UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re ANADARKO PETROLEUM CORP. CLASS ACTION LITIGATION	Lead Case No. 10 Civ. 4905 (PGG) JURY TRIAL DEMANDED

CONSOLIDATED CLASS ACTION COMPLAINT

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Court-appointed Lead Plaintiffs, the Pension Trust Fund for Operating Engineers and the Employees' Retirement System of the Government of the Virgin Islands (collectively, "Lead Plaintiffs") bring this consolidated class action alleging violations of the federal securities laws on behalf of themselves and all other persons and entities, other than Defendants and their affiliates, who purchased or otherwise acquired the publicly-traded securities of Anadarko Petroleum Corporation (together with its affiliates, including Anadarko E&P Company, LP, "Anadarko" or the "Company") between June 12, 2009 and June 9, 2010 (the "Class Period) and were injured thereby.

I. NATURE OF THE ACTION

1. This securities class action arises out of one of the largest environmental catastrophes in United States history. The April 20, 2010 explosion and fire on board the *Deepwater Horizon* oil rig, located forty-nine miles off the Louisiana coast in the Gulf of Mexico, killed eleven people and injured dozens more. The resulting spill from the ruptured "Macondo" oil well lasted 84 days and poured approximately 205 million gallons of crude oil into the Gulf of Mexico, polluting hundreds of miles of beaches, killing untold numbers of fish, birds and other wildlife, and inexorably damaging millions of acres of delicate wetlands. While the economic and environmental impacts of this disaster will not be fully appreciated for years, the President has deemed it the "worst environmental disaster the United States has ever faced."

2. Defendant Anadarko – one of the world's largest independent oil and gas production companies – has a 25% ownership interest in the Macondo well, in which BP p.l.c. (defined in ¶ 25 as "BP") owns a majority 65% interest. As alleged below, in partnering with BP on the Macondo well, Anadarko expressly approved and funded a series of extremely risky decisions made in connection with drilling the well. These decisions, which contributed directly

to the disaster, departed from industry standards and deliberately sacrificed safety in favor of saving time and money.

3. Anadarko was formed in 1985 and initially focused on drilling for oil in Texas and Oklahoma. As oil and gas prices skyrocketed to unprecedented levels starting in 2005, Anadarko began investing in expensive and risky – but potentially lucrative – deepwater oil exploration and drilling in the Gulf of Mexico. By 2009, Defendants were telling investors that the Company was "[o]ne of the most successful explorers in the Gulf of Mexico" and had a "competitive advantage within the Gulf of Mexico." As Anadarko's Chief Executive Officer, Defendant James Hackett ("Hackett"), told investors in May 2009, deepwater exploration in the Gulf of Mexico is "a phenomenal growth area for us in terms of organic growth."

4. At the same time Defendants were telling investors that Anadarko was developing an expertise in drilling in the Gulf of Mexico, they repeatedly assured the market that the Company had the highest possible regard for safety and environmental compliance. As Defendants knew, drilling for oil in the deepwater of the Gulf of Mexico exposed the Company to potentially massive liability in the event of an environmental mishap. In order to assuage investor concerns, Defendants stressed the Company's supposedly stringent safety and environmental compliance practices. Defendants emphasized, for instance, that "a safety-first culture is a way of life at Anadarko." Indeed, Anadarko told its investors that the Company's "Gulf of Mexico operations team views safety as a top priority,"[1] and that the Company "is one of the industry's safest and most successful deepwater explorers," that has "proven we can develop these [oil] resources safely while protecting the environment."

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[1] Unless otherwise noted, all emphasis herein has been added.

5. Defendants similarly assured investors that the Company closely monitored its drilling projects and conducted extensive due diligence before undertaking new projects. For instance, Defendants stated that "whenever we undertake a new project, we work to understand the environmental issues . . . [and] create a balanced plan that couples new energy development with oftentimes innovate techniques to protect the locations in which we operate." In addition, Defendants stated that Anadarko had a purportedly "rigorous" approach to managing risk and was "positioned for continued success in the deepwater Gulf of Mexico" because it was "disciplined in its risking methodology." Defendants also stated that the Company had a "separate risk assessment team that interacts with each of our exploration teams . . . the bottom line is that we have a consistent process. It is rigorous and it's applied throughout the world to each of the prospects we drill."

6. On October 1, 2009, Anadarko formally agreed to partner with BP on the Macondo oil well, purchasing a 25 percent ownership interest in return for an initial payment of approximately $24 million. Prior to making this multi-million dollar investment, Anadarko was provided various key documents concerning the well, including the well design plan, an "oil response plan" (discussed in more detail below), and BP's estimates of the cost and timeline for drilling the Macondo well. The project was originally budgeted for $96.2 million and estimated to take 51 working days.

7. BP was designated as the operator of the Macondo well and took the lead in drilling operations. In order to protect its multi-million dollar investment, however, Anadarko was granted broad rights to monitor and approve activities on the Macondo well pursuant to a comprehensive operating agreement between the co-owners (discussed below at ¶¶ 35-47). Among other things, Anadarko was given immediate and continuous access to detailed

information concerning all operations on the *Deepwater Horizon* oil rig, including daily drilling reports, copies of well test results and 24/7 access to "real time" drilling data detailing current and prospective activities at the well. The operating agreement also required Anadarko's express approval for key operations on the well. Indeed, a June 29, 2010 article in the Financial Times reported that "Anadarko was kept abreast of what was going on each morning when BP sent a report of what had happened at the rig in the previous 24 hours, both companies said."

