Item 5

Verne, B. Michael

From: [redacted]
Sent: Tuesday, February 15, 2011 7:34 PM
To: Verne, B. Michael
Cc: [redacted]
Subject: RE: Item 5 questions

Mike:

Good evening. Another Item 5 question for your consideration:

Company A has offshore drilling/extraction operations near continental U.S. Some of Company A's operations are in the form of non-controlled JVs (see (2) in my email below). Would the treatment of Company A's revenues derived from those operations depend on whether the operations are in U.S. territorial waters (something along the lines of this - http://en.wikipedia.org/wiki/Territorial_waters)? So that:

1. If the operations are located in U.S. waters and Company A sells the product extracted through these operations through U.S. entities, we would need to include those revenues in Item 5 regardless of customer location. (The result is the same if Company A sells through non-U.S. entities.)
2. If the operations are located in non-U.S. waters and company A sells the product extracted through these operations through U.S. entities, we would need to include only the revenues from sales to U.S. customers in Item 5. If Company A sells through non-U.S. entities, we would not include any of the revenues from those sales in Item 5.
3. Regardless of whether the drilling/extraction operations occur in U.S. waters, if the product is then taken onshore, sales of the product onshore should be included in Item 5.

Thank you very much in advance.

Agree
B
2/16/11

[redacted]

From: "Verne, B. Michael" <MVERNE@ftc.gov>
To: [redacted]
Date: 07/12/2010 08:35 AM
Subject: RE: Item 5 questions

Correct on both

From: [redacted]
Sent: Friday, July 09, 2010 10:51 PM
To: Verne, B. Michael
Cc: [redacted]
Subject: RE: Item 5 questions

Mike,

Sorry - just a couple more questions:

1. In hypothetical (3) below, the revenues from the sales of products by the foreign entity to the U.S. entity within the same group (which the U.S. entity then resells on its own account) do not need to be included.

2. The client has contractual JVs in the U.S., some of which it does not control or operate. The client owns and sells its equity percentage of product. These revenues would need to be reported regardless of the location of customer because they are derived by the client's U.S. based entities and are of products that originate in the U.S.

Please let me know if you agree.

Thank you very much.

[redacted]