

DRAFT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

WesternGeco LLC
10001 Richmond Avenue
Houston, Texas 77042

*Attn: Jerry Dresner
Chief Financial Officer*

Dear Mr. Dresner:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has reason to believe that WesternGeco LLC, of Houston, TX has committed 15 violations of the Export Administration Regulations (the “Regulations”),¹ which are issued under the authority of the Export Administration Act of 1979 (the “Act”).² Specifically, BIS charges that WesternGeco committed the following violations:

Charges 1-5 (15 C.F.R. § 764.2(a) – Violating a license condition)

During the period from on or about December 3, 2000 through on or about January 6, 2001, WesternGeco refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, WesternGeco was responsible for Export License D268971. This license authorized underwater geophysical mapping equipment, including several Titan 1000 seismic streamer sections, to be exported to the People’s Republic of China (“PRC”) for lease to the Geophysical Company of Bohai Oil Corporation. The equipment was subject to the

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The violations charged occurred in 2000 through 2001. The Regulations governing the violations at issue are found in the 2000 and 2001 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2001)). The 2006 Regulations establish the procedures that apply to this matter.

² 50 U.S.C. app. §§ 2401- 2420 (2000). From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 3, 2006 (71 Fed. Reg. 44551, August 7, 2006), continues the Regulations in effect under IEEPA. The Act and Regulations are available on the Government Printing Office website at: <http://w3.access.gpo.gov/bis/>.

Regulations and classified under Export Control Classification Number (“ECCN”) 6A001. Exports of this equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D268971 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment by a monitor from a former CoCom member country was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment.³ Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the five weeks of the above-described period, WesternGeco maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, WesternGeco committed five violations of Section 764.2(a) of the Regulations.

Charges 6-10 (15 C.F.R. § 764.2(a) – Violating a license condition)

During the period from on or about December 3, 2000 through on or about January 6, 2001, WesternGeco refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, WesternGeco was responsible for Export License D256834. This license authorized underwater geophysical mapping equipment, including at least one LRS-16A seismic streamer, to be exported to the PRC for lease to the Shanghai Bureau of Marine Geological Survey. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of this equipment to the PRC were controlled for National Security reasons during the relevant time period.

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For each of the five weeks of the above-described period, WesternGeco maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, WesternGeco committed five violations of Section 764.2(a) of the Regulations.

Charges 11-15 (15 C.F.R. § 764.2(a) – Violating a license condition)

During the period from on or about December 3, 2000 through on or about January 6, 2001, WesternGeco refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, WesternGeco was responsible for Export License D255483. This license authorized underwater geophysical mapping equipment, including at least two LRS-16A seismic streamers, to be exported to the PRC for lease to the Guangzhou Bureau of Marine Geological Survey. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D255483 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the five weeks of the above-described period, WesternGeco maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, WesternGeco committed five violations of Section 764.2(a) of the Regulations.

Accordingly, WesternGeco is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$120,000 per violation;⁴

Denial of export privileges; and/or

Exclusion from practice before BIS.

If WesternGeco fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. (Regulations, Sections 766.6 and 766.7). If WesternGeco defaults, the Administrative Law Judge may find the charges alleged in this letter to be true without hearing or further notice to WesternGeco. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each charge in this letter.

WesternGeco is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. (Regulations, Section 766.6). WesternGeco is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should WesternGeco have a proposal to settle this case, WesternGeco or its representative should transmit the offer to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, WesternGeco's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

⁴ See 15 C.F.R. §6.4(a)(7) (2005).

WesternGeco
Proposed Charging Letter
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In addition, a copy of WesternGeco's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Charles Wall, Esq.
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Charles Wall is representing BIS in this case; any communications that WesternGeco may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael D. Turner
Director
Office of Export Enforcement

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
WesternGeco LLC)
10001 Richmond Avenue)
Houston, Texas 77042)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, WesternGeco LLC (“WesternGeco”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (“Regulations”)¹, issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”);²

WHEREAS, BIS has notified WesternGeco of its intention to initiate an administrative proceeding against WesternGeco, pursuant to the Act and the Regulations;

¹ The violations charged occurred in 2000 through 2001. The Regulations governing the violations at issue are found in the 2000 and 2001 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2001)). The 2006 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 3, 2006 (71 Fed. Reg. 44551, August 7, 2006), continues the Regulations in effect under IEEPA.

WHEREAS, BIS has issued a proposed charging letter to WesternGeco that alleged that WesternGeco committed 15 violations of the Regulations, specifically:

Charges 1-5 (15 C.F.R. § 764.2(a) – Violating a license condition)

During the period from on or about December 3, 2000 through on or about January 6, 2001, WesternGeco refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, WesternGeco was responsible for Export License D268971. This license authorized underwater geophysical mapping equipment, including several Titan 1000 seismic streamer sections, to be exported to the People's Republic of China ("PRC") for lease to the Geophysical Company of Bohai Oil Corporation. The equipment was subject to the Regulations and classified under Export Control Classification Number ("ECCN") 6A001. Exports of this equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D268971 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment by a monitor from a former CoCom member country was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment.³ Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a

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For each of the five weeks of the above-described period, WesternGeco maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, WesternGeco committed five violations of Section 764.2(a) of the Regulations.

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WHEREAS, WesternGeco has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, WesternGeco fully understands the terms of this Agreement and the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, WesternGeco enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, WesternGeco states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, WesternGeco neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, WesternGeco wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, WesternGeco agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over WesternGeco, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanctions shall be imposed against WesternGeco in complete settlement of the violations of the Regulations set forth in the proposed charging letter:

a. WesternGeco shall be assessed a civil penalty in the amount of \$925,000, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.

b. The timely payment of the civil penalty agreed to in paragraph 2.a. is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to WesternGeco.

Failure to make timely payment of the civil penalty set forth above shall result in the denial of all of WesternGeco's export privileges under the Regulations for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, WesternGeco hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$925,000 civil penalty, BIS will not initiate any further administrative proceeding against WesternGeco in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

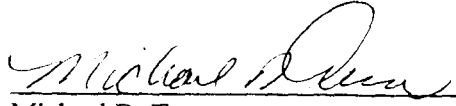
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

WESTERNGECO LLC



Michael D. Turner
Director
Office of Export Enforcement



Jerry Dresner
Chief Financial Officer

Date: 8/23/2006

Date: August 23, 2006

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
WesternGeco LLC)
10001 Richmond Avenue)
Houston, Texas 77042)
)
Respondent)

ORDER RELATING TO WESTERNGECO LLC

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified WesternGeco LLC (“WesternGeco”) of its intention to initiate an administrative proceeding against WesternGeco pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (“Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),² by issuing a proposed charging letter to WesternGeco that alleged that WesternGeco committed 15 violations of the Regulations. Specifically, the charges are:

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WHEREAS, BIS and WesternGeco have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$925,000 is assessed against WesternGeco, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

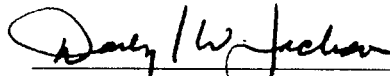
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, WesternGeco will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to WesternGeco. Accordingly, if WesternGeco should fail to pay the civil penalty in a timely manner, the undersigned may enter

an Order denying all of WesternGeco's export privileges under the Regulations for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



Darryl W. Jackson
Assistant Secretary of Commerce
for Export Enforcement

Entered this 1st day of September 2006.