8. Contrary to its assurances to investors, Anadarko performed virtually no due diligence before agreeing to partner with BP on the Macondo oil well. Among other things, Anadarko approved BP's facially absurd oil spill response plan (discussed below at ¶¶ 110-121), which supposedly details the actions the co-owners would take in the event of an oil spill. The Macondo oil spill response plan was riddled with errors and outright falsifications. The Congressional Committee on Energy and Commerce (the "Congressional Energy Committee") investigating the Macondo disaster referred to the plan as "tragically flawed" and "embarrassing." Anadarko also willfully or recklessly disregarded BP's abysmal safety record, which was notorious within the oil and gas industry. For instance, between June 2007 and February 2010, BP received 760 citations for "egregious willful" safety violations – an astonishing ninety-seven percent of all egregious willful violations issued to all oil producers during that time. This shocking safety record put Anadarko on notice of a heightened need to closely monitor BP's operations in order to protect Anadarko's investment and ensure that the Company would not be exposed to huge liabilities in the event of an accident.

9. True to past form, BP made a number of reckless decisions on the *Deepwater Horizon* rig. Almost from the outset, the Macondo well earned a reputation as a "nightmare well," and encountered numerous difficulties. As the project fell significantly behind schedule

and became tens of millions of dollars over-budget, BP and Anadarko made a series of increasingly reckless decisions that deliberately sacrificed safety in favor of saving time and money. As discussed below at ¶¶ 51-98, Anadarko knowingly and expressly approved BP's riskiest cost-cutting and time saving proposals. These decisions were contrary to the initial plans on the well and were made despite open acknowledgement of the safety risks they imposed. For instance, when BP and Anadarko agreed to depart from the original plans and use only six "centralizers" to secure the well (described in more detail below at ¶¶ 80-88), as opposed to the sixteen that the original plans called for, an internal email among BP personnel noted the risks but declared "who cares, it's done, end of story, it will probably be fine."

10. On April 20, 2010, Anadarko's and BP's recklessness materialized when gas leaked into the well and caused an explosion on the *Deepwater Horizon* rig that left eleven people dead, many injured and the rig critically damaged. Two days later, the *Deepwater Horizon* sank, causing a massive oil spill. Lacking an adequate oil spill response plan, Anadarko and BP failed to contain the spill for nearly five months while millions of barrels of oil were discharged into the Gulf of Mexico.

11. Various government investigations followed. To date, the evidence and conclusions from these investigations (which are still ongoing) establish that not only was this tragedy preventable, but it was caused by a series of dangerous decisions made in drilling the well (most of which were expressly approved by Anadarko). In the words of the *Report To The President* prepared by the National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling (the "Presidential Commission"), these decisions reveal "systematic failures in risk management."

12. Anadarko has attempted to defend itself by pointing the finger solely at its partner, BP. On June 18, 2010, Defendant Hackett, Anadarko's Chief Executive Officer and Chairman of the Board stated in a press release that "[t]he mounting evidence clearly demonstrates that this tragedy was preventable and the direct result of BP's reckless decisions and actions. [...] BP's behavior and actions likely represent ... willful misconduct." Incredibly, Hackett fails to acknowledge that each of the "reckless decisions and actions" taken by BP were expressly approved by Anadarko.

13. Indeed, as alleged below, during the Class Period, Hackett had instilled a corporate culture at Anadarko that was focused on cutting costs and bringing projects in on time and under budget. These aggressive cost-cutting efforts – which Defendants falsely assured investors did not compromise safety – resulted in a steep rise in the Company's stock price. Defendant Hackett reaped enormous personal benefits from this by selling off more than $61 million in stock in just seven months during the Class Period, despite not having sold any of his stock holdings in the two years prior to the Class Period. Moreover, an astonishing $42.7 million worth of Defendant Hackett's sales – approximately sixty-nine percent of his holdings – occurred on March 31, 2010, after the Macondo project had suffered significant delays and just three weeks before the Macondo well disaster.

14. The Company, by contrast, now faces billions of dollars in potential liability for its role in the disaster. Indeed, on December 15, 2010, Anadarko was named as a defendant in a lawsuit brought by the United States Government, *United States of America v. BP Exploration & Production, Inc. et al.*, 10-cv-04536-CJB-SS (E.D. La.), seeking damages under the Clean Water Act and the Oil Pollution Act of 1990, and alleging that Anadarko recklessly or with "willful misconduct" failed to follow proper safety protocols in the period leading up the *Deepwater*

Horizon explosion. As discussed below, the dangerous choices approved by Anadarko recklessly placed human lives, the environment, and the financial well being of the Company itself directly at risk. When Anadarko's role in the explosion and subsequent oil spill was revealed, the price of the Company's publicly traded stock dropped by more than 38%, causing nearly $9 billion in market losses to the Company's investors. Investors are entitled to recover for the losses they suffered.[2]

II. JURISDICTION AND VENUE

15. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC"), 17 C.F.R. § 240.10b-5. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

16. Venue is permitted in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. § 1391(b). The better venue for this action, however, is the Southern District of Texas because, among other things: (i) Anadarko is headquartered near Houston, Texas and conducts substantial operations there; (ii) Anadarko's investor relations department is located near Houston, Texas; (iii) all of the Defendants and critical third-party witnesses reside in Texas or in

