE: 03/17/2017

PAGE LINE CHANGE REASON

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## SIGNATURE PAGE

I, TOM MCBRIDE, have read the foregoing deposition and hereby affix my signature that same is true and correct, except as noted on the correction page.

\_\_\_\_\_  
TOM MCBRIDE

THE STATE OF TEXAS       )  
COUNTY OF \_\_\_\_\_ )

Before me \_\_\_\_\_ on this day personally appeared \_\_\_\_\_ known to me [or proved to me on the oath of \_\_\_\_\_ or through \_\_\_\_\_ (description of identity card or other document)] to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
NOTARY PUBLIC IN AND FOR  
THE STATE OF T E X A S

My Commission Expires:  
\_\_\_\_\_

CAUSE NO. C-1-PB-14-001245

IN RE: § IN THE PROBATE COURT OF  
§  
§  
§  
TEL OFFSHORE TRUST § TRAVIS COUNTY, TEXAS

REPORTER'S CERTIFICATION  
DEPOSITION OF TOM MCBRIDE  
TAKEN MARCH 22, 2017

I, Tamara Chapman, Certified Shorthand Reporter in  
and for the State of Texas, hereby certify to the  
following:

That the witness, TOM MCBRIDE, was duly sworn by the  
officer and that the transcript of the oral deposition is  
a true record of the testimony given by the witness;

That the deposition transcript was submitted on  
Monday, April 03, 2017 to the witness or to the attorney for  
the witness for examination, signature and return to TSG  
REPORTING, by Sunday, April 23, 2017;

That the amount of time used by each party at the  
deposition is as follows:

Daniel Bitting - 00:00

Lisa A. Paulson - 00:00

Greg W. Curry - 6:04

That pursuant to information given to the deposition  
officer at the time said testimony was taken, the  
following includes counsel for all parties of record:

1 Daniel Bitting - REPRESENTING GLENN M. KARISCH  
2 Lisa A. Paulson - REPRESENTING RNR PRODUCTION, LAND  
AND CATTLE COMPANY

3 Greg W. Curry - REPRESENTING THE BANK OF NEW YORK  
MELLON TRUST COMPANY, N.A., AS CORPORATE TRUSTEE OF THE  
4 TEL OFFSHORE TRUST

5 I further certify that I am neither counsel for,  
6 related to, nor employed by any of the parties in the  
7 action in which this proceeding was taken, and further  
8 that I am not financially or otherwise interested in the  
9 outcome of the action.

10 Further certification requirements pursuant to Rule  
11 203 of TRCP will be certified to after they have occurred.

12 Certified to by me this 3rd day of April, 2017.  
13  
14

---

15 Tamara Chapman, CSR, CRR, RPR  
CSR NO. 7248; Expiration Date: 12-31-18  
TSG Reporting, Inc.  
16 Firm Registration No. 615  
Nationwide - Worldwide  
17 Phone: (877) 702-9580  
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## FURTHER CERTIFICATION UNDER RULE 203 TRCP

The original deposition was/was not returned to the deposition officer on \_\_\_\_\_;

If returned, the attached Changes and Signature page contains any changes and the reasons therefor;

If returned, the original deposition was delivered to Greg W. Curry, Custodial Attorney;

That \$ \_\_\_\_\_ is the deposition officer's charges to The Bank of New York Mellon Trust Company, N.A., as Corporate Trustee of the Tel Offshore Trust for preparing the original deposition transcript and any copies of exhibits;

That the deposition was delivered in accordance with Rule 203.3 and that a copy of this certificate was served on all parties shown herein and filed with the Clerk.

Certified to by me this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
Tamara Chapman, CSR, CRR, RPR

CSR NO. 7248; Expiration Date: 12-31-16

TSG Reporting, Inc.

Firm Registration No. 615

Nationwide - Worldwide

Phone: (877) 702-9580



# **Exhibit D**

*Individual Trustees*  
*Gary C. Evans*  
*Thomas H. Owen, Jr.*  
*Jeffrey S. Swanson*

# TEL OFFSHORE TRUST

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., CORPORATE TRUSTEE  
919 CONGRESS AVENUE / (512) 236-6599 / AUSTIN, TEXAS 78701

October 29, 2010

Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32250  
Concord, California 94520

Attn.: Robert Poindexter

RE: TEL Offshore Trust

Dear Robert:

This letter is a follow-up to various discussions and emails between Chevron U.S.A. and The Bank of New York Mellon Trust Company with respect to the use of funds held in the Special Cost Escrow Account (the "SCEA") established under the Conveyance of Overriding Royalty Interests associated with the TEL Offshore Trust Partnership.

The Trustees of TEL Offshore Trust have met and discussed the SCEA and other related matters. We do not believe at this time that the Trust has the authority to make decisions with respect to the withdrawal of funds held in the SCEA; and, that, if anything, it would be Chevron, as the managing general partner of the Partnership, that would have such authority.

As part of our discussion among the Trustees, we did wonder whether the assignment documents, whereby Chevron transferred various of the royalty properties to others (e.g., EC 371 to ERT and WC643 to Hilcorp), contained provisions regarding any aspect of the Conveyance, including the funding, and use of funds, of the SCEA. We would appreciate receiving information about this point.

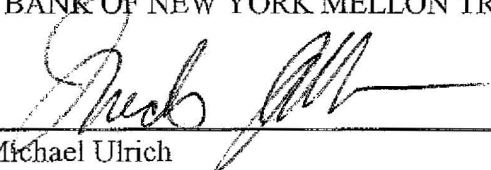
You and I have also discussed, of course, the status of the net profits interest and the liquidity and capital resources of the Trust. We would like to explore with you an advance of funds from Chevron against future payments to the Partnership on the net profits interest, particularly if Chevron taps funds held in the SCEA with respect to EI 339.

We have also discussed a number of times whether there are any insurance proceeds to cover the costs from the damage inflicted by Hurricane Ike on the royalty properties, particularly as it relates to EI 339. We had previously understood from you that Chevron had not purchased individual insurance policies specifically for EI 339; however, there were blanket policies of windstorm damage coverage, albeit with significant deductibles. We would expect that there would be some sort of allocation of insurance proceeds with respect to EI 339 (and perhaps other royalty properties) and would appreciate a report as to the dollars to be recovered, and the timing for such payment, with respect to such insurance.

As always, we appreciate your efforts with respect to TEL Offshore.

Sincerely,

THE BANK OF NEW YORK MELLON TRUST COMPANY,  
N.A.

By:   
Michael Ulrich  
Vice President

cc: Yesenia Cruz-Partida  
Affiliate Accounting Analyst

TEL0023637

# **Exhibit E**

---

**From:** michael.ulrich@bnymellon.com  
**Sent:** Friday, October 29, 2010 1:34 PM  
**To:** rpoindexter@chevron.com  
**Cc:** Derek Kettel; Sarah C. Newell; Cruz-Partida, Yesenia (YCruz-Partida)  
**Subject:** TEL Offshore Trust

Robert - I wanted to reiterate that the Trustees appreciate Chevron considering a buy-out of the royalty interests beneficially owned by the TEL Offshore Trust. However, as you and I have discussed, Chevron's proposal does not provide the Trust with any cash payment, such that the offer is being viewed as effectively \$0. It would be helpful for us to understand the basis for the proposal - particularly when no decision has been made to redevelop Eugene Island 339.

Pursuant to the last reserve study, the PV of the total future net revenues attributable to the Partnership's interest in the royalty, discounted at 10%, was estimated at \$9.4 million as of October 31, 2009. As you know, the reserve study included the plugging and abandonment costs related to Eugene Island 339, and did not include any reserves for EI 339 or any capital expenditures for redevelopment of EI 339. We are having a hard time reconciling such PV number with no cash value to the Trust in any buy-out.

I look forward to discussing this with you.

Thanks. Mike.

512-236-6599

# **Exhibit F**



**Robert Poindexter**  
Team Leader  
Acquisitions, Divestitures & Affiliates  
Accounting

**Finance Share Services**  
**Chevron U.S.A. Inc.**  
2003 Diamond Blvd., Room 32244  
Concord, CA 94520  
Tel 925 827 7019  
Fax 925 827 7978  
rpoi@Chevron.com

November 24, 2010

Mike Ulrich  
Vice President  
The Bank of New York Mellon  
Trust Company  
919 Congress Avenue  
Austin, TX 78701

Dear Mr. Ulrich:

This letter is in response to your letter dated October 29, 2010.

Thank you for sharing your thoughts on the Special Cost Reserve Account (SCRA). Since Chevron is incurring cost for the plugging and abandonment of existing wells at Eugene Island 339, we believe that it is appropriate to draw funds as a way to alleviate the Trust's loss position. SCRA funds will be applied during the next reporting period in December 2010.

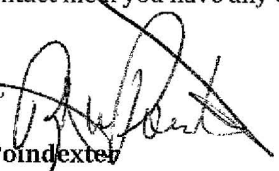
With reference to West Cameron 643 and East Cameron 371, Chevron discussed and disclosed to the buyers all required information related to the TEL Offshore Trust Partnership Agreement and provided a copy of the Conveyance Agreement during the course of closing the property sales. The buyers assumed all responsibilities for the properties but the SCRA assets were excluded from these sales. The buyers understood they were entitled to set up separate SCRA's in accordance with the Conveyance Agreement at their own discretion. Both buyers allowed the leases to expire earlier this year and did not establish a SCRA.

Instead of advancing funds, Chevron will consider the proposal outlined in your October 29, 2010 email to me for the cash buy-out of the Trust's royalty interest. I will share our thoughts with you once we have a decision.

Chevron purchased several insurance policies that covered all or a portion of Chevron's assets from loss or damages caused by, among other perils, windstorms (Hurricane Ike). We need to determine if the deductibles on these policies were exceeded and whether any claims were filed against them that involve Eugene Island 339. I will notify you of our findings as soon as possible.

Please contact me if you have any questions.

Sincerely,

  
**Robert Poindexter**  
Acquisitions, Divestitures & Affiliates Accounting

**Cc:** Yesenia Cruz-Partida  
Pravin Dayaldasani

TEL0023638

# **Exhibit G**

*Individual Trustees*  
*Thomas H. Owen, Jr.*  
*Jeffrey Swanson*  
*Gary C. Evans*

# TEL OFFSHORE TRUST

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., CORPORATE TRUSTEE

919 CONGRESS AVENUE / (512)236-6599 / AUSTIN, TEXAS 78701

December 16, 2010

Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32250  
Concord, California 94520

Attn.: Robert Poindexter

RE: TEL Offshore Trust – Eugene Island 339 Insurance Proceeds

Dear Robert:

This letter is a follow-up to our recent discussions with respect to whether there are insurance proceeds to cover the costs from the damage inflicted by Hurricane Ike on the royalty properties, particularly as it relates to Eugene Island 339 ("EI 339").

We had previously understood from you that Chevron had not purchased individual insurance policies specifically for EI 339; however, there were blanket policies of windstorm damage coverage, albeit with significant deductibles. We now understand from you that the deductibles for two of the three possible blanket insurance policies were not satisfied. With respect to the third such blanket insurance policy, we now understand from you that an allocation of the available insurance proceeds must be made.

While we appreciate that an allocation must be made, it has been over two years since the hurricane occurred. It is imperative that we receive in writing from Chevron, as the Managing General Partner of the Partnership, more timely definitive information with respect to the availability and allocation of insurance proceeds with respect to the royalty properties, particularly EI 339. We must receive an estimate of the dollars to be recovered and the expected timing of the allocation and payment of the insurance proceeds much sooner than late in the first quarter or the second quarter of 2011, which we now understand from you is when Chevron expects to make its decision regarding the allocation and payment of insurance proceeds. We also request that you inform us in writing whether Chevron has actually received insurance proceeds, which are then still to be allocated. The requested information is essential as the trustees continue to assess the status of the net profits interest and the liquidity and capital resources of the Trust. Given the time-sensitive nature of such



assessment, the trustees require definitive written information with respect to the allocation and payment of insurance proceeds as soon as possible.

Please provide the information requested above at your earliest possible convenience, but in no event later than **Wednesday, December 22, 2010**. We must insist that your response be in writing and contain sufficient information so as to allow the trustees to meaningfully assess the impact of the insurance proceeds with respect to the royalty properties, particularly EI 339, on the status of the net profits interest and the liquidity and capital resources of the Trust.

As always, we appreciate your efforts with respect to TEL Offshore.

Sincerely,

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.

By:

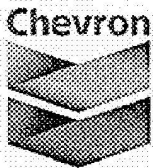


Michael Ulrich  
Vice President

cc: Yesenia Cruz-Partida  
Affiliate Accounting Analyst

Pravin Dayaldasani  
Affiliate Accounting Analyst

# **Exhibit H**



Robert Poindexter  
Team Leader  
Acquisitions, Divestitures & Affiliates  
Accounting

Finance Share Services  
Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32244  
Concord, CA 94520  
Tel 925 827 7019  
Fax 925 827 7978  
rpoi@Chevron.com

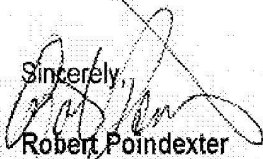
December 20, 2010  
Mike Ulrich  
Vice President.  
The Bank of New York Mellon  
Trust Company  
919 Congress Avenue  
Austin, TX 78701

Dear Mr. Ulrich:

Per our phone discussion ahead of your letter dated December 16, 2010, we made inquiries with regards to the insurance program tied to damages caused by Hurricane Ike in the Gulf of Mexico. I am not in a position to give an estimate of the allocation of insurance proceeds without doing further internal due diligence. It is my intention to discuss this matter with the appropriate personnel in early January 2011 when they are available after the holidays. I will work to have something back to you by the end of January.

Please feel free to call me if you would like to discuss further. I am in the office through Wednesday of this week and will return Monday, January 3, 2011.

Sincerely,

  
Robert Poindexter

Acquisitions, Divestitures & Affiliates Accounting

Cc: Yesenia Cruz-Partida  
Pravin Dayaldasani

# **Exhibit I**

*Individual Trustees*  
*Gary C. Evans*  
*Thomas H. Owen, Jr.*  
*Jeffrey S. Swanson*

# TEL OFFSHORE TRUST

---

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., CORPORATE TRUSTEE**  
**919 CONGRESS AVENUE / (512) 236-6599 / AUSTIN, TEXAS 78701**

December 22, 2010

Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32250  
Concord, California 94520

Attn.: Robert Poindexter

RE: TEL Offshore Trust Partnership - Insurance Proceeds

Dear Robert:

This letter is a follow-up to your letter dated December 20, 2010 regarding an estimate of the allocation by Chevron of insurance proceeds relating to its working interest ownership interests in the royalty properties associated with the TEL Offshore Trust Partnership.

Again, while we appreciate that an allocation must be made, it has been over two years since Hurricane Ike occurred. As Chevron is keenly aware, the TEL Offshore Trust has not received net proceeds from the underlying royalty since December 2008 and is running out of cash. It is imperative that the trustees of TEL Offshore Trust understand, at a minimum, the expected range of insurance recoveries as soon as possible. The viability of the Trust is dependent on this information from Chevron. We understand that an exact dollar amount may still need to be determined, but we need immediate answers to understand at least the range of recovery and a realistic expected time to recover such insurance proceeds. Of course, the trustees of the TEL Trust will also need to understand how the allocation is to be made among the various Chevron properties.

Not having this information until towards the end of January puts the TEL Trust in an untenable position. This information is critical to the analysis by the trustees as to the Trust's future, and would impact a decision by the trustees to request Chevron, as the Managing General Partner of the TEL Offshore Trust Partnership, to sell all or a part of the royalty owned by the TEL Partnership so that the TEL Trust could receive funds to pay expenses. Obviously, a buyer in such a sales process would want this information as well. As we understand it, Chevron is still considering making another offer to buy out the royalty owned by the TEL Partnership, though Chevron wanted to wait at least until the reserve report becomes available. We also ask that Chevron work to obtain the reserve report as soon as practicable.

We reiterate that Chevron, as the Managing General Partner of the Trust, has a duty to take action in the best interest of the TEL Partnership.

As always, we appreciate your efforts with respect to TEL Offshore.

Sincerely,

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Corporate Trustee

By: Michael Ulrich  
Michael Ulrich  
Vice President

MU:scn

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

# **Exhibit J**



**Robert Poindexter**  
Team Leader  
Acquisitions, Divestitures & Affiliates  
Accounting

**Finance Share Services**  
**Chevron U.S.A. Inc.**  
2003 Diamond Blvd., Room 32244  
Concord, CA 94520  
Tel 925 827 7019  
Fax 925 827 7978  
rpoi@Chevron.com

January 7th, 2011  
Mike Ulrich  
Vice President  
The Bank of New York Mellon  
Trust Company  
919 Congress Avenue  
Austin, TX 78701

Dear Mr. Ulrich:

This reply is in response to your letter dated December 22<sup>nd</sup> 2010 regarding any TEL Offshore Trust Partnership – Hurricane Ike Insurance proceeds recovery.

The Chevron Hurricane Ike claims against all of its insurers are still not yet final. Chevron has reached a settlement for a portion of its Ike claims with one insurer but expects to receive, at a still undetermined date in the future, a settlement of a sum certain, which proceeds would include in the calculation the gross loss incurred by Chevron at the Eugene Island 338/339 field, in addition to the entire loss suffered by all Chevron assets from that event.

From that partial settlement made with one insurer, the entire EL 338/339 field could be allocated the recovery of \$2.9 MM (\$2,900,000.00) in insurance proceeds recovery, but Chevron still continues to negotiate with the insurers on the loss.

Under that partial settlement, the TEL Trust, for its partial interest in the EI 338/339 field and in the assets affected in the field, would be allocated approximately \$200,000.00, which insurance proceeds, when recovered, would be applied against the net profit calculation.

These calculations and valuations are current, good faith estimates but remain subject to change at any time until the Chevron Hurricane Ike claims are final.

Chevron has withheld any interim allocation to the trust account, intending to address any allocation to that account, when a final settlement is reached.

In regard to the Reserves report D&M confirmed that they have all the needed information and are currently working on the estimates. We will continue to monitor the progress to have this finalized as soon as possible.

Sincerely,

  
**Robert Poindexter**  
Acquisitions, Divestitures & Affiliates Accounting

Cc: Pravin Dayaldasani



# **Exhibit K**

*Individual Trustees*  
*Thomas H. Owen, Jr.*  
*Jeffrey Swanson*  
*Gary C. Evans*

# TEL OFFSHORE TRUST

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., CORPORATE TRUSTEE

919 CONGRESS AVENUE / (512)236-6599 / AUSTIN, TEXAS 78701

February 18, 2011

Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32250  
Concord, California 94520

Attn.: Robert Poindexter

RE: TEL Offshore Trust Partnership - Potential Sale of Royalties

Dear Robert:

As Chevron U.S.A. Inc. ("Chevron"), the managing general partner of TEL Offshore Trust Partnership (the "Partnership"), is well aware, the TEL Offshore Trust (the "Trust") has not received a distribution from the Partnership since December 2008 and the Trust is not likely to receive a regularly scheduled quarterly distribution from the Partnership for the foreseeable future. The annual costs and expenses of the Trust for the year ended December 31, 2010 were approximately \$911,250. As of January 31, 2011, the Trust's cash reserve amount was approximately \$352,000, and expenses continue to accrue. Absent the receipt of distributions on the underlying royalty interest, or other actions being taken, at some point in the near future the Trust will not have sufficient funds to pay the liabilities of the Trust.

Section 6.04 of the Agreement of General Partnership of TEL Offshore Trust Partnership dated as of January 1, 1983, as amended (the "Partnership Agreement"), provides that the trustees of the Trust may give written notice that the Trust needs funds to pay for liabilities of the Trust and that they therefore desire that Chevron sell all or a portion of the overriding royalty interests owned by the Partnership for cash and distribute the proceeds of such sale to the partners of the Partnership so that the Trust will have sufficient funds to pay its liabilities.

Accordingly, in anticipation of the trustees of the Trust needing to provide to Chevron such a notice to sell all or a portion of the overriding royalty interests owned by the Partnership, and given Chevron's position as managing general partner of the Partnership and the operator of the two most significant royalty properties, as well as Chevron's industry knowledge, the trustees need to know what actions Chevron would take in order to sell such

royalty interests in order to provide the Trust with sufficient funds to pay its liabilities as they become due. In connection therewith, but without limiting the foregoing, the trustees of the Trust need to receive at least the following information:

- Chevron's proposed process to effect the sale or sales.
- The likely buyer candidates.
- The likely interest of potential buyers to acquire all or a portion of the royalty interests.
- The expected timetable to complete a sale.
- The expected terms of a sale, including expected range of purchase prices.

Please also inform the trustees if you foresee a reasonable possibility that distributions to the Partnership could recommence under the terms of the conveyance of the royalty interests prior to the Trust exhausting its cash reserves. If there is no such reasonable possibility, the trustees would like Chevron's anticipated timing as to when regular distributions could be expected to recommence under the conveyance, taking into account whether Eugene Island 339 is redeveloped and whether Eugene Island 339 is not redeveloped.

The Corporate Trustee of the Trust has previously discussed with you, including in October 2010, whether Chevron would be willing to advance funds to the Trust against future payments on the royalty interest. The trustees of the Trust are hereby requesting whether Chevron would be willing to make such an advance secured by the Trust's interest in the Partnership.

Please respond to this letter with all requested information as soon as practicable, and in any event by February 28, 2011. Please feel free to contact Mike Ulrich, with the Corporate Trustee, to discuss these matters.

In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Corporate Trustee

By: 

Michael Ulrich  
Vice President

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

# **Exhibit L**



Robert Poindexter  
Team Leader  
Acquisitions, Divestitures & Affiliates  
Accounting

Finance Share Services  
Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32244  
Concord, CA 94520  
Tel 925 827 7019  
Fax 925 827 7978  
rpel@Chevron.com

February 28th, 2011  
Mike Ulrich  
Vice President  
The Bank of New York Mellon  
Trust Company  
919 Congress Avenue  
Austin, TX 78701

Dear Mr. Ulrich:

As per your letter dated February 18, 2011, you requested information in anticipation of the trustees of the Trust needs for a possible sale of the overriding royalty interests owned by the Partnership.

The information requested and responses are as follows:

- **Chevron's proposed process to effect the sale or sales** - The process would follow Chevron's divestment model, which markets the properties on a competitive bid basis.
- **The likely buyer candidates** - Small independent companies operating in the Gulf of Mexico, other trustees or financial institutions.
- **The likely interest of potential buyers to acquire all or a portion of the royalty interest** - Buyers will be looking for a cash flow stream, that at present does not exist, and whose forecast is several years in the future. Due to the current market conditions in the Gulf of Mexico, where there are more sellers than buyers, it is anticipated there will be low interest in this offering.
- **The expected timetable to complete a sale** - The process from beginning of the marketing until the final closing documents are signed takes between 5 – 8 months
- **The expected terms of a sale, including expected range of purchase prices** - The terms of the sale will be dependent on what is negotiated between Tel Trust Offshore and the buyer. A range of purchase prices cannot be predicted. The current market trends indicate lower offers, and the lack of a cash flow stream does not motivate a buyer to place much value on such an offering.

Regarding the request to inform the trustees if we foresee a reasonable possibility that distributions to the Partnership could recommence prior to the Trust exhausting its cash reserves, we cannot make such a forecast for the Trust. We would offer that based on the present production forecast as shared with the Trust and with DeGolyer and MacNaughton, the possibility of distributions being made would likely begin in 2013. The abandonment work of the facilities and wells at Eugene Island is estimated to be complete by late 2012. Restoration of production at EI 339 is dependent on successful facility and well completions on EI 338, which will not be completed until late 2012.

The trustees of the Trust asked if Chevron would be willing to advance funds to the Trust against future payments on the royalty interests. Chevron does not have any interest in making such an advance of funds.

If the trustees have an established value for the royalty interests, Chevron would be interested in discussing the value and entering into possible negotiations for the purchase of the royalty interests prior to marketing to the public.



Sincerely,

A handwritten signature in black ink, appearing to be "R. Poindexter", written over the printed name.

Robert Poindexter

CC: Pravin Dayaldasani

# **Exhibit M**

*Individual Trustees*  
*Thomas H. Owen, Jr.*  
*Jeffrey Swanson*  
*Gary C. Evans*

# TEL OFFSHORE TRUST

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., CORPORATE TRUSTEE

919 CONGRESS AVENUE / (512)236-6599 / AUSTIN, TEXAS 78701

March 11, 2011

Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32250  
Concord, California 94520

Attn.: Robert Poindexter

RE: TEL Offshore Trust Partnership - Sale of Royalties

Dear Robert:

The trustees of TEL Offshore Trust (the "Trust") appreciated receiving your letter dated February 28, 2011 in prompt response to the letter dated February 18, 2011 from The Bank of New York Mellon Trust Company, N.A., as Corporate Trustee of the Trust.

This letter is based, in part, on (i) your letter dated February 28, 2011, (ii) the fact that the Trust has not received a distribution from the TEL Offshore Royalty Partnership (the "Partnership") since December 2008, (iii) the fact that the funds of the Trust available as of December 31, 2010 to pay expenses of the Trust were approximately \$352,000, or approximately 40% of the Trust's normal annual operating expenses, and (iv) Chevron's estimation that, based on present production forecasts, the possibility of distributions to the Partnership would likely begin in 2013. Pursuant to Section 6.04 of the Agreement of General Partnership of TEL Offshore Trust Partnership dated as of January 1, 1983, as amended (the "Partnership Agreement"), the trustees of the Trust hereby provide written notice that, pursuant to Section 6.04 of the Trust Agreement dated as of January 1, 1983, as amended, of TEL Offshore Trust, the Trust needs funds to pay for liabilities of the Trust and that the trustees therefore instruct Chevron U.S.A. Inc. ("Chevron"), as the managing general partner of the Partnership, to sell such portion, and only such portion, of the Royalties (as such term is defined in the Partnership Agreement) that will provide the Trust with a current distribution equal to \$2,000,000 from the proceeds of such sale. Such dollar amount represents the amount of funds that the Trust

TEL0094573



will need to cover its expected expenses, based on historical annual expenses, through the end of the second quarter of 2013.

The trustees of the Trust expect the sale of all or a portion of the Royalties to be made by Chevron for at least the fair market value of such Royalties, and on an "all cash" basis, without any residual liability to the Partnership. Given the Trust's liquidity position, it is important that the sales process be commenced as soon as practicable and be maintained with all diligent efforts. Any undue delay in the sale is not in the best interest of the Trust and may result in harm to the Trust and its unitholders.

While the trustees of the Trust will be inquiring periodically about the sales process, we expect that Chevron will be providing us with timely updates on Chevron's process and the timing for the sale of such portion of the Royalties, along with the proposed terms for the sale in advance of the actual sale.

Please note that the Trust intends to make a public announcement that the trustees have instructed Chevron to sell a portion of the Royalties as contemplated herein. In connection therewith, the trustees would like to receive from Chevron further information with respect to the proposed sales process, particularly how the process will be undertaken, how the pool of bidders will be determined, when and how potential bidders or other third parties will be notified of the proposed sales process, and the expected costs of the sales process. The trustees would also like to receive copies of the bid package prior to its distribution.

We respectfully remind Chevron of its contractual and fiduciary duties, as the managing general partner of the Partnership, regarding the sale of the Royalties; the Trust is dependent on Chevron for the results of the sale process.

The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell Royalties.

While the trustees of the Trust understand from Chevron that the costs of a redevelopment of Eugene Island 339 would be significant, Chevron has not yet provided an actual cost estimate to the Trust, even after many inquiries for such a cost estimate. Please provide such a cost estimate within the next 10 days, with any needed assumptions regarding such estimate.

In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Corporate  
Trustee

By: 

Michael Ulrich  
Vice President

---

Gary C. Evans, as an individual Trustee

---

Thomas H. Owen, Jr., as an individual  
Trustee

---

Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Corporate Trustee

By: \_\_\_\_\_  
Michael Ulrich  
Vice President



\_\_\_\_\_  
Gary C. Evans, as an individual Trustee

\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual Trustee

\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting


In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Corporate Trustee

By: \_\_\_\_\_  
Michael Ulrich  
Vice President

\_\_\_\_\_  
Gary C. Evans, as an individual Trustee

  
\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual Trustee

\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Corporate Trustee

By: \_\_\_\_\_  
Michael Ulrich  
Vice President

\_\_\_\_\_  
Gary C. Evans, as an individual Trustee

\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual Trustee

  
\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting





# **Exhibit N**





Robert Poindexter  
Team Leader  
Acquisitions, Divestitures & Affiliates  
Accounting

Finance Share Services  
Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32244  
Concord, CA 94520  
Tel 925 827 7019  
Fax 925 827 7978  
rpoi@Chevron.com

March 29th, 2011  
Mike Ulrich  
Vice President  
The Bank of New York Mellon  
Trust Company  
919 Congress Avenue  
Austin, TX 78701

Dear Mr. Ulrich:

RE: Tel Offshore Trust Partnership – Marketing and Sale of Trust Royalty Interest/NPI

In response to your letter dated March 11th 2011, Chevron recommends using an independent auction house to market the entirety of the Tel Offshore Trust's net profit interest (NPI). That process can take anywhere between 5 - 8 months to adequately conduct all of the efforts required for a successful offering, as explained further below. This time frame is what we apply to our own marketing and sales efforts. An expedited sale could have a negative effect on the marketing effort, the purchase price offered and the final terms of any sale.

Chevron will need to identify the proper auction house and the likely and appropriate potential bidders, enter confidentiality agreements and assemble the following at a data room or multiple data room locations: net profit statements for a 3-5 year period to evidence the cash flow before and after the hurricane loss, the DeGolyer & MacNaughton reserve report, land & conveyance documents, and other marketing materials as necessary. The DeGolyer & MacNaughton reserve report will be offered for review to the bidders because it is a 3rd party evaluation sanctioned by the Trust and where Chevron does not warrant or represent the information.

Chevron will have to perform due diligence to prepare the assets for sale to identify and resolve any issues prior to the offering. Chevron would require adequate lead time with the auction house to coordinate the marketing effort, solicit bids and, if an acceptable bid is received, negotiate the final sale agreement.

Chevron will not be able pre-determine a final sale price of the trust interests offered until the bids are received and opened because the NPI asset is unique and does not have a market comparison against which to benchmark, as do working interest offerings. Additionally, sales in the market have a wide range of results, even with working interests, due to numerous market factors which precludes Chevron from accurately predicting the future sale price. The value of the interest will be determined by the market, and a fixed purchase price netting \$2MM cannot be guaranteed in a market determined value.

Using the above information as a basis and should the trust wish to proceed under this proposed full interest offering and marketing protocol, Chevron will, with your express further concurrence, proceed with necessary steps to cause the marketing of the NPI.

In regard to the cost structure that the Trust would bear in regard to the redevelopment of the EI339 field, Chevron has entered into a participation agreement with a third party to re-develop EI338/339 and is currently reviewing that agreement and the application of costs under the conveyance agreement. We hope to provide you with a further response in the very near term.



Thank you,

A handwritten signature in black ink, appearing to read "R. Poindexter", with a large, stylized loop at the end.

**Robert Poindexter**  
Acquisitions, Divestitures & Affiliates Accounting

Cc: Pravin Dayaldasani

# **Exhibit O**



Warren J. Sheppard, Jr.  
Senior Counsel

Negotiations and Legal  
Gulf of Mexico Business Unit  
Chevron North America Exploration  
and Production Company  
100 Northpark Blvd.  
Covington, LA 70433  
Tel 985-773-6036  
Fax 985-773-7072  
WSheppard@chevron.com

April 15, 2011

Mr. Michael Ulrich, Vice President  
The Bank of New York Mellon Trust Company  
919 Congress Avenue  
Austin, TX 78701

Re: Eugene Island 338/339 Field Hurricane Ike Insured Loss Recoveries

Dear Mr. Ulrich:

Chevron U.S.A. Inc. suffered gross losses just in excess of One Billion (\$1,000,000,000.00) Dollars from the Hurricane Ike event. Through its Commercial Markets Insurance Coverage, Chevron made a claim for Three Hundred Ninety Million (\$390,000,000.00) Dollars of related Hurricane Ike losses to make wells safe ("well work") or just less than 39% of the gross billion dollar claim, as related to well work losses.

Chevron received One Hundred Twenty-five Million (\$125,000,000.00) Dollars for all categories of claims as of January 31, 2011. Applying 39% to that One Hundred Twenty-five Million (\$125,000,000.00) Dollars in recovered proceeds produces a Forty-eight Million Six Hundred Thousand (\$48,600,000.00) Dollars allocation to all Chevron Ike well work losses or a 4.8% recovery factor for well work against the entire plus billion dollar Ike loss.

The commercial market insurers disallowed a portion of the gross well work claim for the Eugene Island 338/339 field, representing a sum Chevron would have borne but for the storm. That adjustment left One Hundred Two Million (\$102,000,000.00) Dollars as the gross residual claim for Eugene Island 338/339 field well work.

Applying the 4.8% well work recovery factor for recovered all well work losses to the One Hundred Twenty-five Million (\$125,000,000.00) Dollars in proceeds from the insurers produces a gross recovery to the entire Eugene Island 338/339 field for well work of Four Million Nine Hundred Thousand (\$4,900,000.00) Dollars. Applying the trust interest at Eugene Island 338/339 to the Four Million Nine Hundred Thousand (\$4,900,000.00) Dollars in recovered proceeds attributed to Eugene Island 338/339 well work produces an allocation of recovered insurance proceeds to the trust account in the amount of Four Hundred Thousand (\$400,000.00) Dollars, as the amount of recovered insurance proceeds through January 31, 2011 for trust related well work liabilities at Eugene Island 338/339.

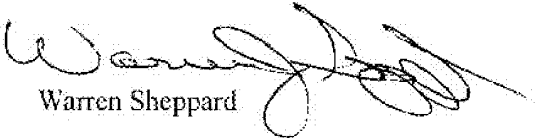
Applying those same factors to what is estimated as an additional, potential Thirty Million (\$30,000,000.00) Dollars in insurance proceeds recovery from the insurers would produce a gross insurance proceeds recovery to the trust interest of Six Hundred Twelve (\$612,000.00) Thousand Dollars or an additional Two Hundred Twelve (\$212,000.00) Thousand Dollars, at some point in the still indefinite future.

April 15, 2011  
Correspondence to Mike Ulrich  
Re: Eugene Island 338/339  
Page 2

Chevron has provided this information in a spirit of cooperation but does note that this information is considered private and proprietary to Chevron and requests that any further disclosure, reproduction or distribution, in whole or in part, be on a strictly need to know basis only.

These materials are auditable in our California offices, should you have further inquiry.

Sincerely,

  
Warren Sheppard

cc: Robert Poindexter  
Pravin Dayaldasani

# **Exhibit P**



THE BANK OF NEW YORK MELLON

The Bank of New York Mellon Trust Company, N.A.

April 28, 2011

Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32250  
Concord, California 94520

Attn.: Robert Poindexter

RE: TEL Offshore Trust Partnership - Sale of Royalties (as such term is defined the Agreement of General Partnership of TEL Offshore Trust Partnership dated as of January 1, 1983, as amended)

Dear Robert:

As a follow-on to various communications between us, and on behalf of the trustees of TEL Offshore Trust (the "Trust"), please proceed with the sale of the Royalties as Chevron U.S.A. Inc. ("Chevron"), as the managing general partner of the TEL Offshore Royalty Partnership, determines is most appropriate in order to provide funds to pay for liabilities of the Trust. As such, we understand that Chevron intends to market for sale 100% of the Royalties, but with a reservation of rights such that Chevron will, upon notice from the Trust, sell only a percentage of the Royalties. As you are aware, the Trust has already publicly stated that it has instructed Chevron to sell such portion, and only such portion, of the Royalties that will provide the Trust with a current distribution equal to \$2,000,000 from the proceeds of such sale. The Trust will be updating its disclosures in the near term regarding, among other things, Chevron's sales process; however, we do note that, under Chevron's planned process, a bidder for the Royalties will not know the amount of the Royalties that the bidder is ultimately able to buy, given the reservation of rights, and may anticipate that such a reservation will be in keeping with such prior disclosure about \$2,000,000 in net proceeds.

As we have previously discussed, and particularly given Chevron's planned marketing efforts, it is imperative that the Trust stay fully apprised of the process for the proposed sale. In furtherance of the foregoing, we expect that Chevron will be providing us with timely updates on Chevron's process and the timing for the various stages of the sale of the Royalties, along with the proposed terms for the sale in advance of the actual sale. The trustees would also like to receive copies of the bid package prior to its distribution. As previously discussed, and particularly given the Trust's liquidity position, it is imperative that the sales process be commenced as soon as practicable and be maintained with all diligent efforts.

The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell the Royalties.

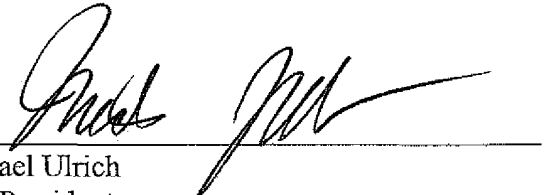
As you are aware, we have previously made a number of inquiries regarding the estimated costs of the redevelopment of Eugene Island 339. We had understood that you were confirming certain numbers with the third party with which Chevron previously entered into a participation agreement regarding Eugene Island, and that you would have responded by now regarding the cost estimate. We also understood that Chevron was reanalyzing the impact of the participation agreement on the Royalties and was to be back in touch with us regarding this analysis. Please provide us the updated information on these matters as soon as possible. As part of such information, we would also like to obtain a copy of such participation agreement as well as a listing of the costs incurred in connection with the plugging and abandonment of Eugene Island 339.

We appreciated receiving the information regarding the insurance proceeds, but do have follow-up questions regarding these matters. We will be in touch separately regarding these insurance matters.

In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Corporate Trustee

By:   
Michael Ulrich  
Vice President

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting



# **Exhibit Q**



Robert Poindexter  
Team Leader  
Acquisitions, Divestitures & Affiliates  
Accounting

Finance Share Services  
Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32244  
Concord, CA 94520  
Tel 925 827 7019  
Fax 925 827 7978  
rpoi@Chevron.com

May 9th, 2011

Mike Ulrich  
Vice President  
The Bank of New York Mellon  
Trust Company  
919 Congress Avenue  
Austin, TX 78701

Re: TEL Trust Conveyance Agreement

Dear Mr. Ulrich:

In your letter dated April 28<sup>th</sup> 2011, you requested that Chevron provide a cost estimate of what the Trust will have to bear against the account for the Trust relating to the redevelopment of Eugene Island 339.

Chevron, in late 2009, entered into a Participation Agreement with a third party, a Person other than an Affiliate, requiring or permitting drilling or development operations on the Property and for which all or substantially all of the consideration is the transfer of an interest in the Subject Interests.

Under the Participation Agreement, Chevron will assign sixty five (65%) percent of the Subject Interests to the third party with and upon an earning under its terms. Under a farmout agreement, as permitted under the Conveyance Agreement, Chevron may assign a portion of the Subject Interests free and clear of the Overriding Royalty Interest and the Overriding Royalty Interest shall be reduced in the same proportion as that in which the Subject interests is reduced.

The account of the Trust will not bear the cost of redevelopment of EI 339 borne by the third party under the Participation Agreement, as a farmout agreement under the Conveyance Agreement, but the Subject Interest will be reduced to the extent of the interest assigned and in the same proportion in which the Subject Interest is reduced.

Please let me know if you have any questions.

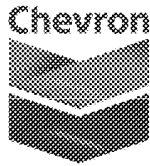
Sincerely,

Robert Poindexter  
Acquisitions, Divestitures & Affiliates Accounting

Cc: Pravin Dayaldasani

TEL0024464

# **Exhibit R**



**Dian Miller**  
Team Leader  
Joint Interest Audits

**Chevron Services Company**  
FSS – Upstream Accounting  
2003 Diamond Boulevard  
Concord, CA 94520-5738  
Tel 925 827 7460  
Fax 925 680 3969  
d.miller@chevron.com

*Sent electronically 11/16/2011*

November 16, 2011

Bank of New York  
Attn: Mike Ulrich  
919 Congress Avenue, Suite 500  
Austin, TX 78701

Audit: Tel Offshore Trust  
Period: 2<sup>nd</sup> Quarter 2008 – 4<sup>th</sup> Quarter 2009  
Chevron File: 2010-028

Dear Mr. Ulrich,

Please refer to the captioned audit report dated April 6, 2011. Below is a listing of exceptions indicating the amounts requested, amounts allowed, and the month of adjustment. Unless otherwise stated in the comments section of this reply, each amount will be separately identified as an audit adjustment on your joint interest billing.