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[2] Lead Plaintiffs' investigation has included a review and analysis of public filings by Anadarko, filings made in publicly available legal actions involving Anadarko and BP, including the civil action brought by the United States government against Anadarko and others captioned *United States of America v. BP Exploration & Production, Inc. et al.*, 10-cv-04536-CJB-SS (E.D. La.) and the BP Securities Action captioned *In re: BP p.l.c. Securities Litigation*, 10-md-02185 (S.D. Tex.), as well as other public documents and transcripts of testimony obtained from various government and other investigations into the events described herein. Lead Plaintiffs' investigation is still ongoing, as are most of the relevant government and other investigations into the events at issue. Although Lead Plaintiffs have obtained some documents that have been released publicly in connection with other investigations, the vast majority of relevant documents have not yet been made publicly available. Lead Plaintiffs believe that additional evidentiary support will exist for their allegations after a reasonable opportunity for discovery.

the Gulf region closer to Texas; (iv) the misstatements alleged herein were issued from Anadarko's corporate headquarters in Houston, Texas; (v) the overwhelming majority of documents and other evidence is located in or close to Texas; and (vi) the locus of operative facts in this action is closer to Texas. In addition, because the factually and legally related securities class action against BP is proceeding in the Southern District of Texas (*i.e.*, *In re: BP p.l.c. Securities Litigation*, 10-md-02185 (S.D. Tex.), trial efficiency and judicial economy strongly favor transfer of this action to the Southern District of Texas.

17. In connection with the acts alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

III. PARTIES

A. Lead Plaintiffs

18. Lead Plaintiff The Pension Trust Fund for Operating Engineers ("Operating Engineers") is a non-profit corporation that administers the employee benefit programs for over 35,000 participants of the International Union of Operating Engineers, Local 12, and their dependents and beneficiaries. Operating Engineers purchased common stock and bonds issued by Anadarko during the Class Period, and suffered damages as a result of the violations of the federal securities laws pled herein.

19. Lead Plaintiff Employees' Retirement System of the Government of the Virgin Islands ("Virgin Islands") is a public pension fund for officials and employees of the Government of the Virgin Islands. As of September 30, 2009, Virgin Islands had more than $1.33 billion in net assets maintained for the benefit of active and retired government employees and elected public officials. Virgin Islands purchased common stock and bonds issued by

Anadarko during the Class Period, and suffered damages as a result of the violations of the federal securities laws pled herein.

B. Defendants

1. Anadarko

20. Defendant Anadarko Petroleum Corporation (together with its affiliates, including, Anadarko E&P Company, LP, "Anadarko" or the "Company") is a corporation organized under the laws of the state of Delaware. Anadarko engages in the exploration and production of oil and gas properties in the United States and internationally. Anadarko has its principal place of business located at 1201 Lake Robbins Drive, The Woodlands, Texas 77380, where its investor relations department is also located and from where the Company issues its public statements. The Company's annual meetings of stockholders are held in The Woodlands, Texas and Anadarko maintains substantial operations in Texas.

2. The Individual Defendants

21. Defendant James T. Hackett ("Hackett") resides in Houston, Texas and was at all relevant times Anadarko's Chief Executive Officer and Chairman of the Board of Directors. Hackett also served as President of Anadarko from 2003 to February 2010. Defendant Hackett signed and certified the accuracy of Anadarko's Form 10-K for the fiscal year ended 2009, and also certified the accuracy of the Company's Forms 10-Q for the periods ended June 30, 2009, September 30, 2009 and March 31, 2010. Defendant Hackett frequently spoke to investors throughout the Class Period. During the Class Period, Defendant Hackett sold over $61 million worth of Anadarko common stock. Hackett is also a director of Halliburton Company, which is also headquartered in Texas.

22. Defendant Robert G. Gwin ("Gwin") resides in Houston, Texas and was at all relevant times Anadarko's Chief Financial Officer ("CFO") and Senior Vice President of

Finance of the Company. During the Class Period, defendant Gwin signed and certified the accuracy of the Company's Form 10-K for the fiscal year ended December 31, 2009, and signed and certified the Company's Forms 10-Q for the periods ended June 30, 2009, September 30, 2009 and March 31, 2010.

23. Defendant Robert P. Daniels ("Daniels") resides in Spring, Texas (near Houston) and was at all relevant times Anadarko's Senior Vice President, Worldwide Exploration. During the Class Period, Defendant Daniels spoke on behalf of the Company during conference calls and at conferences, including the Bank of America Energy Conference on November 18, 2009 and the Credit Suisse Energy Summit on February 3, 2010 and Anadarko's 2010 Annual Investor Conference on March 2, 2010.

24. Defendants Hackett, Gwin and Daniels are collectively referred to herein as the "Individual Defendants." Together with Defendant Anadarko, the Individual Defendants are collectively referred to herein as "Defendants."

C. Relevant Non-Parties

25. Relevant non-party BP p.l.c. (together with its affiliates, "BP"), a global oil and gas company, is incorporated under the laws of the state of Delaware. BP America's Chairman and President resides in Texas, and BP maintains substantial operations in Texas, including oil and gas exploration and production operations. According to BP's corporate website, "the Houston [Texas] area has one of the largest gatherings of BP employees in the world," with "nearly 4,000 employees at our Houston (Westlake HQ), and almost 2,000 more at the Texas City refinery just to the south."

26. BP is also a defendant in a multi-district securities class action, *In re: BP p.l.c. Securities Litigation*, 10-md-02185 (S.D. Tex.), currently proceeding in the Southern District of Texas. As set forth herein, BP was a co-owner with Anadarko of the Macondo well, having a

65% ownership interest. Pursuant to the terms of a comprehensive Joint Operating Agreement (defined below), BP and Anadarko partnered with respect to the oil exploration activities undertaken at the Macondo well, sharing in the potential rewards, as well as the costs, risks and liabilities associated with the project.