**Exception No. 2 – Non EI 338/339 Hurricane Damage Restoration – Miscoded Invoices**

This exception covers 20 vendor invoices for hurricane restoration costs with multiple lines of coding. The auditor claimed these invoices were charged to Tel Trust (TT) in error based on Global Orion daily logs and work tickets. The exception states the vessel arrived on the EI338/339 location January 4, 2009 and remained on location through August 11, 2009, thus any invoices with service dates outside this period were considered charged to Tel Trust by mistake.

We obtained a copy of the Global Orion location report from Chevron's Cost Control Consultant for the Hurricane Restoration Project Team. The report covers the time period November 9, 2008 through September 29, 2009. The report reflects the WBSE and work location for this vessel for each day during this time period. For some of the vendors where the Global Orion was not used, we obtained the same type of report which shows the vendors name and the dates they were working on various locations. We used these two reports as a guideline to determine if the invoices were properly charged to TT, or if credits were due.

Attached below is our October 2011 adjustment worksheet that contains three tabs of data:

- Auditors Schedule A2B
- Global Orion Location Report
- Print screen of several vendors locations by service dates



2010-028 Exc 2 - Adj  
Detail FINAL.xlsx

Within the adjustment worksheet, please refer to tab named A2B. Within that tab, we added column “AD” which contains our response for each invoice. The overall gross credit granted for this exception is \$3,434,079 posted in two documents during October and November 2011 accounting, per documents pictured below. Attached are the allocations of this entry from the WBSEs to the leases based on well count. The October 2011 entry will appear on the 3Q’2011 net profit statement and the November 2011 entry will appear on the 4Q’2012 net profit statement.



Allocation of Audit  
Adj Exc 2 & 7.xlsx

The remaining charges totaling \$2,570,493 are valid as charged to TT. This part of the claim is denied.

Per	Year	WBS Element	Cost Elem	RefDocNo	RI	Val/COA/rea Croy	Name
10	2011	UWGWD-A8108-ASM	72300200	40015583	AD	36,679.50	EXC 2 - B02 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8106-WIC	74400028	40015583	AD	85,417.50	EXC 2 - B03 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8107-WIC	74500105	40015583	AD	2,493,981.93	EXC 2 - B04 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8108-PPL	74200600	40015583	AD	29,580.00	EXC 2 - B05 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8106-ASM	72300100	40015583	AD	7,162.00	EXC 2 - B07 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8108-ASM	72300200	40015583	AD	11,795.00	EXC 2 - B07 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8106-ASM	74400028	40015583	AD	26,208.00	EXC 2 - B07 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8106-ASM	74400028	40015583	AD	45,907.05	EXC 2 - B08 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8108-ASM	72300100	40015583	AD	44,476.21	EXC 2 - B09 - CR FOR PORTION OF MISCODED INVOICE
10	2011	UWGWD-A8106-ASM	74400028	40015583	AD	2,715.30	EXC 2 - B10 - CR FOR PORTION OF MISCODED INVOICE
10	2011	UWGWD-A8106-WIC	72300200	40015583	AD	16,251.80	EXC 2 - B11 - CR FOR PORTION OF MISCODED INVOICE
10	2011	UWGWD-A8108-ASM	72300100	40015583	AD	9,669.62	EXC 2 - B12 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8106-ASM	72300200	40015583	AD	9,112.76	EXC 2 - B12 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8107-ASM	74500019	40015583	AD	204,312.87	EXC 2 - B13 - CREDIT FOR MISCODED INVOICE
10	2011	UWGWD-A8107-WIC	74500018	40015583	AD	25,373.22	EXC 2 - B22 - CREDIT FOR MISCODED INVOICE
11	2011	UWGWD-A8107-WIC	74500018	40016346	AD	380,598.31	EXC 2 - B22 - CREDIT FOR MISCODED INVOICE
10	2011	UWGWD-A8107-WIC	70000300	40015583	AD	20,403.00	EXC 2 - B23 - CR FOR MISCODED INVOICE
10	2011	UWGWD-A8106-ASM	74400028	40015583	AD	14,444.62	EXC 2 - B24 - CR FOR PORTION OF MISCODED INVOICE
						3,434,079.39	

#### **Exception No. 5 – Eugene Island 338A Pipeline – Abandonment**

Please refer to our response letter dated May 26, 2011 with regard to Audit Number 2007-036 Exception Number 16 which addresses the costs to “build” the EI338A pipeline. In alignment with that response, the pipeline abandonment costs are also valid direct charges to the joint account per Article VI.B of the EI 339 joint operating agreement. No credit is due, claim denied.

#### **Exception No. 7 – Offsite Technical Labor – Superior Energy Services**

Per our review of this invoice and coding information, the charges pertain to a non-Tel Trust property, EC272, thus we are treating this exception as a miscoded invoice rather than an offsite technical labor issue. Credit has been granted in October 2011, see the document below.

Document Number	40015793	Company Code	0004	Fiscal Year	2011	
Document Date	03/31/2009	Posting Date	10/31/2011	Period	10	
Reference	EPK-990713JIADJ	Cross-CC no.				
Currency	USD	Texts exist	<input checked="" type="checkbox"/>			
Items in document currency						
Item	PK Acct no.	Cost Ctr	RI	BI	TC Venture WBS	Amount in USD
001	50 70000300		AD		W00002 UWCWD-A0107-ABN	22,792.00
002	50 74400015		AD		W00002 UWCWD-A0107-ABN	1,096.29
003	40 70000300		BL		W00002 UWCWP-A0109-WIC	22,792.00
004	40 74400015		BL		W00002 UWCWP-A0109-WIC	1,096.29
Item	1	/ 4			Debit/Credit	23,888.29

With the above replies, all exceptions have been addressed. We would appreciate your concurrence to consider these exceptions and this audit closed.

Sincerely,



Dian Miller  
Team Leader, Joint Interest Audits

Cc: Robert Poindexter  
Pravin Dayaldasani

Cele

Summary of Exceptions - Expenditures			Original	Revised		
Exception	Description	Gross Amount Disallowed	Net Effect to Trust (A)	Net Effect to Trust (A)	Gross Amount Granted	Financial Statement Qtr
2	Non EI 338:339 Hurricane Damage Restoration	6,004,372.13	1,611,264.13	2,077,337.60	\$3,434,079.00	Oct. 2011 - 4Q2011 Oct. Adj.
5	Eugene Island 338 A Pipeline Abandonment	1,204,791.58	31,864.44	31,684.44	\$0.00	Nov. 2011 - 4Q2012 Nov. Adj.
7	Offsite Technical Labor - Superior Energy Services	23,888.29	7,133.66	8,451.68	\$23,888.29	Oct. 2011 - 4Q2011
		<u>\$ 8,233,251.62</u>	<u>\$ 1,673,962.23</u>	<u>\$ 2,117,473.72</u>		
(A) - After allocation to the Trust property and the property's WI.						
(B) - Amount is only available as the net effect to the Trust.						

# **Exhibit S**

*Individual Trustees*  
*Thomas H. Owen, Jr.*  
*Jeffrey Swanson*  
*Gary C. Evans*

# TEL OFFSHORE TRUST

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., CORPORATE TRUSTEE

919 CONGRESS AVENUE / (512)236-6599 / AUSTIN, TEXAS 78701

July 11, 2012

Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32250  
Concord, California 94520

Attn.: Robert Poindexter

RE: TEL Offshore Trust Partnership - Sale of Royalties

Dear Robert:

As Chevron U.S.A. Inc. ("Chevron"), the managing general partner of TEL Offshore Trust Partnership (the "Partnership"), is aware, on October 27, 2011, but effective as of August 1, 2011, pursuant to a Partial Assignment of Overriding Royalty Interests (the "Assignment") between the Partnership and RNR Production, Land and Cattle Company, Inc., a Texas corporation ("RNR Production"), the Partnership assigned to RNR Production 20% of the Partnership's rights, title and interests in and to the Overriding Royalty Interest (as defined in the Assignment) in consideration of an aggregate of \$1,600,000 (equivalent to \$80,000 per 1% interest of the Overriding Royalty Interest); and the Partnership has retained an 80% interest in the Overriding Royalty Interest. In connection with the Assignment, the Partnership entered into an Option Agreement with RNR Production, dated as of October 27, 2011 (the "Option Agreement") pursuant to which the Partnership agreed with RNR Production that if the Partnership elects to sell, or market for sale, any portion of the Overriding Royalty Interest on or prior to December 31, 2012, RNR Production will have the option to acquire such percentage interest, up to an additional five percent (5%) of the Overriding Royalty Interest (with such 5% being of the entire (of 8/8ths) Overriding Royalty Interest and not 5% of the portion of the Overriding Royalty Interest then owned by the Partnership), subject to and in accordance with the terms of the Option Agreement.

As you are aware, the TEL Offshore Trust (the "Trust") has not received a distribution from the Partnership since December 2008 and the Trust is not likely to receive a regularly scheduled quarterly distribution from the Partnership for the foreseeable future. As of March 31, 2012, the Trust's cash reserve amount was



approximately \$778,115, or approximately 89% of the average annual expenses of the Trust during the three-year period ended March 31, 2012, and as of June 30, 2012, the Trust's cash reserve amount was approximately \$[486,321]. Since expenses continue to accrue, absent the receipt of distributions on the Overriding Royalty Interest owned by the Partnership, or other actions being taken, it is anticipated that during the first quarter of 2013, the Trust will not have sufficient funds to pay the liabilities of the Trust.

Based on the continuing expenses of the Trust and the fact that there can be no assurance by Chevron or anyone else as to the actual timing for any future distributions to the Partnership from the Overriding Royalty Interest, pursuant to Section 6.04 of the Agreement of General Partnership of TEL Offshore Trust Partnership dated as of January 1, 1983, as amended (the "Partnership Agreement"), the trustees of the Trust hereby provide written notice that, pursuant to Section 6.04 of the Trust Agreement dated as of January 1, 1983, as amended, of the Trust, the Trust needs funds to pay for liabilities of the Trust and that the trustees therefore instruct Chevron, as the managing general partner of the Partnership, to sell a portion of the Overriding Royalty Interest as herein provided so that the Trust will have sufficient funds to pay its liabilities. Assuming that RNR Production desires to purchase all of the additional five percent (5%) of the Overriding Royalty Interest pursuant to the Option Agreement, then Chevron is instructed to sell such five percent (5%) of the Overriding Royalty Interest to RNR in accordance with the terms of the Option Agreement. If RNR does not desire to purchase all of such interest, then the trustees will consider the costs and expenses of pursuing an alternative sale process and will provide Chevron with subsequent instructions regarding any sale of any portion of the Overriding Royalty Interest.

The Trustees have initiated contact with RNR Production to determine RNR Production's interest in purchasing the additional interest pursuant to the Option Agreement. It is anticipated that RNR Production may request additional information prior to any firm commitment to purchase such additional interest and the trustees expect Chevron to accommodate any reasonable requests for information by RNR Production.

Given the Trust's liquidity position, it is important that the sales process be commenced as soon as practicable and be maintained with all diligent efforts. Any undue delay in the sale is not in the best interest of the Trust and may result in harm to the Trust and its unitholders. Accordingly, Chevron is requested to notify the Trustees of any additional actions or information that is required by Chevron to pursue the sales process as set forth herein.

While the trustees of the Trust will be inquiring periodically about the sales process, we expect that Chevron will be providing us with timely updates on Chevron's process and, assuming RNR Production does elect to purchase such additional interest, the timing for the sale of such portion of the Overriding Royalty Interest pursuant to the Option Agreement.

Please note that the Trust intends to make such public announcements regarding the sale of a portion of the Overriding Royalty Interest as determined to be necessary or appropriate.

We respectfully remind Chevron of its contractual and fiduciary duties, as the managing general partner of the Partnership, regarding the sale of the Overriding Royalty Interest and that the Trust is dependent on Chevron for completing the sale.

The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell a portion of the Overriding Royalty Interest.

In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Corporate  
Trustee

By: Sarah Newell  
Sarah Newell  
Vice President

\_\_\_\_\_  
Gary C. Evans, as an individual Trustee

\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual  
Trustee

\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

We respectfully remind Chevron of its contractual and fiduciary duties, as the managing general partner of the Partnership, regarding the sale of the Overriding Royalty Interest and that the Trust is dependent on Chevron for completing the sale.

The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell a portion of the Overriding Royalty Interest.

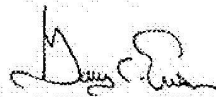
In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Corporate  
Trustee

By: \_\_\_\_\_

Sarah Newell  
Vice President



\_\_\_\_\_  
Gary C. Evans, as an individual Trustee

\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual  
Trustee

\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

We respectfully remind Chevron of its contractual and fiduciary duties, as the managing general partner of the Partnership, regarding the sale of the Overriding Royalty Interest and that the Trust is dependent on Chevron for completing the sale.

The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell a portion of the Overriding Royalty Interest.

In advance, we appreciate your prompt attention to these important matters.

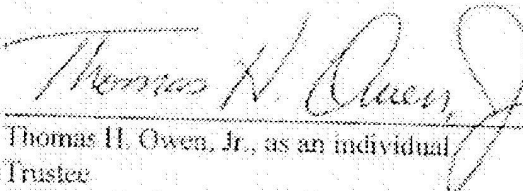
Sincerely,

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Corporate  
Trustee

By: \_\_\_\_\_

Sarah Newell  
Vice President

\_\_\_\_\_  
Gary C. Evans, as an individual Trustee

  
\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual  
Trustee

\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

We respectfully remind Chevron of its contractual and fiduciary duties, as the managing general partner of the Partnership, regarding the sale of the Overriding Royalty Interest and that the Trust is dependent on Chevron for completing the sale.

The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell a portion of the Overriding Royalty Interest.

In advance, we appreciate your prompt attention to these important matters.

Sincerely,

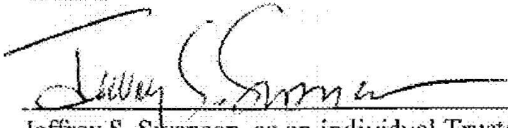
THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Corporate  
Trustee

By: \_\_\_\_\_

Sarah Newell  
Vice President

\_\_\_\_\_  
Gary C. Evans, as an individual Trustee

\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual  
Trustee

  
\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

# **Exhibit T**

*Individual Trustees*  
*Thomas H. Owen, Jr.*  
*Jeffrey Swanson*  
*Gary C. Evans*

# TEL OFFSHORE TRUST

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., CORPORATE TRUSTEE

919 CONGRESS AVENUE / (512)236-6599 / AUSTIN, TEXAS 78701

October 16, 2012

Chevron U.S.A. Inc.  
2003 Diamond Blvd., Room 32250  
Concord, California 94520

Attn.: Robert Poindexter

RE: TEL Offshore Trust Partnership - Potential Sale of Royalties

Dear Robert:

As Chevron U.S.A. Inc. ("Chevron"), the managing general partner of TEL Offshore Trust Partnership (the "Partnership"), is aware based on the previous letter to Chevron dated July 11, 2012, from The Bank of New York Mellon Trust Company, N.A., as Corporate Trustee of the TEL Offshore Trust (the "Trust"), and the individual trustees, the Corporate Trustee of the Trust initiated contact with RNR Production, Land and Cattle Company, Inc. ("RNR Production") regarding RNR Production's interest in exercising its option to purchase an additional five percent (5%) of the Partnership's overriding royalty interest pursuant to the Option Agreement between the Partnership and RNR Production, dated as of October 27, 2011 (the "Option Agreement"). Following discussions with RNR Production, it does not appear that RNR Production is presently interested in purchasing an additional interest either pursuant to the Option Agreement or on other terms and conditions as would be acceptable to the Trust. Accordingly, and consistent with our prior letter, this letter is being delivered for the purpose of providing further instructions regarding a sale of the Royalties (as defined in the Partnership Agreement).

This letter is based, in part, on (i) the fact that the Trust has not received a distribution from the Partnership since December 2008, (ii) the information recently provided by Chevron, and related conversations with Chevron concerning Chevron's estimated production schedule, that indicate that the Trust is not likely to receive a regularly scheduled quarterly distribution from the Partnership prior to the first quarter of

TEL0025678

2015, of which there are no assurances, and (iii) the fact that as of September 30, 2012, the Trust's cash reserve amount was approximately \$326,494, or approximately 40% of the average annual expenses of the Trust during the three-year period ended June 30, 2012. Since expenses continue to accrue, absent the receipt of distributions on the Royalties owned by the Partnership, or other actions being taken, it is anticipated that during the first quarter of 2013, the Trust will not have sufficient funds to pay the liabilities of the Trust.

Based on the continuing expenses of the Trust and the fact that there can be no assurance by Chevron or anyone else as to the actual timing for any future distributions to the Partnership from the Royalties, pursuant to Section 6.04 of the Agreement of General Partnership of TEL Offshore Trust Partnership, dated as of January 1, 1983, as amended (the "Partnership Agreement"), the trustees of the Trust hereby provide written notice that, pursuant to Section 6.04 of the Trust Agreement dated as of January 1, 1983, as amended, of the Trust, the Trust needs funds to pay for liabilities of the Trust and that the trustees therefore instruct Chevron, as the managing general partner of the Partnership, to sell such portion, and only such portion, of the Royalties that will provide the Trust with a current distribution equal to \$1,000,000 from the proceeds of such sale.

The trustees of the Trust expect the sale of all or a portion of the Royalties to be made by Chevron for at least the fair market value of such Royalties, and on an "all cash" basis, without any residual liability to the Partnership. Given the Trust's liquidity position, it is important that the sales process be commenced as soon as possible and be maintained with all diligent efforts. Any undue delay in the sale is not in the best interest of the Trust and may result in harm to the Trust and its unitholders.

While the trustees of the Trust will be inquiring periodically about the sales process, we expect that Chevron will be providing us with timely updates on Chevron's process and the timing for the sale of such portion of the Royalties, along with the proposed terms for the sale in advance of the actual sale. Further, the trustees would like to receive from Chevron further information with respect to the proposed sale process, particularly how the process will be undertaken, how the pool of bidders will be determined, when and how potential bidders or other third parties will be notified of the proposed sales process, and the expected costs of the sales process. We would also like to receive copies of the bid package prior to its distribution.

Although the Trust has previously announced that it had initiated contact with RNR Production regarding a possible sale of a portion of the Royalties, the Trust intends to revise, as necessary, such disclosure and make a public announcement that the trustees have instructed Chevron to sell a portion of the Royalties as contemplated herein.

We respectfully remind Chevron of its contractual and fiduciary duties, as the managing general partner of the Partnership, regarding the sale of the Royalties and that the Trust is dependent on Chevron for the results of the sales process.



The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell the Royalties.

In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Corporate  
Trustee

By: 

Michael Ulrich  
Vice President

---

Gary C. Evans, as an individual Trustee

---

Thomas H. Owen, Jr., as an individual  
Trustee

---

Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell the Royalties.

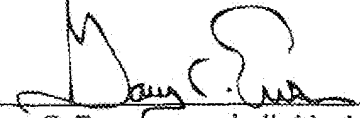
In advance, we appreciate your prompt attention to these important matters.

Sincerely,

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Corporate  
Trustee

By: 

Michael Ulrich  
Vice President

  
Gary C. Evans, as an individual Trustee

\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual  
Trustee

\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell the Royalties.

In advance, we appreciate your prompt attention to these important matters.

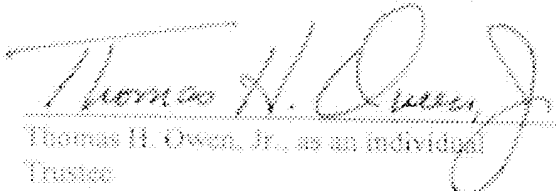
Sincerely,

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Corporate  
Trustee

By: 

Michael Ulrich  
Vice President

\_\_\_\_\_  
Gary C. Evans, as an individual Trustee

  
\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual  
Trustee

\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

The trustees of the Trust hereby reserve the right to withdraw, at any time, this instruction to sell the Royalties.

In advance, we appreciate your prompt attention to these important matters.