IV. BACKGROUND

A. Anadarko Touts Itself As The "Premier Deepwater Producer In The Gulf Of Mexico" And Assures Investors That A "Safety First Culture Is A Way Of Life At Anadarko"

27. Anadarko is one of the world's largest independent oil and gas exploration and production companies. When Anadarko was initially formed in 1985, its primary focus was drilling for oil in Texas and the Oklahoma panhandle. As oil and gas prices skyrocketed to unprecedented levels starting in 2005, Anadarko began to invest heavily in expensive – but potentially lucrative – deepwater oil exploration and drilling in the Gulf of Mexico. By 2009, Anadarko boasted of having "one of the industry's largest deepwater drilling programs," and Defendants told investors that deepwater drilling in the Gulf of Mexico would be the primary driver of the Company's future growth. For instance, at an energy-related investor conference held on May 28, 2009, Defendant Hackett told investors that "deepwater exploration ... is still a phenomenal growth area for us in terms of organic growth. I think we are in the top four acreage holders in the Gulf of Mexico, including major oil companies."

28. Defendants also told investors that the Company was the "premier deepwater [oil] producer in the Gulf of Mexico," "[o]ne of the most successful explorers in the Gulf of Mexico," and "among the largest independent leaseholders and producers in the deepwater Gulf of Mexico." During an investor conference held on August 13, 2009, Defendant Hackett stated that "[with] the production history that we have and the wells that are being produced . . . [Anadarko has] a very good competitive advantage within the Gulf of Mexico." During that same

conference, Anadarko executives emphasized the strength of the Company's burgeoning Gulf of Mexico operations and told investors that "it's a great time to invest in Anadarko . . . it's got a strong growth vehicle for a combination of both low-risk and high-end exploration opportunities."

29. At the same time Defendants were telling investors that Anadarko was developing an expertise in deepwater drilling operations in the Gulf of Mexico, they were also assuring the market that the Company had the highest possible regard for safety and environmental compliance – even going so far as to call Anadarko a "steward of the environment." Defendants emphasized, for instance, the Company's supposed "industry-proven track record of project execution and development," and stressed that "a safety-first culture is a way of life at Anadarko." In keeping with this theme, on the Company's website, Anadarko portrayed its oil exploration and production operations to investors as follows: "At Anadarko, we are committed to safely producing the energy we all need in a manner that protects the environment, public health and supports our communities." Anadarko's corporate website also praises the Company's safety practices, including specifically in the Gulf of Mexico. For example, on a webpage titled "Deepwater Exploration," Anadarko states:

> Anadarko's expertise and focused pursuit of material exploration targets in the Gulf of Mexico have made us one of the industry's safest and most successful deepwater explorers.

30. Anadarko also stressed the extensive due diligence that it supposedly undertakes to ensure that each of its new business ventures adheres to the Company's purportedly rigorous "Environment, Health & Safety" standards:

> [W]henever we undertake a new project, we work to understand the environmental issues and cultural considerations of an area. Then we create a balanced plan that couples new energy development with oftentimes innovate techniques to protect the locations in which we operate. Fundamental to our

> operating philosophy is a commitment to adhere to the stricter of two standards: our own policies and principles or an individual country's regulations.

31. Further, the Company's "Gulf of Mexico Fact Sheet," which is published on Anadarko's corporate website (www.anadarko.com), stresses Anadarko's disciplined and rigorous approach to managing risk, stating that Anadarko is:

> Positioned for continued success in the deepwater Gulf of Mexico and disciplined in its risking methodology. This methodology incorporates a rigorous technical and commercial evaluation, risked economics for comparability and continuous high grading with commercial focus.

In touting its "risking methodology," Anadarko specifically points to its "[p]roven exploration track record," and "industry-leading project-management skills."

32. Based on these and other representations (which, as discussed below, were materially false and misleading when made), the price of Anadarko's publicly-traded securities was artificially inflated during the Class Period – with the Company's common stock rising from $41.66 on July 7, 2009 to a Class Period high of $74.74 on April 5, 2010. Anadarko took advantage of this rising stock price to raise hundreds of millions of dollars from public investors. Indeed, just one month before the Macondo disaster, pursuant to a shelf registration statement effective on or about March 9, 2010, Anadarko sold $750,000,000 6.200% Senior Notes due 2040 to the investing public.

B. Anadarko And BP Become Co-Owners Of The Macondo Oil Well And Anadarko Is Provided With Detailed Information Regarding The Well

33. In March 2008, BP paid approximately $34 million to the Minerals Management Service ("MMS") (now the Bureau of Ocean Energy Management, Regulation and Enforcement) for an exclusive lease to drill for oil in a nine-square-mile plot in the Gulf of Mexico known as Mississippi Canyon Block 252. Block 252 is located approximately 49 miles off the coast of Louisiana in the deepwater of the Gulf of Mexico. Based on available geological data, BP had

good reason to believe that this area would yield an oil well that could generate a large profit. BP, however, would be the first company to drill an oil well in the Block 252 area – an expensive operation that had no guarantee of success.

34. BP sought to partner with other oil and gas companies in order to share the costs and risks involved in drilling the first exploratory deepwater oil well within the Block 252 area. During the Class Period, Anadarko agreed to become co-owners with BP in what came to be named the "Macondo" oil well. In exchange for an initial payment to BP of approximately $24 million, Anadarko purchased a 25% ownership interest in the oil well. According to an article published in Bloomberg on July 22, 2010, during an interview at Houston's River Oaks Country Club, Defendant Hackett told a reporter that he personally made the decision to "...to buy a 25 per cent share of BP Plc's Macondo well."