Sincerely,

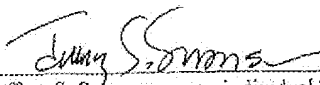
THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Corporate  
Trustee

By: 

Michael Ulrich  
Vice President

\_\_\_\_\_  
Gary C. Evans, as an individual Trustee

\_\_\_\_\_  
Thomas H. Owen, Jr., as an individual  
Trustee

  
\_\_\_\_\_  
Jeffrey S. Swanson, as an individual Trustee

cc: Pravin Dayaldasani  
Accounting Analyst, Upstream Accounting

# **Exhibit U**

**Robert Poindexter**  
Team Leader  
Acquisitions, Divestitures & Affiliates  
Accounting

**Finance Share Services**  
**Chevron U.S.A. Inc.**  
2003 Diamond Blvd., Room  
32294  
Concord, CA 94520  
Tel 925 827 7019  
rpoi@Chevron.com

March 20, 2014

Mike Ulrich  
Vice President  
The Bank of New York Mellon  
Trust Company  
919 Congress Avenue  
Austin, TX 78701

Dear Mr. Ulrich:

This letter is in response to your letter dated March 4, 2014.

Thank you for your letter pertaining to the TEL Offshore Trust interest with respect to the oil and gas properties underlying the overriding royalty interest.

In response to question number one, Chevron has not provided and has not agreed to provide DeGolyer & MacNaughton a capital expenditure budget. Chevron will and does provide the Trust actual expense data, as the expense is incurred or when the expense is entered as an accrual against the trust net profit account in the quarterly report. Information derived from the DeGolyer & MacNaughton reserves report pertaining to the burdened properties should be directly communicated from DeGolyer & MacNaughton.

With respect to question number two, the 2013 capital cost estimates made by DeGolyer & MacNaughton in their report were associated with proved developed non-producing reserves (behind pipe) for SS 169 and the costs associated with Eugene Island 339 related to work required to complete the removal of infrastructure and abandon wells damaged in 2008 by Hurricane Ike. DeGolyer & MacNaughton conducts an independent assessment of the burdened properties to derive, in its opinion, at the optimal level of activity for future net revenue, to include well work in their reserves report; however, Chevron does not foresee development of further activity of this type in the near future.

Chevron does not and did not provide capital expenditure costs to DeGolyer & MacNaughton for the underlying burdened properties. Chevron assumes that DeGolyer & MacNaughton included the 2013 fiscal year estimates for capital in its report. Chevron suggests you ask DeGolyer & MacNaughton to explain the wide differential between its estimates and the actual incurred.

With respect to question number three, the current operator continues the drill program for obligation wells under the Farmout Agreement, which the drill program may conclude in 2014. The current operator has proposed, and Chevron has elected to participate in, a joint account well, planned for commencement in the second half of the 2014 calendar year. The re-development of Eugene Island 339 has gone as anticipated under the Farmout Agreement.

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In terms of abandonment costs, Chevron provides next year estimates of costs for abandonments in its annual response to DeGolyer & MacNaughton, and it would be speculative to provide an estimate for all plugging and abandonment obligations with respect to each of the oil and gas properties underlying the overriding royalty interest.

All questions relating to the operation of burdened properties operated by Chevron should be directed to either myself or Alex Kuiper for collection of responsive answers, as team assignments may and do change often. The burdened interests operated by Chevron are reviewed regularly, as a part of the Chevron overall asset management program.

Please contact me should you have any questions.

Sincerely,

**Robert Poindexter**  
Acquisitions, Divestitures & Affiliates Accounting

**Cc:** Alex Kuiper

# **Exhibit V**



**DEGOLYER AND MACNAUGHTON**  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

**LETTER REPORT**  
as of  
**OCTOBER 31, 2008**  
on  
**RESERVES and REVENUE**  
of  
**CERTAIN PROPERTIES**  
owned by the  
**TEL OFFSHORE TRUST PARTNERSHIP**  
  
**SEC CASE**

DEGOLYER AND MACNAUGHTON  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

March 16, 2009

Chevron U.S.A. Inc.  
Chevron Place  
935 Gravier Street  
New Orleans, Louisiana 70012

Gentlemen:

Pursuant to your request, we have prepared estimates, as of October 31, 2008, of the extent and value of the proved crude oil, condensate, and natural gas reserves of a net profits interest owned by TEL Offshore Trust Partnership (the Trust Partnership). This net profits interest (the Trust Partnership Interest) is in certain offshore leases owned by Chevron U.S.A. Inc. (Chevron). The interest appraised consists of a 25-percent net profits interest in 17 leases (the Subject Properties), which are located in the Gulf of Mexico offshore from Louisiana. Certain of the Subject Properties were acquired by Energy Resources Technology (ERT) effective July 1, 2007 and certain other properties were acquired by Hilcorp Energy Company (Hilcorp) effective August 1, 2008. The Managing Partner of the Trust Partnership is Chevron.

Information used in the preparation of this report was obtained from Chevron. During this investigation, we consulted freely with the officers and employees of Chevron and were given access to such accounts, records, geological and engineering reports, and other data as were desired for examination. In the preparation of this report we have relied, without independent verification, upon information furnished by Chevron with respect to property interests owned by the Trust Partnership, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. It was not considered necessary to make a field examination of the physical condition and operation of the Subject Properties. Additionally, this information includes data supplied by Petroleum Information/Dwights LLC; Copyright 2008 Petroleum Information/Dwights LLC.

Our reserves estimates are based on a detailed study of the Subject Properties and were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, consideration of the stage of development of the reservoir, and the quality and completeness of basic data.

Reserves estimated herein are expressed as gross and net reserves. Gross reserves are defined as the total estimated petroleum to be produced from the Subject Properties after October 31, 2008. Combined net reserves are defined as those reserves remaining after deducting royalties and interests owned by others from gross reserves. Net reserves are defined as that portion of the combined net reserves attributable to the interests owned by the Trust Partnership. Gas volumes are expressed as sales-gas reserves at a temperature of 60 degrees Fahrenheit and at a legal pressure base of 14.73 pounds per square inch absolute. Sales gas is defined as the total gas to be produced from the reservoirs, measured at the point of delivery, after reduction for fuel usage, flare, and shrinkage resulting from field separation and processing. Condensate reserves estimated herein are those to be obtained by normal separator recovery.

Petroleum reserves included in this report are classified as proved and are judged to be economically producible in future years from known reservoirs under existing economic and operating conditions and assuming continuation of current regulatory practices using conventional production methods and equipment. In the analyses of production-decline curves, reserves were estimated only to the limit of economic rates of production under existing economic and operating conditions using prices and costs as of the date the estimate is made, including consideration of changes in existing prices provided only by contractual arrangements but not including escalations based upon future conditions. Proved reserves classifications used in this report are in accordance with the reserves definitions of Rules 4-10(a) (1)-(13) of Regulation S-X of the United States Securities and Exchange Commission (SEC). The petroleum reserves are classified as follows:

*Proved oil and gas reserves* – Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of

changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following: (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves"; (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite, and other such sources.

*Proved developed oil and gas reserves* – Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary

recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

*Proved undeveloped reserves* – Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

All of the proved reserves estimated herein are classified as proved developed. There are no proved undeveloped reserves for the properties evaluated in this report.

The properties evaluated consist of 17 leases located offshore from Louisiana. These 17 leases include 7 productive properties (including 2 leases covering separate portions of the south half of Ship Shoal Block 183). No reserves have been assigned to 10 properties, including 4 abandoned leases. ERT owns an interest in one productive property. Hilcorp owns an interest in three leases, one of which is productive. Chevron owns an interest in the remaining nine properties, including four to which no reserves have been assigned.

The reserves volumes and revenue values shown in this report were estimated from projections of reserves and revenue attributable to the "Combined Interests," defined herein as the Trust Partnership Interests and the interests retained in the Subject Properties by Chevron, ERT, or Hilcorp. Net reserves attributable to the Trust Partnership Interests were estimated by allocating to the Trust Partnership a portion of the estimated combined net reserves of the Subject

Properties based on future revenue. The formula used to estimate the net reserves attributable to the Trust Partnership Interest is as follows:

$$\text{Trust Partnership Interest net reserves} = \frac{\text{Trust Partnership Interest future net revenue}}{\text{Combined future gross revenue}} \times \text{Combined net reserves}$$

This formula was applied separately to the ERT and Hilcorp groups of properties and then to the Chevron group; the results were then added together to obtain the total reserves for the Trust Partnership Interest. Because the net reserves volumes attributable to the Trust Partnership Interest are estimated using an allocation of reserves based on estimates of future revenue, a change in prices or costs will result in changes in the estimated net reserves. Therefore, the estimated net reserves attributable to the Trust Partnership Interest will vary if different future price and cost assumptions are used. Trust Partnership Interest net revenue and net reserves estimates included in this report have been estimated from reserves and revenue attributable to the Combined Interests using procedures and calculation methods as specified by Chevron and represented by Chevron to be in accordance with the Conveyance of Overriding Royalty Interests.

Units have been formed for several common reservoirs that underlie the Subject Properties and adjacent leases. In those cases, the estimated gross reserves of the entire reservoir are shown and the resulting combined Trust Partnership and Chevron, ERT, or Hilcorp interests in the reservoir unit are used to estimate these Combined Interests net reserves.

Data available from wells drilled on the appraised properties through October 2008 were used in estimating gross ultimate recovery. Gross production through October 31, 2008, was deducted from the gross ultimate recovery to arrive at estimates of gross reserves.

During September 2008, the platforms and wells associated with the Eugene Island 339 field were completely destroyed by Hurricane Ike. Chevron is assessing the work required to clear the remaining infrastructure and abandon existing wells. A cost estimate for this work was not available during the preparation of this report. A decision by Chevron regarding possible redevelopment is under consideration, but there are no assurances that production will be restored. Considering these uncertainties, and at the request of Chevron, the Eugene Island 339 field has been omitted from this report with the understanding that this report will be updated

DEGOLYER AND MACNAUGHTON

once Chevron's assessment of Eugene Island 339 is completed. Therefore, there are no reserves or values attributable to the Eugene Island 339 field presented herein.

Estimated net proved reserves attributable to the Trust Partnership Interest, as of October 31, 2008, are summarized as follows, expressed in barrels (bbl) and thousands of cubic feet (Mcf):

	<u>Oil and Condensate (bbl)</u>	<u>Natural Gas (Mcf)</u>
Proved Developed Reserves		
Reserves as of October 31, 2007	442,004	2,217,654
Revisions of Previous Estimates	(126,491)	(210,967)
Improved Recovery	0	0
Purchases of Minerals in Place	0	0
Extensions, Discoveries, and Other Additions	58	3,131
Production <sup>1</sup>	(96,429)	(622,666)
Sales of Minerals in Place	0	0
Reserves as of October 31, 2008	219,142	1,387,152

<sup>1</sup> Production was estimated based on the ratio as of October 31, 2007, of the Trust Partnership Interest net reserves to the Combined Interests net reserves. This ratio was then applied to the production net to the Combined Interests for the period from November 1, 2007, through October 31, 2008.

Revenue values in this report are expressed in terms of estimated combined future net revenue, future net revenue attributable to the Trust Partnership Interest, and present worth of these future net revenues. Future gross revenue is that revenue which will accrue from the production and sale of the estimated combined net reserves. Combined future net revenue values were calculated by deducting operating expenses and capital costs from the future gross revenue of the Combined Interests. These monthly values for the aggregate of the Combined Interests in the Subject Properties were reduced by a trust overhead charge furnished by Chevron. Capital and abandonment costs for longer-life properties were accrued at the end of each quarter in amounts specified by Chevron beginning in January 2009. The future accrual or escrow amounts for each of the three groups of properties were deducted from the combined future net revenue at the end of each quarter, as specified by Chevron. Interest on the balance of the accrued capital and abandonment costs at the rate of 2.0 percent per year as specified by Chevron was credited monthly. The adjusted revenue resulting from subtracting the overhead charge and accrued capital and abandonment costs was multiplied by a factor of 25 percent to arrive at the future net revenue attributable to the Trust Partnership Interest. The above calculations were made monthly for each of the three groups of

the properties (Chevron, ERT, and Hilcorp). Interest was charged monthly on the net profits deficit balances (costs not recovered currently) at the rate of 2.0 percent per year as specified by Chevron. Present worth is defined as future net revenue discounted at a specified arbitrary discount rate compounded monthly over the expected period of realization; in this report, present worth values using a discount rate of 10 percent are reported. Future income tax expenses were not taken into account in estimating future net revenue and present worth. No deductions were made in the foregoing reserves estimates for any outstanding production payments.

Revenue values in this report were estimated using the initial prices and costs provided by Chevron. Future prices were estimated using guidelines established by the United States Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB). These guidelines require the use of prices for oil and condensate in effect on October 31, 2008. The following assumptions were used for estimating future prices and costs:

#### *Oil and Condensate Prices*

Oil and condensate prices were furnished by Chevron and were the prices in effect on October 31, 2008. These prices were used as initial prices with no increases based on inflation.

#### *Natural Gas Prices*

Initial gas prices furnished by Chevron were prices in effect on October 31, 2008. These initial prices were held constant for the life of the properties.

#### *Operating Expenses and Capital Costs*

Current estimates of operating expenses were used for the life of the properties with no increases in the future based on inflation. Future capital expenditures were estimated using 2008 values and were not adjusted for inflation. Abandonment costs have been estimated as capital costs for all properties, including the 10 leases which are considered depleted and to which no reserves have been assigned.

There has been a substantial decline in the prices for oil, condensate, and gas reserves from October 31, 2008, to the signed date of this report, which, if taken into



DEGOLYER AND MACNAUGHTON

account, would have a significant adverse effect on the estimates of revenue from oil, condensate, and gas and could have an adverse effect on the estimates of oil, condensate, and gas reserves set forth herein.

A summary of estimated revenue and costs attributable to the Combined Interests in proved reserves of the Subject Properties and the future net revenue and present worth attributable to the Trust Partnership Interest, as of October 31, 2008, is as follows, expressed in dollars (\$):

	Properties			Total
	Chevron	ERT	Hilcorp	
<b>Combined Interests</b>				
Future Gross Revenue (\$)	126,028,639	124,879	2,517,680	128,671,198
Operating Expenses (\$)	(19,979,071)	(76,256)	(538,151)	(20,593,478)
Capital Costs (\$) <sup>1</sup>	(19,174,281)	0	(5,695,384)	(24,869,665)
Future Net Revenue (\$)	86,875,287	48,623	(3,715,855)	83,208,055
Cost Escrow as of 10-31-08 (\$)	13,339,691	0	3,962,321	17,302,012
Interest Credit on Accrued Balance (\$)	1,501,151	0	116,873	1,618,024
Interest on Deficit (\$)	(115,691)	0	(31,292)	(146,983)
Overhead (\$)	(5,000,376)	(6,021)	(266,004)	(5,272,401)
Revenue Subject to Net Profits Interest (\$)	96,600,062	42,602	260,475 <sup>3</sup>	96,903,139 <sup>3</sup>
<b>Trust Partnership Interest</b>				
Future Net Revenue (\$) <sup>2</sup>	24,149,991	10,640	65,118	24,225,749
Present Worth at 10 Percent (\$) <sup>2</sup>	16,786,756	9,856	64,315	16,860,927

<sup>1</sup> Includes abandonment costs.

<sup>2</sup> Future income tax expenses were not taken into account in the preparation of these estimates.

<sup>3</sup> Includes \$194,432 deficit balance incurred on the Hilcorp Property that is not deducted from Revenue Subject to Net Profits Interest.

In our opinion, the information relating to estimated proved reserves, estimated future net revenue from proved reserves, and present worth of estimated future net revenue from proved reserves of oil, condensate, and gas contained in this report has been prepared in accordance with Paragraphs 10-13, 15 and 30(a)-(b) of Statement of Financial Accounting Standards No. 69 (November 1982) of the FASB and Rules 4-10(a) (1)-(13) of Regulation S-X and Rule 302(b) of Regulation S-K of the SEC; provided, however, future income tax expenses have not been taken into account in estimating the future net revenue and present worth values set forth herein.

To the extent the above-enumerated rules, regulations, and statements require determinations of an accounting or legal nature or information beyond the

DeGOLYER AND MACNAUGHTON

scope of this report, we are necessarily unable to express an opinion as to whether the above-described information is in accordance therewith or sufficient therefor.

In our opinion, we have made the investigations necessary to enable us to estimate the petroleum reserves reported herein. Estimates of oil, condensate, and gas reserves and future net revenue should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves and revenue estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Submitted,

*DeGolyer and MacNaughton*  
DeGOLYER and MacNAUGHTON



*Paul J. Szatkowski P.E.*  
Paul J. Szatkowski, P.E.  
Senior Vice President  
DeGolyer and MacNaughton

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**DEGOLYER AND MACNAUGHTON**  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

**APPENDIX**  
**to**  
**LETTER REPORT**  
**as of**  
**OCTOBER 31, 2008**  
**on**  
**RESERVES and REVENUE**  
**of**  
**CERTAIN PROPERTIES**  
**owned by the**  
**TEL OFFSHORE TRUST PARTNERSHIP**  
  
**SEC CASE**

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PROJECTION AS OF OCTOBER 31, 2008 OF  
ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM  
PROVED RESERVES OF CERTAIN PROPERTIES  
OWNED BY TEL OFFSHORE TRUST PARTNERSHIP

1

COMBINED INTERESTS RESERVES AND REVENUE					SEC CASE PARTNERSHIP PROPERTIES TOTAL PROVED			
FISCAL YEAR	NET OIL + CON	NET NGL	NET LIQUIDS	NET GAS	GROSS LIQ REVENUE	GROSS GAS REVENUE	GROSS REVENUE	REVENUE AFTER TAX
2009	71737	0	71737	262201	4864418	1769864	6634282	6634282
2010	156440	0	156440	621596	10608350	4195750	14804100	14804100
2011	274240	0	274240	1776992	18596128	11994698	30590826	30590826
2012	305676	0	305676	1988373	20727563	13421511	34149074	34149074
2013	189538	0	189538	1217930	12852610	8221039	21073649	21073649
2014	118693	0	118693	805804	8048735	5439200	13487935	13487935
2015	75428	0	75428	417270	5114743	2816589	7931332	7931332
GRAND TOTAL	1191752	0	1191752	7090166	80812547	47858651	128671198	128671198

COMBINED INTERESTS COSTS					SEC CASE PARTNERSHIP PROPERTIES TOTAL PROVED	
FISCAL YEAR	REVENUE AFTER TAX	CAPITAL COSTS LESS COST ESCROW	INTEREST ON ACCRUAL	OVERHEAD COSTS	OPERATING COSTS	INT ON DEFICIT
2009	6634282	12419868	436914	428955	1767579	59793
2010	14804100	831852-	441693	650318	3105484	79462
2011	30590826	2539809-	303217	1331349	3326153	7728
2012	34149074	10152-	147610	1124146	3135018	0
2013	21073649	585616-	125935	799371	3104052	0
2014	13487935	164-	88462	500423	3104052	0
2015	7931332	884622-	74193	437839	3051140	0
GRAND TOTAL	128671198	7567653	1618024	5272401	20593478	146983

TRUST SHARE					SEC CASE PARTNERSHIP PROPERTIES TOTAL PROVED		
FISCAL YEAR	REV AVAIL TO TRUST	TRUST REVENUE	TRUST OIL + CON	TRUST NGL	TRUST LIQUIDS	TRUST GAS	TRUST PW AT 10 PCT
2009	750675	187661	1542	0	1542	12280	184777
2010	4466066	1116511	11175	0	11175	53121	926351
2011	28383695	7095919	64262	0	64262	405627	5437755
2012	30047672	7511914	67222	0	67222	437517	5305900
2013	17881777	4470441	40206	0	40206	258310	2853620
2014	9972086	2493016	21905	0	21905	149204	1444247
2015	5401168	1350287	12830	0	12830	71093	708277
GRAND TOTAL	96903139	24225749	219142	0	219142	1367152	16860927

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

PROJECTION AS OF OCTOBER 31, 2008 OF  
ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM  
PROVED RESERVES OF CERTAIN PROPERTIES  
OWNED BY TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTERESTS RESERVES AND REVENUE					SEC CASE CHEVRON PROPERTIES TOTAL PROVED			
FISCAL YEAR	NET OIL + CON	NET NGL	NET LIQUIDS	NET GAS	GROSS LIQ REVENUE	GROSS GAS REVENUE	GROSS REVENUE	REVENUE AFTER TAX
2009	71638	0	71638	49023	4857620	330905	5188525	5188525
2010	156383	0	156383	505302	10604603	3410770	14015373	14015373
2011	274210	0	274210	1716839	18594088	11588663	30182751	30182751
2012	305676	0	305676	1988373	20727563	13421511	34149074	34149074
2013	189538	0	189538	1217930	12852610	8221039	21073649	21073649
2014	118693	0	118693	805804	8048735	5439200	13487935	13487935
2015	75428	0	75428	417270	5114743	2816589	7931332	7931332
GRAND TOTAL	1191566	0	1191566	6700541	80799962	45228677	126028639	126028639

COMBINED INTERESTS COSTS					SEC CASE CHEVRON PROPERTIES TOTAL PROVED	
FISCAL YEAR	REVENUE AFTER TAX	CAPITAL COSTS LESS COST ESCROW	INTEREST ON ACCRUAL	OVERHEAD COSTS	OPERATING COSTS	INT ON DEFICIT
2009	5188525	10499304	354563	227746	1533579	53021
2010	14015373	831852-	422949	620050	2903228	62670
2011	30182751	2352308-	287439	1290801	3148002	0
2012	34149074	10152-	147610	1124146	3135018	0
2013	21073649	585616-	125935	799371	3104052	0
2014	13487935	164-	88462	500423	3104052	0
2015	7931332	884622-	74193	437839	3051140	0
GRAND TOTAL	126028639	5834590	1501151	5000376	19979071	115691

TRUST SHARE					SEC CASE CHEVRON PROPERTIES TOTAL PROVED		
FISCAL YEAR	REV AVAIL TO TRUST	TRUST REVENUE	TRUST OIL + CON	TRUST NGL	TRUST LIQUIDS	TRUST GAS	TRUST PW AT 10 PCT
2009	462726	115681	1538	0	1538	1672	113894
2010	4450938	1112733	11175	0	11175	52566	923063
2011	28383695	7095919	64262	0	64262	405627	5437755
2012	30047672	7511914	67222	0	67222	437517	5305900
2013	17881777	4470441	40206	0	40206	258310	2853620
2014	9972086	2493016	21905	0	21905	149204	1444247
2015	5401168	1350287	12830	0	12830	71093	708277
GRAND TOTAL	96600062	24149991	219138	0	219138	1375989	16786756

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.