35. Anadarko and BP entered into several agreements that formalized their status as co-owners of the Macondo well and partners on the oil exploration activities to be carried out on the well. These agreements gave Anadarko significant control over the project. Pursuant to a lease agreement (referred to as a "Lease Exchange Agreement"), effective as of October 1, 2009, Anadarko became a co-lessee of the oil well. A separate but related joint operating agreement entitled "Ratification and Joinder of Operating Agreement Macondo Prospect" (the "Joint Operating Agreement") gave Anadarko the rights to participate with BP in the exploratory drilling at the Macondo well site as well as sweeping rights to supervise and approve material operation decisions on the well. As a result of these contractual arrangements, Anadarko owned a 25% interest in the lease of the Macondo well and BP held a 65% interest. A third partner, MOEX Offshore 2007 LLC ("MOEX"), owned the remaining 10% interest.

36. Even prior to entering into these agreements, Anadarko was provided with detailed information concerning the design of the Macondo well. For instance, in connection with an investigation into the oil spill being conducted jointly by the U.S. Coast Guard and the Bureau of Ocean Energy Management (the "Joint Marine Board"), Michael Beirne ("Beirne"), who was BP's Offshore Land Negotiator and the primary contact between BP and Anadarko concerning the Macondo well, gave sworn testimony that Anadarko was provided with detailed information concerning BP's plans for the Macondo well as early as the summer of 2009, including the well design plan, well permit applications and other filings with the U.S. Government, the estimated costs of the well and other key documents.

37. Under the Lease Exchange Agreement and the Joint Operating Agreement, BP was designated as the operator of the Macondo oil well and Anadarko was given the right to oversee and approve most of BP's actions. Consistent with the large investment made by Anadarko and the risks involved in the venture, the Joint Operating Agreement between Anadarko and BP required that Anadarko be provided with virtually all information concerning activities at the well, and gave Anadarko broad rights to monitor and approve any major decision undertaken by BP with respect to drilling or operating the well. Anadarko's rights under the Joint Operating Agreement included the following:

- **Access to Detailed Information.** Section 5.7 of the Joint Operating Agreement required BP to promptly provide Anadarko with detailed technical information regarding all operations performed in connection with the well, including copies of all applications for permits to drill (together with any amendments); detailed drilling reports via a "real time" database systems called INSITE (discussed in more detail below) and Well Space. Such information included: "[T]he current depth, the corresponding lithological information, data on drilling fluid characteristics, information about drilling difficulties or delays (if any), mud checks, mud logs, and Hydrocarbon information, casing and cementation tallies, and estimated cumulative Costs."

Section 5.7 of the Joint Operating Agreement also required BP to provide Anadarko with detailed reports concerning "all core data and analyses;" "copies of logs and surveys" as they were generated, including all digitally recorded data; copies of all "well test results," bottomhole pressure surveys, Hydrocarbon analyses, and other similar information, including PVT analyses; all "copies of reports made to regulatory agencies;" forty-eight (48) hours' "advance notice of logging, coring, or testing operations;" "samples of cutting and sidewall cores" (if requested); all "copies of drilling prognoses;" if conventional cores are taken, access to the rig to inspect and evaluate said cores; and samples of Hydrocarbons after performing routine tests.

- **Anadarko Had Approval Authority Over Key Decisions And Expenditures Concerning The Well.** Section 6.2 of the Joint Operating Agreement provided that BP "shall not undertake an activity or operations whose Costs are Five Hundred Thousand dollars ($500,000.00) or more, unless an AFE [Authorization for Expenditure]" has been approved by Anadarko. Once Anadarko had authorized a particular operation, it became a "Participating Party" under the Joint Operating Agreement and thereby shared in the "[c]osts, risks and benefits (including rights to hydrocarbons) of an approved activity or operation." As discussed below, Anadarko expressly approved all AFE's submitted by BP requesting authorization and additional funds.

38. The Joint Operating Agreement contemplated that AFEs and responses thereto were to be in writing (section 8.7). However, the Joint Operating Agreement also provided for communications between the co-owners to be conducted verbally – in order to ensure that costs did not mount while one party was waiting for another's written response. For example, section 8.7 expressly provides that "when a drilling rig is on location and day rate rigs charges are being charged to [the parties'] Joint Account, notices of responses thereto pertaining to operations utilizing a drilling rig shall be given orally or by telephone. "Receipt" of an oral or telephone notice means actual and immediate communication to the Party to be notified."

39. Accordingly, the Joint Operating Agreement contemplated that the co-owners would be in constant communication with each other during drilling, that Anadarko (as a co-owner and participating party) would have constant, immediate and full access to all relevant details concerning activities at the well and had to approve key decisions concerning the

Macondo well. In accordance with its contractual rights, at all relevant times Anadarko was provided with all relevant information concerning activities at the Macondo well, and approved all AFEs and other key decisions concerning operations at the well.

40. According to testimony given by Beirne in connection with the Joint Marine Board investigation, Anadarko was kept fully apprised of all activities on the Macondo well, consist with the contractual relations the Company had negotiated. For instance, Beirne testified that, while the Macondo well was in operation, he had "day-to-day" contact with an Anadarko representative named Nick Huch – a Project Land Advisor with Anadarko – and regularly kept Mr. Huch informed about key decisions made by BP on the well. Beirne also testified that at no time did Anadarko ever complain that they were "not receiving access to the information that the [Joint Operating Agreement] entitled them to have."

41. In addition, Beirne testified that during the actual drilling on the well, BP gave "five or six" Anadarko personnel access to a web-based database called "INSITE Anywhere" ("INSITE"), which provided them with constant and immediate "realtime" access to a stream of data and information concerning drilling operations at the Macondo well. INSITE is a service provided by Halliburton, which provides real time information about wellsite drilling and operations. Halliburton's website describes INSITE as follows:

> If you have Internet access and a Web browser, you can access well logs from anywhere in the world using the INSITE Anywhere™ service. As data moves from your logging tools to a secure web site operated by Halliburton, your asset team can review the results in real time and make collaborative decisions on the best avenues to pursue.
>
> INSITE Anywhere service is all about making the most efficient use of your time and budget. The system even allows you to participate in multiple wellsite operations from a single location. Flexibility and functionality are the watchwords of the system, and displays of everything from log plots to pressure tests and samples can be configured to individual preferences.

42. According to Beirne's testimony, the INSITE database ensured that Anadarko had "24/7" access to detailed technical information concerning activities at the Macondo well, including "realtime data" concerning "drilling depth, torque [and] rate of RPMs." For example, Beirne testified regarding an email dated April 5, 2010 from John Kamm at Anadarko to Bobby Bodack ("Bodack"), BP's operations geologist at the Macondo well. This email evidences that an Anadarko representative named Bob Quitzao was monitoring the Macondo well "from a drilling standpoint," and requested access to INSITE for Mr. Quitzao. Beirne also testified that Anadarko was monitoring drilling on the Macondo well through direct communications with several BP employees. For example, Beirne testified as follows:

> Q. Did Mr. Bodack ask for Mr. Quitzao [Anadarko's representative] to be provided access to INSITE in response to Anadarko's request for Mr. Quitzao to monitor the well from a drilling standpoint?
>
> A. Yes, ma'am.
>
> Q. To be clear, that would be the realtime data that was coming from the rig?
>
> A. Yes, ma'am.
>
> Q. [...] From time to time in your experience did Anadarko request from the technical folks, Bobby Bodack in particular, information specific to the drilling of the well?
>
> A. Yes, ma'am.
>
> Q. And if you could turn to Tab 9 of that binder, and that would be the document bearing Bates stamp BP-HZN-MBI00173605?
>
> A. Yes, ma'am.
>
> Q. And if you look at the second email in that string, the one from Mr. Quitzao who was monitoring the well according to the other email, to Mr. Bodack, could you read us what Mr. Quitzao wrote to Mr. Bodack on March 24 of 2010?
>
> A. "Good morning, Robert. I'm an Anadarko drilling engineer and taking over from your previous contact, Josh Nichols. I just started following the

> Macondo drilling progress. It looks like operations are starting to go well. Give me an update on the following: Is the core pressure expected to come in higher than planned? Are you still planning to set the 11 and three-quarter inch liner near 17,000 feet? Are you still planning to case productive objectives with nine and seven-eighths inch casing? Thanks, Bob Quitzao."

Q. Did Mr. Bodack respond to each of those requests?

A. Yes, ma'am, he responded.

43. Beirne also testified that "John Kamm, Paul Chandler, Dawn Peyton, Brian O'Neill, Rebecca Isabel and Alan O'Donnell" were individuals from Anadarko who had access to the real time INSITE data. In addition, Beirne testified as follows:

> JUDGE ANDERSEN: As far as you know, were all those people getting access to the data provided through Halliburton [*i.e.,* through INSITE] on April 20, 2010?
>
> THE WITNESS: Yes, Your Honor.

44. In addition, Beirne testified that Anadarko had access to additional detailed technical information concerning the Macondo well via another online database. Beirne referred to this database as "Well Space" and testified that it was also available to Anadarko at all times during drilling at the well. Beirne testified that the Well Space database provided Anadarko with up-to-date information such as "all the daily drilling reports, [mud] logs, geologic reports, things of that nature." Beirne elaborated that the Well Space database provided Anadarko with "what was done [on the rig] in the previous 24-hour period" and a "[f]orecast of the expected operations in the next 24 hours." According to Beirne, access to the Well Space database was for "operations critical" personnel at Anadarko – and more than five or six such "operations critical" personnel from Anadarko had access to the Well Space database.

45. According to Beirne, Anadarko personnel also had regular email communications with BP personnel regarding critical decisions made at the Macondo drilling site. Further, Beirne testified that "technical folks" from Anadarko and BP would also "directly contact" each

other. Thus, as required by the Joint Operation Agreement, at all relevant times Anadarko personnel knew exactly what was happening at the Macondo well.

46. According to an article published by the Financial Times dated June 29, 2010, BP, and even Anadarko itself, publicly confirmed that all key information was provided to Anadarko during drilling at the Macondo well, as described above. The Financial Times reported:

> Anadarko was kept abreast of what was going on each morning when BP sent it a report of what happened at the rig in the previous 24 hours, both companies said. The report included information such as well test results, the technical procedures that had been undertaken and any unexpected challenges, such as a surge in gas.
>
> BP gave or made available to the co-owners Authorisation for Expenditure (AFE) documents, supplemental AFE documents, daily operations reports, and other documents that showed the well design, changes to the well design, and identified big well control events encountered during drilling operations," BP said in an e-mail in response to Financial Times' questions. "Further, personnel from the co-owners engaged in periodic communications with BP personnel about well design and other issues related to the well."