PROJECTION AS OF OCTOBER 31, 2008 OF  
ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM  
PROVED RESERVES OF CERTAIN PROPERTIES  
OWNED BY TEL OFFSHORE TRUST PARTNERSHIP

3

COMBINED INTERESTS RESERVES AND REVENUE						SEC CASE ENERGY RESOURCES TECHNOLOGY TOTAL PROVED		
FISCAL YEAR	NET OIL + CON	NET NGL	NET LIQUIDS	NET GAS	GROSS LIQ REVENUE	GROSS GAS REVENUE	GROSS REVENUE	REVENUE AFTER TAX
2009	0	0	0	12689	0	85658	85658	85658
2010	0	0	0	5811	0	39221	39221	39221
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0
GRAND TOTAL	0	0	0	18500	0	124879	124879	124879

COMBINED INTERESTS COSTS						SEC CASE ENERGY RESOURCES TECHNOLOGY TOTAL PROVED	
FISCAL YEAR	REVENUE AFTER TAX	CAPITAL COSTS LESS COST ESCROW	INTEREST ON ACCRUAL	OVERHEAD COSTS	OPERATING COSTS	INT ON DEFICIT	
2009	85658	0	0	4184	54000	0	
2010	39221	0	0	1837	22256	0	
2011	0	0	0	0	0	0	
2012	0	0	0	0	0	0	
2013	0	0	0	0	0	0	
2014	0	0	0	0	0	0	
2015	0	0	0	0	0	0	
GRAND TOTAL	124879	0	0	6021	76256	0	

TRUST SHARE						SEC CASE ENERGY RESOURCES TECHNOLOGY TOTAL PROVED	
FISCAL YEAR	REV AVAIL TO TRUST	TRUST REVENUE	TRUST OIL + CON	TRUST NGL	TRUST LIQUIDS	TRUST GAS	TRUST PW AT 10 PCT
2009	27474	6862	0	0	0	1010	6568
2010	15128	3778	0	0	0	555	3288
2011	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0
GRAND TOTAL	42602	10640	0	0	0	1565	9856

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

PROJECTION AS OF OCTOBER 31, 2008 OF  
ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM  
PROVED RESERVES OF CERTAIN PROPERTIES  
OWNED BY TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTERESTS RESERVES AND REVENUE								
SEC CASE HILCORP ENERGY COMPANY TOTAL PROVED								
FISCAL YEAR	NET OIL + CON	NET NGL	NET LIQUIDS	NET GAS	GROSS LIQ REVENUE	GROSS GAS REVENUE	GROSS REVENUE	REVENUE AFTER TAX
2009	99	0	99	200489	6798	1353301	1360099	1360099
2010	57	0	57	110483	3747	745759	749506	749506
2011	30	0	30	60153	2040	406035	408075	408075
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0
GRAND TOTAL	186	0	186	371125	12585	2505095	2517680	2517680

COMBINED INTERESTS COSTS						
SEC CASE HILCORP ENERGY COMPANY TOTAL PROVED						
FISCAL YEAR	REVENUE AFTER TAX	CAPITAL COSTS LESS COST ESCROW	INTEREST ON ACCRUAL	OVERHEAD COSTS	OPERATING COSTS	INT ON DEFICIT
2009	1360099	1920564	82351	197025	180000	6772
2010	749506	0	18744	28431	180000	16792
2011	408075	187501	15778	40548	178151	7728
2012	0	0	0	0	0	0
2013	0	0	0	0	0	0
2014	0	0	0	0	0	0
2015	0	0	0	0	0	0
GRAND TOTAL	2517680	1733063	116873	266004	538151	31292

TRUST SHARE							
SEC CASE HILCORP ENERGY COMPANY TOTAL PROVED							
FISCAL YEAR	REV AVAIL TO TRUST	TRUST REVENUE	TRUST OIL + CON	TRUST NGL	TRUST LIQUIDS	TRUST GAS	TRUST PW AT 10 PCT
2009	260475	65118	4	0	4	9598	64315
2010	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0
GRAND TOTAL	260475	65118	4	0	4	9598	64315

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

DATA  
as of  
OCTOBER 31, 2008  
on  
ESTIMATED PROVED RESERVES and REVENUE  
of  
CERTAIN PROPERTIES  
owned by the  
TEL OFFSHORE TRUST PARTNERSHIP  
  
(COMBINED INTERESTS)

DATA ON ESTIMATED PROVED RESERVES  
AS OF OCTOBER 31, 2008  
FROM CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

SUMMARY BY FIELD

	*----- GROSS RESERVES -----*		*----- NET RESERVES -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
EAST CAMERON BLOCK 353				
EUGENE ISLAND BLOCK 208				
EUGENE ISLAND BLOCK 342				
EUGENE ISLAND BLOCK 348				
SHIP SHOAL BLOCK 169				
SHIP SHOAL BLOCK 343				
SO MARSH ISLAND BLOCK 252				
SOUTH TIMBALIER BLOCK 36				
SOUTH TIMBALIER BLOCK 37				
VERMILION BLOCK 245				
WEST CAMERON BLOCK 643				
GRAND TOTAL				

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

DATA ON ESTIMATED REVENUE FROM PROVED RESERVES  
AS OF OCTOBER 31, 2008  
FROM CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

7

SUMMARY BY FIELD

	*-----	R E V E N U E	A N D	E X P E N D I T U R E S	*-----
	GROSS	OPERATING		NET	PRESENT WORTH
	REVENUE	COSTS		REVENUE	AT 10 PERCENT
EAST CAMERON BLOCK 353					
EUGENE ISLAND BLOCK 208					
EUGENE ISLAND BLOCK 342	\$136,752			\$136,752	\$123,794
EUGENE ISLAND BLOCK 348					
SHIP SHOAL BLOCK 169	124,794,252	19,652,724	19,018,556	86,122,972	61,068,886
SHIP SHOAL BLOCK 343					
SO MARSH ISLAND BLOCK 252					
SOUTH TIMBALIER BLOCK 36	260,591	105,372	58,874	96,345	85,880
SOUTH TIMBALIER BLOCK 37	837,044	220,975	96,851	519,218	430,507
VERMILION BLOCK 245					
WEST CAMERON BLOCK 643	2,642,559	614,407	5,695,384	3,667,232-	3,227,373-
GRAND TOTAL	\$128,671,198	\$20,593,478	\$24,869,665	\$83,208,055	\$58,481,694

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

DATA ON ESTIMATED PROVED RESERVES  
AS OF OCTOBER 31, 2008  
FROM CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

SUMMARY BY LEASE

FIELD LEASE	AVERAGE GROSS	INTERESTS NET	*----- GROSS RESERVES -----* OIL & COND (BARRELS)	GAS (MCF)	*----- NET RESERVES -----* OIL & COND (BARRELS)	GAS (MCF)
EAST CAMERON BLOCK 353						
FIELDWIDE UNIT	.1113640U	.0928030U				
EUGENE ISLAND BLOCK 208						
OCS G- 577 BLK 208 G1 & G2	1.0000000U	.7500000U				
OCS G- 577 BLK 208 G3	1.0000000U	.6333300U				
TOTAL EUGENE ISLAND BLOCK 208						
EUGENE ISLAND BLOCK 342						
E I BLK 342-343 A&B PLTFRMS		.0050000U				
OCS G- 2319 BK 342 C PLTFRM		.0015000	53,981	38,878	83	58
OCS G- 2319 BK 342 C 2		.0015000	102,863	311,937	155	469
OCS G- 2319 BK 342 C 7 10 14		.0050000	61,215	46,243	305	230
OCS G- 2319 BK 342 C15 16 17		.0050000	30,881	2,502,567	155	12,512
OCS G- 2320 BK 343 B13		.0012500U				
TOTAL EUGENE ISLAND BLOCK 342			248,940	2,899,625	698	13,269
EUGENE ISLAND BLOCK 348						
E I 348 (SOUTH) UNIT	.2500000U	.2083330U				
SHIP SHOAL BLOCK 169						
BLOCK 182 C UNIT	.3428720	.2857270	1,223,963	2,474,168	349,719	706,932
OCS G- 821 BLK 183	.6666667	.5555555	1,493,632	10,677,199	829,795	5,931,779
OCS G- 821 BLK 183 F1	.5000000U	.4166667U				
OCS G- 821 BLK 183 F3	.5000000U	.4166667U				
OCS G- 821 BLK 183 I4ST	.6666667	.5555555				
TOTAL SHIP SHOAL BLOCK 169			2,717,595	13,151,367	1,179,514	6,638,711
SHIP SHOAL BLOCK 343						
FIELDWIDE UNIT	.0082610U	.0068840U				
SO MARSH ISLAND BLOCK 252						
OCS G- 2598 BLK 252		.0007820U				
SOUTH TIMBALIER BLOCK 36						
OCS G- 2624 BLK 36	.0026094	.0021745	863,427	9,080,261	1,878	19,745
SOUTH TIMBALIER BLOCK 37						
OCS G- 2625 BLK 37	.0026094	.0021745	4,357,490	13,252,984	9,476	28,816
VERMILION BLOCK 245						
F SAND UNIT	.3337000U	.2780833U				
G SAND UNIT	.3634000U	.3028340U				
OCS G- 1147 BLK 246 9	1.0000000U	.8333300U				
TOTAL VERMILION BLOCK 245						
WEST CAMERON BLOCK 643						
BLOCK 642-643 A UNIT	.3585890	.2988225				
BLOCK 643-370 B UNIT	.3500000	.2916667				
BLOCK 643-371 UNIT BSST2	.7000000	.5833333				
OCS G- 2240 BLK 642	.2500000	.2083330				
OCS G- 2241 BLK 643	.5000000	.4166667	447	890,700	186	371,125
OCS G-15161 BLK 381	.0750000	.0625000		296,012		18,500
TOTAL WEST CAMERON BLOCK 643			447	1,186,712	186	389,625
GRAND TOTAL			8,187,899	39,570,949	1,191,752	7,090,166

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

SUMMARY BY LEASE

FIELD LEASE	*----- R E V E N U E   A N D   E X P E N D I T U R E S -----*				
	GROSS REVENUE	OPERATING COSTS	CAPITAL COSTS	NET REVENUE	PRESENT WORTH AT 10 PERCENT
EAST CAMERON BLOCK 353					
----- FIELDWIDE UNIT					
EUGENE ISLAND BLOCK 208					
----- OCS G- 577 BLK 208 G1 & G2					
OCS G- 577 BLK 208 G3					
TOTAL EUGENE ISLAND BLOCK 208					
EUGENE ISLAND BLOCK 342					
----- E I BLK 342-343 A&B PLTFRMS					
OCS G- 2319 BK 342 C PLTFRM	\$5,884			\$5,884	\$5,160
OCS G- 2319 BK 342 C 2	13,621			13,621	12,456
OCS G- 2319 BK 342 C 7 10 14	22,317			22,317	19,496
OCS G- 2319 BK 342 C15 16 17	94,930			94,930	86,682
OCS G- 2320 BK 343 B13					
TOTAL EUGENE ISLAND BLOCK 342	\$136,752			\$136,752	\$123,794
EUGENE ISLAND BLOCK 348					
----- E I 348 (SOUTH) UNIT					
SHIP SHOAL BLOCK 169					
----- BLOCK 182 C UNIT					
OCS G- 821 BLK 183	\$28,486,281	\$11,010,782	\$4,081,891	\$13,393,608	\$10,788,615
OCS G- 821 BLK 183	96,307,971	8,641,942	14,936,665	72,729,364	50,280,271
OCS G- 821 BLK 183 F1					
OCS G- 821 BLK 183 F3					
OCS G- 821 BLK 183 I4ST					
TOTAL SHIP SHOAL BLOCK 169	\$124,794,252	\$19,652,724	\$19,018,556	\$86,122,972	\$61,068,886
SHIP SHOAL BLOCK 343					
----- FIELDWIDE UNIT					
SO MARSH ISLAND BLOCK 252					
----- OCS G- 2598 BLK 252					
SOUTH TIMBALIER BLOCK 36					
----- OCS G- 2624 BLK 36	\$260,591	\$105,372	\$58,874	\$96,345	\$85,880
SOUTH TIMBALIER BLOCK 37					
----- OCS G- 2625 BLK 37	\$837,044	\$220,975	\$96,851	\$519,218	\$430,507
VERMILION BLOCK 245					
----- F SAND UNIT					
G SAND UNIT					
OCS G- 1147 BLK 246 9					
TOTAL VERMILION BLOCK 245					
WEST CAMERON BLOCK 643					
----- BLOCK 642-643 A UNIT			\$537,884	\$537,884	\$487,862
BLOCK 643-370 B UNIT			1,207,500	1,207,500	1,095,207
BLOCK 643-371 UNIT BBST2			2,450,000	2,450,000	2,218,526
OCS G- 2240 BLK 642			750,000	750,000	711,166
OCS G- 2241 BLK 643	2,517,680	538,151	750,000	1,229,529	1,240,334
OCS G-15161 BLK 381	124,879	76,256		48,623	45,054
TOTAL WEST CAMERON BLOCK 643	\$2,642,559	\$614,407	\$5,695,384	\$3,667,232	\$3,227,373
GRAND TOTAL	\$128,671,198	\$20,593,478	\$24,869,665	\$83,208,055	\$58,481,694

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ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

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GRAND TOTAL PROJECTION.....	12
EAST CAMERON BLOCK 353.....	13
FIELDWIDE UNIT.....	14
EUGENE ISLAND BLOCK 208.....	15
OCS G- 577 BLK 208 G1 & G2.....	16
OCS G- 577 BLK 208 G3.....	17
EUGENE ISLAND BLOCK 342.....	18
E I BLK 342-343 A&B PLTFRMS.....	19
OCS G- 2319 BK 342 C PLTFRM.....	20
OCS G- 2319 BK 342 C 2.....	21
OCS G- 2319 BK 342 C 7 10 14.....	22
OCS G- 2319 BK 342 C15 16 17.....	23
OCS G- 2320 BK 343 B13.....	24
EUGENE ISLAND BLOCK 348.....	25
E I 348 (SOUTH) UNIT.....	26
SHIP SHOAL BLOCK 169.....	27
BLOCK 182 C UNIT.....	28
OCS G- 821 BLK 183.....	29
OCS G- 821 BLK 183 F1.....	30
OCS G- 821 BLK 183 F3.....	31
OCS G- 821 BLK 183 I4ST.....	32
SHIP SHOAL BLOCK 343.....	33
FIELDWIDE UNIT.....	34
SO MARSH ISLAND BLOCK 252.....	35
OCS G- 2598 BLK 252.....	36
SOUTH TIMBALIER BLOCK 36.....	37
OCS G- 2624 BLK 36.....	38
SOUTH TIMBALIER BLOCK 37.....	39
OCS G- 2625 BLK 37.....	40
VERMILION BLOCK 245.....	41
F SAND UNIT.....	42
G SAND UNIT.....	43
OCS G- 1147 BLK 246 9.....	44
WEST CAMERON BLOCK 643.....	45
BLOCK 642-643 A UNIT.....	
BLOCK 643-370 B UNIT.....	
BLOCK 643-371 UNIT B8ST2.....	
OCS G- 2240 BLK 642.....	
OCS G- 2241 BLK 643.....	
OCS G-15161 BLK 381.....	

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

## GRAND TOTAL

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009	2,106,596	7,100,712	71,737	262,201
2010	1,728,745	7,344,588	156,440	621,596
2011	1,414,953	6,555,367	274,240	1,776,992
2012	1,285,659	5,684,612	305,676	1,988,373
2013	893,176	6,545,827	189,538	1,217,930
2014	546,138	4,802,695	118,693	805,804
2015	212,632	1,537,148	75,428	417,270
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	8,187,899	39,570,949	1,191,752	7,090,166
REM				
TOT	8,187,899	39,570,949	1,191,752	7,090,166
CUM ULT	169,182,357 177,370,256	1,708,339,479 1,747,910,428		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009	\$67.81	\$6.7500	\$4,864,418	\$1,769,864	\$6,634,282
2010	\$67.81	\$6.7500	\$10,608,350	\$4,195,750	\$14,804,100
2011	\$67.81	\$6.7500	\$18,596,128	\$11,994,698	\$30,590,826
2012	\$67.81	\$6.7500	\$20,727,563	\$13,421,511	\$34,149,074
2013	\$67.81	\$6.7500	\$12,852,610	\$8,221,039	\$21,073,649
2014	\$67.81	\$6.7500	\$8,048,735	\$5,439,200	\$13,487,935
2015	\$67.81	\$6.7500	\$5,114,743	\$2,816,589	\$7,931,332
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7500	\$80,812,547	\$47,858,651	\$128,671,198
REM					
TOT	\$67.81	\$6.7500	\$80,812,547	\$47,858,651	\$128,671,198

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009	\$1,767,579	\$5,460,814	\$7,228,393	\$594,111	\$594,111	\$401,446	\$401,446
2010	\$3,105,484	\$3,327,399	\$6,432,883	\$8,371,217	\$7,777,106	\$7,108,962	\$6,707,516
2011	\$3,326,153	\$10,159,236	\$13,485,389	\$17,105,437	\$24,882,543	\$13,072,575	\$19,780,091
2012	\$3,135,018	\$40,608	\$3,175,626	\$30,973,448	\$55,855,991	\$21,882,492	\$41,662,583
2013	\$3,104,052	\$2,342,466	\$5,446,518	\$15,627,131	\$71,483,122	\$10,002,775	\$51,665,358
2014	\$3,104,052	\$652	\$3,104,704	\$10,383,231	\$81,866,353	\$6,016,437	\$57,681,795
2015	\$3,051,140	\$3,538,490	\$6,589,630	\$1,341,702	\$83,208,055	\$799,899	\$58,481,694
2016					\$83,208,055		\$58,481,694
2017					\$83,208,055		\$58,481,694
2018					\$83,208,055		\$58,481,694
2019					\$83,208,055		\$58,481,694
2020					\$83,208,055		\$58,481,694
2021					\$83,208,055		\$58,481,694
2022					\$83,208,055		\$58,481,694
2023					\$83,208,055		\$58,481,694
2024					\$83,208,055		\$58,481,694
2025					\$83,208,055		\$58,481,694
2026					\$83,208,055		\$58,481,694
2027					\$83,208,055		\$58,481,694
2028					\$83,208,055		\$58,481,694
SUB	\$20,593,478	\$24,869,665	\$45,463,143	\$83,208,055		\$58,481,694	
REM					\$83,208,055		\$58,481,694
TOT	\$20,593,478	\$24,869,665	\$45,463,143	\$83,208,055		\$58,481,694	

\* - - - PRESENT WORTH - - -  
8 PERCENT ....\$62,675,648  
12 PERCENT ....\$54,603,024  
15 PERCENT ....\$49,320,679  
18 PERCENT ....\$44,613,111  
20 PERCENT ....\$41,760,278

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

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FIELD...EAST CAMERON BLOCK 353  
LEASE...FIELDWIDE UNIT

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	1,272	79,347,131		
ULT	1,272	79,347,131		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

AVERAGE INTERESTS  
IN COSTS IN REVENUE  
.1113640 .0928030

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	AT 10 PERCENT ANNUAL	CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*- - - PRESENT WORTH - - \*  
8 PERCENT .....  
12 PERCENT .....  
15 PERCENT .....  
18 PERCENT .....  
20 PERCENT .....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC. CASE - TOTAL PROVED

FIELD...EUGENE ISLAND BLOCK 208

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	66,309	1,566,613		
ULT	66,309	1,566,613		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\* - - PRESENT WORTH - - \*

8 PERCENT	.....
12 PERCENT	.....
15 PERCENT	.....
18 PERCENT	.....
20 PERCENT	.....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

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FIELD...EUGENE ISLAND BLOCK 208  
LEASE....OCS G- 577 BLK 208 G1 & G2

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	50,349	1,362,167		
ULT	50,349	1,362,167		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

AVERAGE INTERESTS  
IN COSTS IN REVENUE  
1.0000000 .7500000

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	AT 10 PERCENT ANNUAL	CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*. . . PRESENT WORTH . . .  
8 PERCENT .....  
12 PERCENT .....  
15 PERCENT .....  
18 PERCENT .....  
20 PERCENT .....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.



ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

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FIELD...EUGENE ISLAND BLOCK 342

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009	134,430	1,809,448	369	8,223
2010	71,134	761,975	197	3,523
2011	43,376	328,202	132	1,523
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	248,940	2,899,625	698	13,269
REM				
TOT	248,940	2,899,625	698	13,269
CUM	10,358,859	281,269,294		
ULT	10,607,799	284,168,919		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009	\$67.81	\$6.7500	\$24,937	\$55,509	\$80,446
2010	\$67.82	\$6.7500	\$13,505	\$23,756	\$37,261
2011	\$67.80	\$6.7501	\$8,741	\$10,304	\$19,045
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7500	\$47,183	\$89,569	\$136,752
REM					
TOT	\$67.81	\$6.7500	\$47,183	\$89,569	\$136,752

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009				\$80,446	\$80,446	\$76,761	\$76,761
2010				\$37,261	\$117,707	\$32,159	\$108,920
2011				\$19,045	\$136,752	\$14,874	\$123,794
2012					\$136,752		\$123,794
2013					\$136,752		\$123,794
2014					\$136,752		\$123,794
2015					\$136,752		\$123,794
2016					\$136,752		\$123,794
2017					\$136,752		\$123,794
2018					\$136,752		\$123,794
2019					\$136,752		\$123,794
2020					\$136,752		\$123,794
2021					\$136,752		\$123,794
2022					\$136,752		\$123,794
2023					\$136,752		\$123,794
2024					\$136,752		\$123,794
2025					\$136,752		\$123,794
2026					\$136,752		\$123,794
2027					\$136,752		\$123,794
2028					\$136,752		\$123,794
SUB				\$136,752		\$123,794	
REM					\$136,752		\$123,794
TOT				\$136,752		\$123,794	

\*- - - PRESENT WORTH - - -  
8 PERCENT .....\$126,215  
12 PERCENT .....\$121,449  
15 PERCENT .....\$118,070  
18 PERCENT .....\$114,852  
20 PERCENT .....\$112,789

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...EUGENE ISLAND BLOCK 342  
LEASE....E I BLK 342-343 A&B PLTFRMS

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	25,724	265,164,582		
ULT	25,724	265,164,582		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- EXPENDITURES -----*			AVERAGE INTERESTS		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	IN COSTS	IN REVENUE	AT 10 PERCENT	ANNUAL CUMULATIVE
2009					.0050000		
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*----- PRESENT WORTH -----\*

8 PERCENT	.....
12 PERCENT	.....
15 PERCENT	.....
18 PERCENT	.....
20 PERCENT	.....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.





ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...EUGENE ISLAND BLOCK 342  
LEASE....OCS G- 2319 BK 342 C 2

YEAR ENDING	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
OCT 31				
2009	64,368	219,338	97	329
2010	27,102	70,178	41	106
2011	11,393	22,421	17	34
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	102,863	311,937	155	469
REM				
TOT	102,863	311,937	155	469
CUM	50,238	204,665		
ULT	153,101	516,602		

YEAR ENDING	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
OCT 31					
2009	\$67.82	\$6.7499	\$6,548	\$2,220	\$8,768
2010	\$67.85	\$6.7491	\$2,758	\$710	\$3,468
2011	\$67.77	\$6.7508	\$1,158	\$227	\$1,385
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.82	\$6.7498	\$10,464	\$3,157	\$13,621
REM					
TOT	\$67.82	\$6.7498	\$10,464	\$3,157	\$13,621

AVERAGE INTERESTS  
IN COSTS IN REVENUE  
.0015000

YEAR ENDING	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL AT 10 PERCENT	CUMULATIVE
OCT 31							
2009				\$8,768	\$8,768	\$8,374	\$8,374
2010				\$3,468	\$12,236	\$2,996	\$11,370
2011				\$1,385	\$13,621	\$1,086	\$12,456
2012					\$13,621		\$12,456
2013					\$13,621		\$12,456
2014					\$13,621		\$12,456
2015					\$13,621		\$12,456
2016					\$13,621		\$12,456
2017					\$13,621		\$12,456
2018					\$13,621		\$12,456
2019					\$13,621		\$12,456
2020					\$13,621		\$12,456
2021					\$13,621		\$12,456
2022					\$13,621		\$12,456
2023					\$13,621		\$12,456
2024					\$13,621		\$12,456
2025					\$13,621		\$12,456
2026					\$13,621		\$12,456
2027					\$13,621		\$12,456
2028					\$13,621		\$12,456
SUB				\$13,621		\$12,456	
REM					\$13,621		\$12,456
TOT				\$13,621		\$12,456	

\*- - - PRESENT WORTH - - -  
8 PERCENT .....\$12,675  
12 PERCENT .....\$12,244  
15 PERCENT .....\$11,937  
18 PERCENT .....\$11,644  
20 PERCENT .....\$11,455

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

21

FIELD...EUGENE ISLAND BLOCK 342  
LEASE...OCS G- 2319 BK 342 C 7 10 14

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009	24,626	18,212	122	90
2010	20,090	15,224	100	76
2011	16,499	12,807	83	64
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	61,215	46,243	305	230
REM				
TOT	61,215	46,243	305	230
CUM	3,243,249	7,566,977		
ULT	3,304,464	7,613,220		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009	\$67.81	\$6.7506	\$8,351	\$614	\$8,965
2010	\$67.81	\$6.7496	\$6,810	\$514	\$7,324
2011	\$67.81	\$6.7509	\$5,595	\$433	\$6,028
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7503	\$20,756	\$1,561	\$22,317
REM					
TOT	\$67.81	\$6.7503	\$20,756	\$1,561	\$22,317

AVERAGE INTERESTS  
IN COSTS IN REVENUE  
.0050000

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009				\$8,965	\$8,965	\$8,512	\$8,512
2010				\$7,324	\$16,289	\$6,296	\$14,808
2011				\$6,028	\$22,317	\$4,688	\$19,496
2012					\$22,317		\$19,496
2013					\$22,317		\$19,496
2014					\$22,317		\$19,496
2015					\$22,317		\$19,496
2016					\$22,317		\$19,496
2017					\$22,317		\$19,496
2018					\$22,317		\$19,496
2019					\$22,317		\$19,496
2020					\$22,317		\$19,496
2021					\$22,317		\$19,496
2022					\$22,317		\$19,496
2023					\$22,317		\$19,496
2024					\$22,317		\$19,496
2025					\$22,317		\$19,496
2026					\$22,317		\$19,496
2027					\$22,317		\$19,496
2028					\$22,317		\$19,496
SUB				\$22,317		\$19,496	
REM					\$22,317		\$19,496
TOT				\$22,317		\$19,496	

\*- - - PRESENT WORTH - - -  
8 PERCENT .....\$20,018  
12 PERCENT .....\$18,997  
15 PERCENT .....\$18,281  
18 PERCENT .....\$17,605  
20 PERCENT .....\$17,175

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...EUGENE ISLAND BLOCK 342  
LEASE....OCS G- 2319 BK 342 C15 16 17

YEAR ENDING	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
OCT 31				
2009	22,815	1,556,058	114	7,780
2010	6,319	663,804	32	3,319
2011	1,747	282,705	9	1,413
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	30,881	2,502,567	155	12,512
REM				
TOT	30,881	2,502,567	155	12,512
CUM	47,273	1,426,237		
ULT	78,154	3,928,804		

YEAR ENDING	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
OCT 31					
2009	\$67.80	\$6.7500	\$7,736	\$52,515	\$60,251
2010	\$67.84	\$6.7500	\$2,144	\$22,403	\$24,547
2011	\$67.87	\$6.7500	\$591	\$9,541	\$10,132
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.82	\$6.7500	\$10,471	\$84,459	\$94,930
REM					
TOT	\$67.82	\$6.7500	\$10,471	\$84,459	\$94,930

AVERAGE INTERESTS  
IN COSTS IN REVENUE  
.0050000

YEAR ENDING	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
OCT 31							
2009				\$60,251	\$60,251	\$57,537	\$57,537
2010				\$24,547	\$84,798	\$21,215	\$78,752
2011				\$10,132	\$94,930	\$7,930	\$86,682
2012					\$94,930		\$86,682
2013					\$94,930		\$86,682
2014					\$94,930		\$86,682
2015					\$94,930		\$86,682
2016					\$94,930		\$86,682
2017					\$94,930		\$86,682
2018					\$94,930		\$86,682
2019					\$94,930		\$86,682
2020					\$94,930		\$86,682
2021					\$94,930		\$86,682
2022					\$94,930		\$86,682
2023					\$94,930		\$86,682
2024					\$94,930		\$86,682
2025					\$94,930		\$86,682
2026					\$94,930		\$86,682
2027					\$94,930		\$86,682
2028					\$94,930		\$86,682
SUB				\$94,930		\$86,682	
REM					\$94,930		\$86,682
TOT				\$94,930		\$86,682	

\* - - PRESENT WORTH - - \*  
8 PERCENT .....\$88,229  
12 PERCENT .....\$85,178  
15 PERCENT .....\$83,007  
18 PERCENT .....\$80,932  
20 PERCENT .....\$79,599

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

23

FIELD...EUGENE ISLAND BLOCK 342  
LEASE....OCS G- 2320 BK 343 B13

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	347,812	669,113		
ULT	347,812	669,113		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			AVERAGE INTERESTS		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	FUTURE NET REVENUE ANNUAL CUMULATIVE	IN COSTS IN REVENUE .0012500	AT 10 PERCENT ANNUAL CUMULATIVE	
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*- - - PRESENT WORTH - - \*  
8 PERCENT .....  
12 PERCENT .....  
15 PERCENT .....  
18 PERCENT .....  
20 PERCENT .....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...EUGENE ISLAND BLOCK 348  
LEASE....E I 348 (SOUTH) UNIT

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	1,999,890	49,876,609		
ULT	1,999,890	49,876,609		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			AVERAGE INTERESTS		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	IN COSTS .2500000	IN REVENUE .2083330	AT 10 PERCENT ANNUAL	AT 10 PERCENT CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*- - - PRESENT WORTH - - -  
8 PERCENT .....  
12 PERCENT .....  
15 PERCENT .....  
18 PERCENT .....  
20 PERCENT .....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

25

FIELD...SHIP SHOAL BLOCK 169

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009	236,217	108,558	67,495	31,019
2010	375,766	1,338,485	153,400	491,155
2011	574,053	3,387,259	272,344	1,709,453
2012	660,767	3,777,820	304,314	1,984,227
2013	421,260	2,294,703	188,511	1,208,686
2014	271,820	1,471,854	118,098	798,563
2015	177,712	772,688	75,352	415,608
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	2,717,595	13,151,367	1,179,514	6,638,711
REM				
TOT	2,717,595	13,151,367	1,179,514	6,638,711
CUM	67,736,543	149,719,346		
ULT	70,454,138	162,870,713		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009	\$67.81	\$6.7500	\$4,576,748	\$209,369	\$4,786,117
2010	\$67.81	\$6.7500	\$10,402,105	\$3,315,300	\$13,717,405
2011	\$67.81	\$6.7500	\$18,467,761	\$11,538,796	\$30,006,557
2012	\$67.81	\$6.7500	\$20,635,421	\$13,393,526	\$34,028,947
2013	\$67.81	\$6.7500	\$12,783,025	\$8,158,643	\$20,941,668
2014	\$67.81	\$6.7500	\$8,008,286	\$5,390,310	\$13,398,596
2015	\$67.81	\$6.7500	\$5,109,593	\$2,805,369	\$7,914,962
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7500	\$79,982,939	\$44,811,313	\$124,794,252
REM					
TOT	\$67.81	\$6.7500	\$79,982,939	\$44,811,313	\$124,794,252

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009	\$1,461,999	\$497,164	\$1,959,163	\$2,826,954	\$2,826,954	\$2,658,248	\$2,658,248
2010	\$2,831,648	\$3,300,000	\$6,131,648	\$7,585,757	\$10,412,711	\$6,431,189	\$9,089,437
2011	\$3,078,996	\$9,400,103	\$12,479,099	\$17,527,458	\$27,940,169	\$13,372,196	\$22,461,633
2012	\$3,078,996		\$3,078,996	\$30,949,951	\$58,890,120	\$21,865,543	\$44,327,176
2013	\$3,078,996	\$2,333,333	\$5,412,329	\$15,529,339	\$74,419,459	\$9,940,781	\$54,267,957
2014	\$3,078,996		\$3,078,996	\$10,319,600	\$84,739,059	\$5,979,504	\$60,247,461
2015	\$3,043,093	\$3,487,956	\$6,531,049	\$1,383,913	\$86,122,972	\$821,425	\$61,068,886
2016					\$86,122,972		\$61,068,886
2017					\$86,122,972		\$61,068,886
2018					\$86,122,972		\$61,068,886
2019					\$86,122,972		\$61,068,886
2020					\$86,122,972		\$61,068,886
2021					\$86,122,972		\$61,068,886
2022					\$86,122,972		\$61,068,886
2023					\$86,122,972		\$61,068,886
2024					\$86,122,972		\$61,068,886
2025					\$86,122,972		\$61,068,886
2026					\$86,122,972		\$61,068,886
2027					\$86,122,972		\$61,068,886
2028					\$86,122,972		\$61,068,886
SUB	\$19,652,724	\$19,018,556	\$38,671,280	\$86,122,972		\$61,068,886	
REM					\$86,122,972		\$61,068,886
TOT	\$19,652,724	\$19,018,556	\$38,671,280	\$86,122,972		\$61,068,886	

\* - - PRESENT WORTH - - \*  
8 PERCENT ....\$65,324,968  
12 PERCENT ....\$57,129,678  
15 PERCENT ....\$51,759,387  
18 PERCENT ....\$46,967,155  
20 PERCENT ....\$44,059,627

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...SHIP SHOAL BLOCK 169  
LEASE....BLOCK 182 C UNIT

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009	236,217	108,558	67,495	31,019
2010	205,165	935,581	58,621	267,319
2011	172,604	638,772	49,317	182,514
2012	232,668	424,576	66,480	121,314
2013	168,701	245,148	48,202	70,043
2014	121,973	70,910	34,850	20,260
2015	86,635	50,623	24,754	14,463
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	1,223,963	2,474,168	349,719	706,932
REM				
TOT	1,223,963	2,474,168	349,719	706,932
CUM ULT	55,390,342 56,614,305	88,190,734 90,664,902		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009	\$67.81	\$6.7500	\$4,576,748	\$209,369	\$4,786,117
2010	\$67.81	\$6.7500	\$3,975,099	\$1,804,412	\$5,779,511
2011	\$67.81	\$6.7500	\$3,344,245	\$1,231,969	\$4,576,214
2012	\$67.81	\$6.7500	\$4,507,989	\$818,864	\$5,326,853
2013	\$67.81	\$6.7500	\$3,268,582	\$472,807	\$3,741,389
2014	\$67.81	\$6.7500	\$2,363,257	\$136,763	\$2,500,020
2015	\$67.81	\$6.7500	\$1,678,547	\$97,630	\$1,776,177
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7500	\$23,714,467	\$4,771,814	\$28,486,281
REM					
TOT	\$67.81	\$6.7500	\$23,714,467	\$4,771,814	\$28,486,281

AVERAGE INTERESTS  
IN COSTS .3428720  
IN REVENUE .2857270

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009	\$1,461,999	\$497,164	\$1,959,163	\$2,826,954	\$2,826,954	\$2,658,248	\$2,658,248
2010	\$1,594,908		\$1,594,908	\$4,184,603	\$7,011,557	\$3,591,395	\$6,249,643
2011	\$1,594,908	\$2,400,104	\$3,995,012	\$581,202	\$7,592,759	\$487,784	\$6,737,427
2012	\$1,594,908		\$1,594,908	\$3,731,945	\$11,324,704	\$2,634,961	\$9,372,388
2013	\$1,594,908		\$1,594,908	\$2,146,481	\$13,471,185	\$1,372,837	\$10,745,225
2014	\$1,594,908		\$1,594,908	\$905,112	\$14,376,297	\$525,020	\$11,270,245
2015	\$1,574,243	\$1,184,623	\$2,758,866	\$982,689	\$13,393,608	\$481,630	\$10,788,615
2016					\$13,393,608		\$10,788,615
2017					\$13,393,608		\$10,788,615
2018					\$13,393,608		\$10,788,615
2019					\$13,393,608		\$10,788,615
2020					\$13,393,608		\$10,788,615
2021					\$13,393,608		\$10,788,615
2022					\$13,393,608		\$10,788,615
2023					\$13,393,608		\$10,788,615
2024					\$13,393,608		\$10,788,615
2025					\$13,393,608		\$10,788,615
2026					\$13,393,608		\$10,788,615
2027					\$13,393,608		\$10,788,615
2028					\$13,393,608		\$10,788,615
SUB	\$11,010,782	\$4,081,891	\$15,092,673	\$13,393,608		\$10,788,615	
REM					\$13,393,608		\$10,788,615
TOT	\$11,010,782	\$4,081,891	\$15,092,673	\$13,393,608		\$10,788,615	

\* - - - PRESENT WORTH - - -  
8 PERCENT ....\$11,253,229  
12 PERCENT ....\$10,349,248  
15 PERCENT ....\$9,734,494  
18 PERCENT ....\$9,168,921  
20 PERCENT ....\$8,817,109

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.



ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

27

FIELD...SHIP SHOAL BLOCK 169  
LEASE....OCS G- 821 BLK 183

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010	170,601	402,904	94,779	223,836
2011	401,449	2,748,487	223,027	1,526,939
2012	428,099	3,353,244	237,834	1,862,913
2013	252,559	2,049,555	140,309	1,138,643
2014	149,847	1,400,944	83,248	778,303
2015	91,077	722,065	50,598	401,145
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	1,493,632	10,677,199	829,795	5,931,779
REM				
TOT	1,493,632	10,677,199	829,795	5,931,779
CUM ULT	10,675,722 12,169,354	58,452,717 69,129,916		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010	\$67.81	\$6.7500	\$6,427,006	\$1,510,888	\$7,937,894
2011	\$67.81	\$6.7500	\$15,123,516	\$10,306,827	\$25,430,343
2012	\$67.81	\$6.7500	\$16,127,432	\$12,574,662	\$28,702,094
2013	\$67.81	\$6.7500	\$9,514,443	\$7,685,836	\$17,200,279
2014	\$67.81	\$6.7500	\$5,645,029	\$5,253,547	\$10,898,576
2015	\$67.81	\$6.7500	\$3,431,046	\$2,707,739	\$6,138,785
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7500	\$56,268,472	\$40,039,499	\$96,307,971
REM					
TOT	\$67.81	\$6.7500	\$56,268,472	\$40,039,499	\$96,307,971

AVERAGE INTERESTS  
IN COSTS .6666667  
IN REVENUE .5555555

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009							
2010	\$1,236,740	\$3,300,000	\$4,536,740	\$3,401,154	\$3,401,154	\$2,839,794	\$2,839,794
2011	\$1,484,088	\$6,999,999	\$8,484,087	\$16,946,256	\$20,347,410	\$12,884,412	\$15,724,206
2012	\$1,484,088		\$1,484,088	\$27,218,006	\$47,565,416	\$19,230,582	\$34,954,788
2013	\$1,484,088	\$2,333,333	\$3,817,421	\$13,382,858	\$60,948,274	\$8,567,944	\$43,522,732
2014	\$1,484,088		\$1,484,088	\$9,414,488	\$70,362,762	\$5,454,484	\$48,977,216
2015	\$1,468,850	\$2,303,333	\$3,772,183	\$2,366,602	\$72,729,364	\$1,303,055	\$50,280,271
2016					\$72,729,364		\$50,280,271
2017					\$72,729,364		\$50,280,271
2018					\$72,729,364		\$50,280,271
2019					\$72,729,364		\$50,280,271
2020					\$72,729,364		\$50,280,271
2021					\$72,729,364		\$50,280,271
2022					\$72,729,364		\$50,280,271
2023					\$72,729,364		\$50,280,271
2024					\$72,729,364		\$50,280,271
2025					\$72,729,364		\$50,280,271
2026					\$72,729,364		\$50,280,271
2027					\$72,729,364		\$50,280,271
2028					\$72,729,364		\$50,280,271
SUB	\$8,641,942	\$14,936,665	\$23,578,607	\$72,729,364		\$50,280,271	
REM					\$72,729,364		\$50,280,271
TOT	\$8,641,942	\$14,936,665	\$23,578,607	\$72,729,364		\$50,280,271	

\* - - PRESENT WORTH - - \*  
8 PERCENT ....\$54,071,739  
12 PERCENT ....\$46,780,430  
15 PERCENT ....\$42,024,893  
18 PERCENT ....\$37,798,234  
20 PERCENT ....\$35,242,518

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...SHIP SHOAL BLOCK 169  
LEASE....OCS G- 821 BLK 183 F1

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	1,663,627	1,074,588		
ULT	1,663,627	1,074,588		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			AVERAGE INTERESTS		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	IN COSTS	IN REVENUE	AT 10 PERCENT	CUMULATIVE
2009				.5000000	.4166667		
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*- - - PRESENT WORTH - - -  
8 PERCENT .....  
12 PERCENT .....  
15 PERCENT .....  
18 PERCENT .....  
20 PERCENT .....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

29

FIELD...SHIP SHOAL BLOCK 169  
LEASE....OCS G- 821 BLK 183 F3

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	6,852	2,001,307		
ULT	6,852	2,001,307		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

AVERAGE INTERESTS  
IN COSTS IN REVENUE  
.5000000 .4166667

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\* - - PRESENT WORTH - - \*

8 PERCENT	.....
12 PERCENT	.....
15 PERCENT	.....
18 PERCENT	.....
20 PERCENT	.....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...SHIP SHOAL BLOCK 169  
LEASE....OCS G- 821 BLK 183 I4ST

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM				
ULT				

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- EXPENDITURES -----*			AVERAGE INTERESTS		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	IN COSTS .6666667	IN REVENUE .5555555	AT 10 PERCENT ANNUAL	CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\* - - - PRESENT WORTH - - - \*

8 PERCENT	.....
12 PERCENT	.....
15 PERCENT	.....
18 PERCENT	.....
20 PERCENT	.....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

31

FIELD...SHIP SHOAL BLOCK 343  
LEASE....FIELDWIDE UNIT

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM		209,093,304		
ULT		209,093,304		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

AVERAGE INTERESTS  
IN COSTS      IN REVENUE  
.0082610      .0068840

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*- - - PRESENT WORTH - - -  
8 PERCENT .....  
12 PERCENT .....  
15 PERCENT .....  
18 PERCENT .....  
20 PERCENT .....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...SO MARSH ISLAND BLOCK 252  
LEASE....OCS G- 2598 BLK 252

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	33,797	20,690,362		
ULT	33,797	20,690,362		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- EXPENDITURES -----*			AVERAGE INTERESTS		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	IN COSTS	IN REVENUE	AT 10 PERCENT	CUMULATIVE
2009					.0007820		
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*- - - PRESENT WORTH - - -  
8 PERCENT .....  
12 PERCENT .....  
15 PERCENT .....  
18 PERCENT .....  
20 PERCENT .....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

33

FIELD...SOUTH TIMBALIER BLOCK 36  
LEASE....OCS G- 2624 BLK 36

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009	200,123	3,248,053	434	7,063
2010	354,266	3,429,140	770	7,456
2011	201,724	1,681,783	440	3,658
2012	107,314	721,285	234	1,568
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	863,427	9,080,261	1,878	19,745
REM				
TOT	863,427	9,080,261	1,878	19,745
CUM	12,139,483	169,074,300		
ULT	13,002,910	178,154,561		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009	\$67.81	\$6.7500	\$29,509	\$47,674	\$77,183
2010	\$67.81	\$6.7500	\$52,239	\$50,331	\$102,570
2011	\$67.81	\$6.7500	\$29,744	\$24,685	\$54,429
2012	\$67.81	\$6.7500	\$15,823	\$10,586	\$26,409
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7500	\$127,315	\$133,276	\$260,591
REM					
TOT	\$67.81	\$6.7500	\$127,315	\$133,276	\$260,591

AVERAGE INTERESTS  
IN COSTS .0026094  
IN REVENUE .0021745

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009	\$30,876	\$18,266	\$49,142	\$28,041	\$28,041	\$26,550	\$26,550
2010	\$30,876	\$18,266	\$49,142	\$53,428	\$81,469	\$45,958	\$72,508
2011	\$28,302		\$28,302	\$26,127	\$107,596	\$20,466	\$92,974
2012	\$15,318	\$22,342	\$37,660	\$11,251-	\$96,345	\$7,094-	\$85,880
2013					\$96,345		\$85,880
2014					\$96,345		\$85,880
2015					\$96,345		\$85,880
2016					\$96,345		\$85,880
2017					\$96,345		\$85,880
2018					\$96,345		\$85,880
2019					\$96,345		\$85,880
2020					\$96,345		\$85,880
2021					\$96,345		\$85,880
2022					\$96,345		\$85,880
2023					\$96,345		\$85,880
2024					\$96,345		\$85,880
2025					\$96,345		\$85,880
2026					\$96,345		\$85,880
2027					\$96,345		\$85,880
2028					\$96,345		\$85,880
SUB	\$105,372	\$58,874	\$164,246	\$96,345		\$85,880	
REM					\$96,345		\$85,880
TOT	\$105,372	\$58,874	\$164,246	\$96,345		\$85,880	

\* - - PRESENT WORTH - - \*  
8 PERCENT .....\$87,897  
12 PERCENT .....\$83,905  
15 PERCENT .....\$81,020  
18 PERCENT .....\$78,232  
20 PERCENT .....\$76,427

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...SOUTH TIMBALIER BLOCK 37  
LEASE....OCS G- 2625 BLK 37

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009	1,535,584	1,250,437	3,340	2,718
2010	927,447	1,456,858	2,016	3,168
2011	595,727	1,013,757	1,294	2,205
2012	517,578	1,185,507	1,128	2,578
2013	471,916	4,251,124	1,027	9,244
2014	274,318	3,330,841	595	7,241
2015	34,920	764,460	76	1,662
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	4,357,490	13,252,984	9,476	28,816
REM				
TOT	4,357,490	13,252,984	9,476	28,816
CUM ULT	73,234,833 77,592,323	269,746,400 282,999,384		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009	\$67.81	\$6.7500	\$226,426	\$18,353	\$244,779
2010	\$67.81	\$6.7500	\$136,754	\$21,363	\$158,137
2011	\$67.81	\$6.7500	\$87,842	\$14,878	\$102,720
2012	\$67.81	\$6.7500	\$76,319	\$17,399	\$93,718
2013	\$67.81	\$6.7500	\$69,585	\$62,396	\$131,981
2014	\$67.81	\$6.7500	\$40,449	\$48,890	\$89,339
2015	\$67.82	\$6.7500	\$5,150	\$11,220	\$16,370
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7500	\$642,525	\$194,519	\$837,044
REM					
TOT	\$67.81	\$6.7500	\$642,525	\$194,519	\$837,044

AVERAGE INTERESTS  
IN COSTS .0026094  
IN REVENUE .0021745

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009	\$40,704		\$40,704	\$204,075	\$204,075	\$194,586	\$194,586
2010	\$40,704	\$9,133	\$49,837	\$108,300	\$312,375	\$93,059	\$287,645
2011	\$40,704	\$9,133	\$49,837	\$52,883	\$365,258	\$41,418	\$329,063
2012	\$40,704	\$18,266	\$58,970	\$34,748	\$400,006	\$24,043	\$353,106
2013	\$25,056	\$9,133	\$34,189	\$97,792	\$497,798	\$61,994	\$415,100
2014	\$25,056	\$652	\$25,708	\$63,631	\$561,429	\$36,933	\$452,033
2015	\$8,047	\$50,534	\$58,581	\$42,211	\$519,218	\$21,526	\$430,507
2016					\$519,218		\$430,507
2017					\$519,218		\$430,507
2018					\$519,218		\$430,507
2019					\$519,218		\$430,507
2020					\$519,218		\$430,507
2021					\$519,218		\$430,507
2022					\$519,218		\$430,507
2023					\$519,218		\$430,507
2024					\$519,218		\$430,507
2025					\$519,218		\$430,507
2026					\$519,218		\$430,507
2027					\$519,218		\$430,507
2028					\$519,218		\$430,507
SUB	\$220,975	\$96,851	\$317,826	\$519,218		\$430,507	
REM					\$519,218		\$430,507
TOT	\$220,975	\$96,851	\$317,826	\$519,218		\$430,507	

\*- - - PRESENT WORTH - - -  
8 PERCENT .....\$446,123  
12 PERCENT .....\$415,811  
15 PERCENT .....\$395,367  
18 PERCENT .....\$376,668  
20 PERCENT .....\$365,084

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.



ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

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FIELD...VERMILION BLOCK 245

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	1,263,842	90,881,479		
ULT	1,263,842	90,881,479		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*- - - PRESENT WORTH - - \*

8 PERCENT	.....
12 PERCENT	.....
15 PERCENT	.....
18 PERCENT	.....
20 PERCENT	.....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...VERMILION BLOCK 245  
LEASE....F SAND UNIT

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	87,819	12,842,381		
ULT	87,819	12,842,381		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- EXPENDITURES -----*			AVERAGE INTERESTS		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	IN COSTS	IN REVENUE	AT 10 PERCENT	ANNUAL CUMULATIVE
2009				.3337000	.2780833		
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*----- PRESENT WORTH -----\*

8 PERCENT	.....
12 PERCENT	.....
15 PERCENT	.....
18 PERCENT	.....
20 PERCENT	.....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

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FIELD...VERMILION BLOCK 245  
LEASE....G SAND UNIT

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	1,151,558	75,195,680		
ULT	1,151,558	75,195,680		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

AVERAGE INTERESTS  
IN COSTS      IN REVENUE  
.3634000      .3028340

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*. . . PRESENT WORTH . . . \*  
8 PERCENT .....  
12 PERCENT .....  
15 PERCENT .....  
18 PERCENT .....  
20 PERCENT .....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...VERMILION BLOCK 245  
LEASE....OCS G- 1147 BLK 246 9

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	24,465	2,843,418		
ULT	24,465	2,843,418		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			AVERAGE INTERESTS		PRESENT WORTH	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	IN COSTS 1.0000000	IN REVENUE .8333300	AT 10 PERCENT ANNUAL	CUMULATIVE
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
SUB							
REM							
TOT							

\*- - - PRESENT WORTH - - \*

8 PERCENT	.....
12 PERCENT	.....
15 PERCENT	.....
18 PERCENT	.....
20 PERCENT	.....

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

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FIELD...WEST CAMERON BLOCK 643

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009	242	684,216	99	213,178
2010	132	358,130	57	116,294
2011	73	144,366	30	60,153
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	447	1,186,712	186	389,625
REM				
TOT	447	1,186,712	186	389,625
CUM	2,347,529	387,074,641		
ULT	2,347,976	388,261,353		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009	\$67.81	\$6.7500	\$6,798	\$1,438,959	\$1,445,757
2010	\$67.81	\$6.7500	\$3,747	\$784,980	\$788,727
2011	\$67.85	\$6.7500	\$2,040	\$406,035	\$408,075
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7500	\$12,585	\$2,629,974	\$2,642,559
REM					
TOT	\$67.81	\$6.7500	\$12,585	\$2,629,974	\$2,642,559

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009	\$234,000	\$4,945,384	\$5,179,384	\$3,733,627-	\$3,733,627-	\$3,357,591-	\$3,357,591-
2010	\$202,256		\$202,256	\$586,471	\$3,147,156-	\$506,597	\$2,850,994-
2011	\$178,151	\$750,000	\$928,151	\$520,076-	\$3,667,232-	\$376,379-	\$3,227,373-
2012					\$3,667,232-		\$3,227,373-
2013					\$3,667,232-		\$3,227,373-
2014					\$3,667,232-		\$3,227,373-
2015					\$3,667,232-		\$3,227,373-
2016					\$3,667,232-		\$3,227,373-
2017					\$3,667,232-		\$3,227,373-
2018					\$3,667,232-		\$3,227,373-
2019					\$3,667,232-		\$3,227,373-
2020					\$3,667,232-		\$3,227,373-
2021					\$3,667,232-		\$3,227,373-
2022					\$3,667,232-		\$3,227,373-
2023					\$3,667,232-		\$3,227,373-
2024					\$3,667,232-		\$3,227,373-
2025					\$3,667,232-		\$3,227,373-
2026					\$3,667,232-		\$3,227,373-
2027					\$3,667,232-		\$3,227,373-
2028					\$3,667,232-		\$3,227,373-
SUB	\$614,407	\$5,695,384	\$6,309,791	\$3,667,232-		\$3,227,373-	
REM					\$3,667,232-		\$3,227,373-
TOT	\$614,407	\$5,695,384	\$6,309,791	\$3,667,232-		\$3,227,373-	

\* - - PRESENT WORTH - - \*

8 PERCENT	.....\$3,309,555-
12 PERCENT	.....\$3,147,819-
15 PERCENT	.....\$3,033,165-
18 PERCENT	.....\$2,923,796-
20 PERCENT	.....\$2,853,649-

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...WEST CAMERON BLOCK 643  
LEASE....BLOCK 642-643 A UNIT

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	80,828	233,351,997		
ULT	80,828	233,351,997		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

AVERAGE INTERESTS  
IN COSTS .3585890  
IN REVENUE .2988225

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009		\$537,884	\$537,884	\$537,884-	\$537,884-	\$487,862-	\$487,862-
2010					\$537,884-		\$487,862-
2011					\$537,884-		\$487,862-
2012					\$537,884-		\$487,862-
2013					\$537,884-		\$487,862-
2014					\$537,884-		\$487,862-
2015					\$537,884-		\$487,862-
2016					\$537,884-		\$487,862-
2017					\$537,884-		\$487,862-
2018					\$537,884-		\$487,862-
2019					\$537,884-		\$487,862-
2020					\$537,884-		\$487,862-
2021					\$537,884-		\$487,862-
2022					\$537,884-		\$487,862-
2023					\$537,884-		\$487,862-
2024					\$537,884-		\$487,862-
2025					\$537,884-		\$487,862-
2026					\$537,884-		\$487,862-
2027					\$537,884-		\$487,862-
2028					\$537,884-		\$487,862-
SUB		\$537,884	\$537,884	\$537,884-		\$487,862-	
REM					\$537,884-		\$487,862-
TOT		\$537,884	\$537,884	\$537,884-		\$487,862-	
							* - - PRESENT WORTH - - *
							8 PERCENT .....\$497,448-
							12 PERCENT .....\$478,477-
							15 PERCENT .....\$464,764-
							18 PERCENT .....\$451,477-
							20 PERCENT .....\$442,848-

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

41

FIELD...WEST CAMERON BLOCK 643  
LEASE....BLOCK 643-370 B UNIT

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	11,072	25,035,434		
ULT	11,072	25,035,434		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

AVERAGE INTERESTS  
IN COSTS .3500000  
IN REVENUE .2916667

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2010				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2011				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2012				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2013				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2014				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2015				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2016				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2017				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2018				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2019				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2020				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2021				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2022				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2023				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2024				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2025				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2026				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2027				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
2028				\$1,207,500-	\$1,207,500-	\$1,095,207-	\$1,095,207-
SUB		\$1,207,500	\$1,207,500	\$1,207,500-		\$1,095,207-	
REM					\$1,207,500-		\$1,095,207-
TOT		\$1,207,500	\$1,207,500	\$1,207,500-		\$1,095,207-	

\* - - PRESENT WORTH - - \*  
8 PERCENT .....\$1,116,725-  
12 PERCENT .....\$1,074,138-  
15 PERCENT .....\$1,043,354-  
18 PERCENT .....\$1,013,526-  
20 PERCENT .....\$994,155-

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...WEST CAMERON BLOCK 643  
LEASE....BLOCK 643-371 UNIT B8ST2

YEAR ENDING	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
OCT 31	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM				
ULT	4,478	580,760		
	4,478	580,760		

YEAR ENDING	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*	
OCT 31	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	TOTAL
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				

				AVERAGE INTERESTS IN COSTS .7000000	IN REVENUE .5833333		
YEAR ENDING	*----- E X P E N D I T U R E S -----*					PRESENT WORTH AT 10 PERCENT	
OCT 31	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	FUTURE NET REVENUE ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009		\$2,450,000	\$2,450,000	\$2,450,000-	\$2,450,000-	\$2,218,526-	\$2,218,526-
2010					\$2,450,000-		\$2,218,526-
2011					\$2,450,000-		\$2,218,526-
2012					\$2,450,000-		\$2,218,526-
2013					\$2,450,000-		\$2,218,526-
2014					\$2,450,000-		\$2,218,526-
2015					\$2,450,000-		\$2,218,526-
2016					\$2,450,000-		\$2,218,526-
2017					\$2,450,000-		\$2,218,526-
2018					\$2,450,000-		\$2,218,526-
2019					\$2,450,000-		\$2,218,526-
2020					\$2,450,000-		\$2,218,526-
2021					\$2,450,000-		\$2,218,526-
2022					\$2,450,000-		\$2,218,526-
2023					\$2,450,000-		\$2,218,526-
2024					\$2,450,000-		\$2,218,526-
2025					\$2,450,000-		\$2,218,526-
2026					\$2,450,000-		\$2,218,526-
2027					\$2,450,000-		\$2,218,526-
2028					\$2,450,000-		\$2,218,526-
SUB		\$2,450,000	\$2,450,000	\$2,450,000-		\$2,218,526-	
REM					\$2,450,000-		\$2,218,526-
TOT		\$2,450,000	\$2,450,000	\$2,450,000-		\$2,218,526-	
						* - - PRESENT WORTH - - *	
						8 PERCENT	\$2,262,853-
						12 PERCENT	\$2,175,139-
						15 PERCENT	\$2,111,773-
						18 PERCENT	\$2,050,403-
						20 PERCENT	\$2,010,564-

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.



ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

43

FIELD...WEST CAMERON BLOCK 643  
LEASE....OCS G- 2240 BLK 642

YEAR ENDING OCT 31	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB				
REM				
TOT				
CUM	13,935	38,990,542		
ULT	13,935	38,990,542		

YEAR ENDING OCT 31	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB					
REM					
TOT					

AVERAGE INTERESTS  
IN COSTS .2500000  
IN REVENUE .2083330

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009		\$750,000	\$750,000	\$750,000-	\$750,000-	\$711,166-	\$711,166-
2010					\$750,000-		\$711,166-
2011					\$750,000-		\$711,166-
2012					\$750,000-		\$711,166-
2013					\$750,000-		\$711,166-
2014					\$750,000-		\$711,166-
2015					\$750,000-		\$711,166-
2016					\$750,000-		\$711,166-
2017					\$750,000-		\$711,166-
2018					\$750,000-		\$711,166-
2019					\$750,000-		\$711,166-
2020					\$750,000-		\$711,166-
2021					\$750,000-		\$711,166-
2022					\$750,000-		\$711,166-
2023					\$750,000-		\$711,166-
2024					\$750,000-		\$711,166-
2025					\$750,000-		\$711,166-
2026					\$750,000-		\$711,166-
2027					\$750,000-		\$711,166-
2028					\$750,000-		\$711,166-
SUB		\$750,000	\$750,000	\$750,000-		\$711,166-	
REM					\$750,000-		\$711,166-
TOT		\$750,000	\$750,000	\$750,000-		\$711,166-	

\*. - - PRESENT WORTH - - \*  
8 PERCENT .....\$718,743-  
12 PERCENT .....\$703,681-  
15 PERCENT .....\$692,624-  
18 PERCENT .....\$681,767-  
20 PERCENT .....\$674,639-

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

FIELD...WEST CAMERON BLOCK 643  
LEASE....OCS G- 2241 BLK 643

YEAR ENDING	*---- GROSS PRODUCTION ----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
OCT 31				
2009	242	481,175	99	200,489
2010	132	265,159	57	110,483
2011	73	144,366	30	60,153
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB	447	890,700	186	371,125
REM				
TOT	447	890,700	186	371,125
CUM	20,645	46,785,214		
ULT	21,092	47,675,914		

YEAR ENDING	*---- AVERAGE PRICES ----*		*----- FUTURE GROSS REVENUE -----*		
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	GAS	TOTAL
OCT 31					
2009	\$67.81	\$6.7500	\$6,798	\$1,353,301	\$1,360,099
2010	\$67.81	\$6.7500	\$3,747	\$745,759	\$749,506
2011	\$67.85	\$6.7500	\$2,040	\$406,035	\$408,075
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
SUB	\$67.81	\$6.7500	\$12,585	\$2,505,095	\$2,517,680
REM					
TOT	\$67.81	\$6.7500	\$12,585	\$2,505,095	\$2,517,680

AVERAGE INTERESTS  
IN COSTS .5000000  
IN REVENUE .4166667

YEAR ENDING	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
OCT 31							
2009	\$180,000		\$180,000	\$1,180,099	\$1,180,099	\$1,124,896	\$1,124,896
2010	\$180,000		\$180,000	\$569,506	\$1,749,605	\$491,817	\$1,616,713
2011	\$178,151	\$750,000	\$928,151	\$520,076	\$1,229,529	\$376,379	\$1,240,334
2012					\$1,229,529		\$1,240,334
2013					\$1,229,529		\$1,240,334
2014					\$1,229,529		\$1,240,334
2015					\$1,229,529		\$1,240,334
2016					\$1,229,529		\$1,240,334
2017					\$1,229,529		\$1,240,334
2018					\$1,229,529		\$1,240,334
2019					\$1,229,529		\$1,240,334
2020					\$1,229,529		\$1,240,334
2021					\$1,229,529		\$1,240,334
2022					\$1,229,529		\$1,240,334
2023					\$1,229,529		\$1,240,334
2024					\$1,229,529		\$1,240,334
2025					\$1,229,529		\$1,240,334
2026					\$1,229,529		\$1,240,334
2027					\$1,229,529		\$1,240,334
2028					\$1,229,529		\$1,240,334
SUB	\$538,151	\$750,000	\$1,288,151	\$1,229,529		\$1,240,334	
REM					\$1,229,529		\$1,240,334
TOT	\$538,151	\$750,000	\$1,288,151	\$1,229,529		\$1,240,334	

\* - - PRESENT WORTH - - \*  
8 PERCENT .....\$1,240,478  
12 PERCENT .....\$1,239,226  
15 PERCENT .....\$1,235,929  
18 PERCENT .....\$1,230,892  
20 PERCENT .....\$1,226,679

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

ESTIMATED ANNUAL PRODUCTION AND REVENUE FROM THE PROVED RESERVES  
AS OF OCTOBER 31, 2008  
OF CERTAIN PROPERTIES OWNED BY  
TEL OFFSHORE TRUST PARTNERSHIP

COMBINED INTEREST  
PARTNERSHIP PROPERTIES  
SEC CASE - TOTAL PROVED

45

FIELD...WEST CAMERON BLOCK 643  
LEASE....OCS G-15161 BLK 381

YEAR ENDING OCT 31	*----- GROSS PRODUCTION -----*		*----- NET PRODUCTION -----*	
	OIL & COND (BARRELS)	GAS (MCF)	OIL & COND (BARRELS)	GAS (MCF)
2009		203,041		12,689
2010		92,971		5,811
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB		296,012		18,500
REM				
TOT		296,012		18,500
CUM	2,216,571	42,330,694		
ULT	2,216,571	42,626,706		

YEAR ENDING OCT 31	*----- AVERAGE PRICES -----*		*----- FUTURE GROSS REVENUE -----*	
	OIL & COND \$/BBL	GAS \$/MCF	OIL & COND	TOTAL
2009		\$6.7500	\$85,658	\$85,658
2010		\$6.7500	\$39,221	\$39,221
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
SUB		\$6.7500	\$124,879	\$124,879
REM				
TOT		\$6.7500	\$124,879	\$124,879

AVERAGE INTERESTS  
IN COSTS .0750000  
IN REVENUE .0625000

YEAR ENDING OCT 31	*----- E X P E N D I T U R E S -----*			FUTURE NET REVENUE		PRESENT WORTH AT 10 PERCENT	
	OPERATING COSTS	CAPITAL COSTS	TOTAL COSTS	ANNUAL	CUMULATIVE	ANNUAL	CUMULATIVE
2009	\$54,000		\$54,000	\$31,658	\$31,658	\$30,274	\$30,274
2010	\$22,256		\$22,256	\$16,965	\$48,623	\$14,780	\$45,054
2011					\$48,623		\$45,054
2012					\$48,623		\$45,054
2013					\$48,623		\$45,054
2014					\$48,623		\$45,054
2015					\$48,623		\$45,054
2016					\$48,623		\$45,054
2017					\$48,623		\$45,054
2018					\$48,623		\$45,054
2019					\$48,623		\$45,054
2020					\$48,623		\$45,054
2021					\$48,623		\$45,054
2022					\$48,623		\$45,054
2023					\$48,623		\$45,054
2024					\$48,623		\$45,054
2025					\$48,623		\$45,054
2026					\$48,623		\$45,054
2027					\$48,623		\$45,054
2028					\$48,623		\$45,054
SUB	\$76,256		\$76,256	\$48,623		\$45,054	
REM					\$48,623		\$45,054
TOT	\$76,256		\$76,256	\$48,623		\$45,054	

\* - - PRESENT WORTH - - \*  
8 PERCENT .....\$45,736  
12 PERCENT .....\$44,390  
15 PERCENT .....\$43,421  
18 PERCENT .....\$42,485  
20 PERCENT .....\$41,878

THESE DATA ACCOMPANY THE REPORT OF DEGOLYER AND MACNAUGHTON AND ARE SUBJECT TO ITS SPECIFIC CONDITIONS.

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# **Exhibit W**

DEGOLYER AND MACNAUGHTON  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

**LETTER REPORT**  
**as of**  
**OCTOBER 31, 2009**  
**on**  
**RESERVES and REVENUE**  
**of**  
**CERTAIN PROPERTIES**  
**owned by the**  
**TEL OFFSHORE TRUST PARTNERSHIP**  
  
**SEC CASE**

DEGOLYER AND MACNAUGHTON  
5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

February 1, 2010

Chevron U.S.A. Inc.  
Chevron Place  
935 Gravier Street  
New Orleans, Louisiana 70012

Gentlemen:

Pursuant to your request, we have prepared estimates, as of October 31, 2009, of the extent and value of the proved crude oil, condensate, and natural gas reserves of a net profits interest owned by TEL Offshore Trust Partnership (the Trust Partnership). This net profits interest (the Trust Partnership Interest) is in certain offshore leases owned by Chevron U.S.A. Inc. (Chevron). The interest appraised consists of a 25-percent net profits interest in 17 leases (the Subject Properties), which are located in the Gulf of Mexico offshore from Louisiana. Certain of the Subject Properties were acquired by Energy Resources Technology (ERT) effective July 1, 2007 and certain other properties were acquired by Hilcorp Energy Company (Hilcorp) effective August 1, 2008. The Managing Partner of the Trust Partnership is Chevron.

Information used in the preparation of this report was obtained from Chevron. During this investigation, we consulted freely with the officers and employees of Chevron and were given access to such accounts, records, geological and engineering reports, and other data as were desired for examination. In the preparation of this report we have relied, without independent verification, upon information furnished by Chevron with respect to property interests owned by the Trust Partnership, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. It was not considered necessary to make a field examination of the physical condition and operation of the Subject Properties. Additionally, this information includes data supplied by Petroleum Information/Dwights LLC; Copyright 2009 Petroleum Information/Dwights LLC.

Our reserves estimates are based on a detailed study of the Subject Properties and were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, consideration of the stage of development of the reservoir, and the quality and completeness of basic data.

Reserves estimated herein are expressed as gross and net reserves. Gross reserves are defined as the total estimated petroleum to be produced from the Subject Properties after October 31, 2009. Combined net reserves are defined as those reserves remaining after deducting royalties and interests owned by others from gross reserves. Net reserves are defined as that portion of the combined net reserves attributable to the interests owned by the Trust Partnership. Gas volumes are expressed as sales-gas reserves at a temperature of 60 degrees Fahrenheit and at a legal pressure base of 14.73 pounds per square inch absolute. Sales gas is defined as the total gas to be produced from the reservoirs, measured at the point of delivery, after reduction for fuel usage, flare, and shrinkage resulting from field separation and processing. Condensate reserves estimated herein are those to be obtained by normal separator recovery.

Petroleum reserves included in this report are classified as proved and are judged to be economically producible in future years from known reservoirs under existing economic and operating conditions and assuming continuation of current regulatory practices using conventional production methods and equipment. In the analyses of production-decline curves, reserves were estimated only to the limit of economic rates of production under existing economic and operating conditions using prices and costs as of the date the estimate is made, including consideration of changes in existing prices provided only by contractual arrangements but not including escalations based upon future conditions. Proved reserves classifications used in this report are in accordance with the reserves definitions of Rules 4–10(a) (1)–(13) of Regulation S–X of the United States Securities and Exchange Commission (SEC). The petroleum reserves are classified as follows:

*Proved oil and gas reserves* – Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of



changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the “proved” classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following: (A) oil that may become available from known reservoirs but is classified separately as “indicated additional reserves”; (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite, and other such sources.

*Proved developed oil and gas reserves* – Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary

recovery should be included as “proved developed reserves” only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

*Proved undeveloped reserves* – Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

All of the proved reserves estimated herein are classified as proved developed. There are no proved undeveloped reserves for the properties evaluated in this report.

The properties evaluated consist of 17 leases located offshore from Louisiana. These 17 leases include 4 productive properties. No reserves have been assigned to 13 properties, including 4 abandoned leases. ERT owns an interest in one nonproductive property. Hilcorp owns an interest in three leases, none of which is productive. Chevron owns an interest in the remaining nine properties, including five to which no reserves have been assigned.

The reserves volumes and revenue values shown in this report were estimated from projections of reserves and revenue attributable to the “Combined Interests,” defined herein as the Trust Partnership Interests and the interests retained in the Subject Properties by Chevron, ERT, or Hilcorp. Net reserves attributable to the Trust Partnership Interests were estimated by allocating to the Trust Partnership a portion of the estimated combined net reserves of the Subject Properties based on future revenue. The formula used to estimate the net reserves attributable to the Trust Partnership Interest is as follows:

$$\text{Trust Partnership Interest net reserves} = \frac{\text{Trust Partnership Interest future net revenue}}{\text{Combined future gross revenue}} \times \text{Combined net reserves}$$

This formula was applied only to the Chevron group of properties to obtain the total reserves for the Trust Partnership Interest. The ERT and Hilcorp properties do not have proved reserves. Because the net reserves volumes attributable to the Trust Partnership Interest are estimated using an allocation of reserves based on estimates of future revenue, a change in prices or costs will result in changes in the estimated net reserves. Therefore, the estimated net reserves attributable to the Trust Partnership Interest will vary if different future price and cost assumptions are used. Trust Partnership Interest net revenue and net reserves estimates included in this report have been estimated from reserves and revenue attributable to the Combined Interests using procedures and calculation methods as specified by Chevron and represented by Chevron to be in accordance with the Conveyance of Overriding Royalty Interests.

Data available from wells drilled on the appraised properties through October 2009 were used in estimating gross ultimate recovery. Gross production through October 31, 2009, was deducted from the gross ultimate recovery to arrive at estimates of gross reserves. This required 3 months of estimated production for the non-operated royalty interest property, Eugene Island 342, since production for this property was available only through July 31, 2009.

During September 2008, the platforms and wells associated with the Eugene Island 339 field were completely destroyed by Hurricane Ike. Chevron is proceeding with the work required to clear the remaining infrastructure and abandon existing wells. A cost estimate for this work was not available during the preparation of the October 31, 2008, report. Therefore, at the request of Chevron, the Eugene Island 339 field was omitted from the October 31, 2008, report.

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Estimated net proved reserves attributable to the Trust Partnership Interest, as of October 31, 2009, are summarized as follows, expressed in barrels (bbl) and thousands of cubic feet (Mcf):

	<b>Oil and Condensate (bbl)</b>	<b>Natural Gas (Mcf)</b>
Proved Developed Reserves		
Reserves as of October 31, 2008 <sup>1</sup>	219,142	1,387,152
Revisions of Previous Estimates	(53,050)	(477,499)
Improved Recovery	0	0
Purchases of Minerals in Place	0	0
Extensions, Discoveries, and Other Additions	0	0
Production <sup>2</sup>	(28,628)	(41,148)
Sales of Minerals in Place	0	0
Reserves as of October 31, 2009 <sup>3</sup>	137,464	868,505

<sup>1</sup> Eugene Island 330 abandonment costs not included.

<sup>2</sup> Production was estimated based on the ratio as of October 31, 2008, of the Trust Partnership Interest net reserves to the Combined Interests net reserves. This ratio was then applied to the production net to the Combined Interests for the period from November 1, 2008, through October 31, 2009.

<sup>3</sup> Eugene Island 330 abandonment costs included.

Revenue values in this report are expressed in terms of estimated combined future net revenue, future net revenue attributable to the Trust Partnership Interest, and present worth of these future net revenues. Future gross revenue is that revenue which will accrue from the production and sale of the estimated combined net reserves. Combined future net revenue values were calculated by deducting operating expenses and capital costs from the future gross revenue of the Combined Interests. These monthly values for the aggregate of the Combined Interests in the Subject Properties were reduced by a trust overhead charge furnished by Chevron. Capital and abandonment costs for longer-life properties were accrued at the end of each quarter in amounts specified by Chevron beginning in January 2010. The future accrual or escrow amounts for each of the three groups of properties were deducted from the combined future net revenue at the end of each quarter, as specified by Chevron. Interest on the balance of the accrued capital and abandonment costs at the rate of 0.18 percent per year as specified by Chevron was credited monthly. The adjusted revenue resulting from subtracting the overhead charge and accrued capital and abandonment costs was multiplied by a factor of 25 percent to arrive at the future net revenue attributable to the Trust Partnership Interest. The above calculations were made monthly for the properties. Interest was charged monthly on the net profits deficit balances (costs not recovered currently) at the rate of 0.18 percent per year as specified by Chevron. Present worth is defined as

future net revenue discounted at a specified arbitrary discount rate compounded monthly over the expected period of realization; in this report, present worth values using a discount rate of 10 percent are reported. Future income tax expenses were not taken into account in estimating future net revenue and present worth. No deductions were made in the foregoing reserves estimates for any outstanding production payments.

Revenue values in this report were estimated using the initial prices and costs provided by Chevron. Future prices were estimated using guidelines established by the United States Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB). These guidelines require the use of prices for oil and condensate in effect on October 31, 2009. The following assumptions were used for estimating future prices and costs:

#### *Oil and Condensate Prices*

Oil and condensate prices were furnished by Chevron and were the prices in effect on October 31, 2009. These prices were used as initial prices with no increases based on inflation.

#### *Natural Gas Prices*

Initial gas prices furnished by Chevron were prices in effect on October 31, 2009. These initial prices were held constant for the life of the properties.

#### *Operating Expenses and Capital Costs*

Current estimates of operating expenses were used for the life of the properties with no increases in the future based on inflation. Future capital expenditures were estimated using 2009 values and were not adjusted for inflation. Abandonment costs have been estimated as capital costs for all properties, including leases which are considered depleted and to which no reserves have been assigned.

A summary of estimated revenue and costs attributable to the Combined Interests in proved reserves of the Subject Properties and the future net revenue and present worth attributable to the Trust Partnership Interest, as of October 31, 2009, is as follows, expressed in dollars (\$):

	Properties			
	Chevron	ERT	Hilcorp	Total
<b>Combined Interests</b>				
Future Gross Revenue (\$)	103,865,303	0	0	103,865,303
Operating Expenses (\$)	(14,689,612)	0	0	(14,689,612)
Capital Costs (\$) <sup>1</sup>	(49,222,398)	0	(5,695,384)	(54,917,782)
Future Net Revenue (\$)	39,953,293	0	(5,695,384)	34,257,909
Cost Escrow as of 10-31-09 (\$) <sup>2</sup>	17,227,941	0		
Interest Credit on Accrued Balance (\$)	129,011	0		
Interest on Deficit (\$)	(63,945)	0		
Overhead (\$)	(5,037,032)	0		
Revenue Subject to Net Profits Interest (\$)	52,209,268	0		
Trust Partnership Interest				
Future Net Revenue (\$) <sup>3</sup>	13,052,298	0		
Present Worth at 10 Percent (\$) <sup>3</sup>	9,417,482	0		

<sup>1</sup> Includes abandonment costs.

<sup>2</sup> Escrow balance for the Hilcorp properties is zero.

<sup>3</sup> Future income tax expenses were not taken into account in the preparation of these estimates.

In our opinion, the information relating to estimated proved reserves, estimated future net revenue from proved reserves, and present worth of estimated future net revenue from proved reserves of oil, condensate, natural gas liquids, and gas contained in this report has been prepared in accordance with Paragraphs 10–13, 15, and 30(a)–(b) of Statement of Financial Accounting Standards No. 69 (November 1982) of the FASB and Rules 4–10(a) (1)–(13) of Regulation S–X and Rule 302(b) of Regulation S–K of the SEC; provided, however, future income tax expenses have not been taken into account in estimating the future net revenue and present worth values set forth herein.

To the extent the above-enumerated rules, regulations, and statements require determinations of an accounting or legal nature or information beyond the scope of this report, we are necessarily unable to express an opinion as to whether the above-described information is in accordance therewith or sufficient therefor.

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In our opinion, we have made the investigations necessary to enable us to estimate the petroleum reserves reported herein. Estimates of oil, condensate, and gas reserves and future net revenue should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves and revenue estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Submitted,

*DeGolyer and MacNaughton*

DeGOLYER and MacNAUGHTON

Texas Registered Engineering Firm F-716



*Paul J. Szatkowski P.E.*

Paul J. Szatkowski, P.E.  
Senior Vice President  
DeGolyer and MacNaughton

IN RE: § IN THE PROBATE COURT  
§  
§ OF  
§  
TEL OFFSHORE TRUST § TRAVIS COUNTY, TEXAS

On this day came to be considered the Corporate Trustee of the TEL Offshore Trust's Motion to Exclude the Testimony of R. Bruce Wallace ("Motion to Exclude"). The Court, having considered the pleadings, evidence, and arguments of counsel, is of the opinion that the Motion to Exclude should be GRANTED.

SIGNED \_\_\_\_\_, 2017.

**ORDER GRANTING CORPORATE TRUSTEE OF THE TEL OFFSHORE TRUST'S MOTION TO EXCLUDE THE TESTIMONY OF R. BRUCE WALLACE – Solo Page**