47. Despite having unfettered access to all key documents relating to the Macondo oil well, Defendants failed to review or properly consider the most basic documents relating to the project. For instance, Defendants had a contractual right to receive BP's so-called "oil spill response plan," which was woefully inadequate and facially deficient (as discussed in ¶¶ 110-121 below). Indeed, the failures of this spill response plan have been identified by numerous Government investigations and the lack of any adequate plan to respond to the oil spill greatly exacerbated the effects of the disaster. Also as discussed below, Defendants' failure to meaningfully review these documents or exercise any type of "check" on BP's operations on the Macondo well is inexplicable given BP's abysmal safety record, which was notorious within the oil and gas industry (as described below in ¶¶ 123-129), and should have caused the Defendants to give heightened scrutiny to BP's actions in order to protect Anadarko's investment.

V. DRILLING THE MACONDO OIL WELL

A. Overview Of The Deepwater Drilling Process And The Initial Plan For The Macondo Well

48. Deepwater wells are drilled in sections. The basic process involves drilling through rock at the sea floor towards oil deposits that can lie miles below the earth. As each section of a well is drilled, the well is lined with a series of steel tubes called casing. Each layer of casing is "cemented" into place against the well wall so that no oil or gas can leak into the space between the well wall and the outside of the casing. After one section of casing is installed, the well is drilled deeper and then the process is repeated (*i.e.,* casing is cemented into place in the freshly drilled space and then drilling starts again). Deepwater wells "telescope" down to smaller diameters at deeper depths. A typical deepwater well will start at a diameter of three feet or more and telescope down to a wellhead diameter of 10 inches or less at the bottom.

49. Wells are drilled using rotary drill bits that are lubricated and cooled with a blend of synthetic fluids referred to as "drilling mud," which is pumped through the drill pipe and flows into the well. The drilling mud constantly circulates back to the drill rig, carrying to the surface pieces of rock and other material that has been cut by the drill bit. This material is sieved out of the drilling mud at the rig level and then the mud is pumped back down into the well – thus the drilling mud travels in a closed loop from the rig to the drill head and back again. The drilling mud serves several purposes. Not only does it cool and lubricate the drill bit, but it also plays an important part in stabilizing the pressure in the well. The weight of the drilling mud, and the downward pressure it creates, ensures that oil and gas does not leak from the bottom of the well into the well shaft and cause a fire or explosion. Therefore, drilling crews carefully monitor the pressure being exerted by the drilling mud throughout the process.

50. The Macondo well was drilled using this basic process. According to documents submitted to the government, which Anadarko received automatically pursuant to Section 5.7 of the Joint Operating Agreement, BP's original well design plan called for the Macondo well to be drilled to a depth of 19,650 feet, and was scheduled for completion within 51 days. According to an initial Authorization For Expenditure (the "Original AFE") prepared by BP on August 28, 2009, and later expressly ratified by Anadarko, BP estimated the total costs of drilling the Macondo well to be $96.2 million.

B. Anadarko And BP Start Drilling The Macondo Well And Immediately Encounter Significant Delays And Additional Costs

51. On or about October 6, 2009, BP began drilling the Macondo well using an offshore oil drilling rig called the *Marianas*. The *Marianas*, which was affixed to the ocean floor with huge mooring chains, was owned by a company called Transocean, Ltd. ("Transocean") and leased to BP. By November 9, 2009, the *Marianas* had drilled to a depth of 9,090 feet below the ocean surface and 4,000 feet below the seabed. Although the plans called for the well to be drilled to a total depth of approximately 19,650 feet, drilling was unexpectedly interrupted when Hurricane Ida swept through the Gulf of Mexico and damaged the *Marianas* rig. The *Marianas* had to be towed to shore for repairs, and drilling on the Macondo well was brought to a halt for approximately three months.

52. While the *Marianas* underwent repairs, BP arranged for the *Deepwater Horizon* oil rig to take over drilling the Macondo well. Considered a state-of-the art piece of equipment, the $560 million, 33,000-ton *Deepwater Horizon* rig was very expensive to operate and, according to the *Report To The President* prepared by the Presidential Commission (defined above), which was released to the public on January 11, 2011, the Macondo co-owners were charged as much as $1 million per day to lease the *Deepwater Horizon*.

53. On or about February 6, 2010, the *Deepwater Horizon* resumed drilling operations on the Macondo well. The co-owners, however, soon experienced additional substantial delays as drilling progressed much more slowly than BP and Anadarko had anticipated. Indeed, even though the *Deepwater Horizon* rig was scheduled to have completed the Macondo well and be drilling at a new location as early as March 8, 2010, the Macondo well was still not completed as of mid-April.

54. These additional delays cost Anadarko and BP millions of dollars. On or about February 18, 2010, Anadarko approved, pursuant to the Joint Operating Agreement, a supplemental AFE (the "First Supplemental AFE") submitted by BP, which requested approximately $27.9 million in additional funds from the Macondo well partners, including Anadarko, for costs associated with damage from Hurricane Ida and replacement of the *Marianas* rig with the *Deepwater Horizon.*

55. On March 22, 2010, BP prepared a second supplemental AFE (the "Second Supplemental AFE") requesting another $27 million from the Macondo partners. Anadarko approved the Second Supplemental AFE on or about March 30, 2010. The Second Supplemental AFE sought additional funds to cover costs incurred as a result of a number of additional setbacks in the drilling process.

56. For instance, in early March 2010 the drilling operations had been brought to a halt with the well at a depth of only 12,350 feet, when a "lost circulation event" occurred. A lost circulation event is when the pressure exerted by drilling operations causes cracks to form in the well wall. This, in turn, causes drilling mud to leak into the seabed through the fractures in the well wall, instead of flowing back up to the rig in the closed-loop process described above in ¶ 49. BP was eventually able to plug the fractures in the well wall and resume drilling, but the

lost circulation event caused substantial delay and additional expense. Another delay occurred on March 8, 2010, when the drill bit became stuck in the well and could not be freed, resulting in the need to drill around the abandoned drill bit.

57. By this time, with total costs on the project around $150 million, the Macondo well was approximately $58 million – or 61 percent – above BP's cost estimate in the Original AFE. The project was also weeks behind schedule with costs continuing to rise.

C. "The Nightmare Well": Faced With Extensive Delays And Millions Of Dollars Over-Budget, Anadarko and BP Sacrifice Safety In Order To Reduce Costs And Save Time

58. As described below, faced with these substantial delays and rising costs, BP – acting at all times with Anadarko's knowledge and approval – made a series of decisions that sacrificed safety and violated industry guidelines in order to reduce costs and save time. As the Congressional Energy Committee investigating the disaster opined in a letter to BP dated June 14, 2010 (after review of a substantial number of documents, interviews of numerous witnesses, and review of thousands of pages of testimony), "it appears that BP repeatedly chose risky procedures in order to reduce costs and save time and made minimal efforts to contain the added risk."

59. The "risky procedures" identified by the Congressional Energy Committee, and described below, substantially increased the danger of a catastrophic well failure and directly contributed to the explosion and oil spill that was to occur on April 20, 2010. Significantly, Anadarko approved each of these decisions.

60. Anadarko approved these decisions despite increased safety risks because, under Defendant Hackett's leadership, the Company was obsessed with driving down costs and ensuring that projects were completed on time. Indeed, as described herein, Defendants

repeatedly touted to investors Anadarko's project management skills and culture of controlling costs on its projects during the Class Period (of course, Defendants also falsely assured investors that these cost-cutting measures never impacted safety). For example, in a press release dated August 3, 2009, Defendant Hackett discussed Anadarko's second quarter 2009 results and highlighted to investors that the Company was "continuing to drive down costs." On December 9, 2009, Anadarko's Vice President of Investor Relations and Communications (VP Investor Relations) presented at a Wells Fargo Securities MLP Pipeline and E&P, Energy Services & Utility Symposium telling investors "one thing that we are very proud of is our project management skills. We have a track record of being the industry leader in on-time, on-budget delivery on these megaprojects."

61. Similarly, Defendant Daniels spoke at the Credit Suisse Group Energy Summit on February 3, 2010 and praised Anadarko's project management skills, informing investors that:

> "[o]n the project development side, this is the second point I hope that you take away from here, is that we are very, very good at managing projects both from a time and a capital standpoint and bringing these very large megaprojects on production, on time, and on budget."

Defendant Daniels further elaborated on the "efficiencies" of Anadarko's projects, highlighting this specifically as a reason to invest in Anadarko:

> So it really speaks to efficiencies, it speaks to the success of the exploration program, and the project management skills of our teams that we are able to drive our capital costs down, keep things on time and on budget, and grow our production in that kind of fashion.
>
> So, overall, it's a great time to invest in Anadarko.

62. Thus, in the context of Anadarko's corporate culture, there was tremendous press to cut corners despite increased safety concerns.

1. Anadarko Approved The Use Of A Less Safe Well Casing Design That Saved Time And Money

63. By early April 2010, the *Deepwater Horizon* had drilled the Macondo well to a depth of approximately 18,193 feet below sea level. At this point, the well encountered still more difficulties. On April 9, 2010, the well experienced another lost circulation event when pressure exerted by the drilling mud exceeded the strength of the formation (*i.e.*, the earth around the wellbore) and mud began flowing into cracks in the formation. BP again attempted to seal the cracks in the well wall – this time by pumping in 172 barrels of "lost circulation pill" into the well. While this successfully plugged the fractures that had formed in the well wall, BP recognized that the situation had become delicate. The increasing pressure of drilling was placing too much stress on the well and it became apparent that additional drilling was likely to cause more cracks in the well wall.

64. BP's engineers drilled the well to a total depth of 18,360 feet and then determined that they had "run out of drilling margin." According to testimony given by Beirne in connection with the Joint Marine Board Investigation (corroborated by the *Report To The President*), pursuant to an email dated on or about April 13, 2010 between Beirne and Nick Huch of Anadarko, BP promptly informed Anadarko that the well should not be drilled deeper "due to safety concerns and well bore integrity issues." Beirne testified that, after being informed of this decision, Anadarko gave its approval by reply email that same day. BP then performed several tests on the well and determined that the co-owners had tapped into a large reservoir (at least 50 million barrels) of oil such that it would be economically beneficial for them to turn the "exploratory" well into a "production" well.

65. In order to prepare the well for production, BP and Anadarko had to place a final well casing on the newly drilled portion of the well. The Macondo co-owners had two primary

options for the well casing to be used on the deepest section of the well. One option involved hanging a steel tube called a "liner" from low in the well to the bottom of the well, and anchor it to the next higher section of casing already installed. The other option involved running a single string of steel casing from the seafloor all the way to the bottom of the well – known as "long string" casing.

66. The first option – the liner/tieback option – was a safer option because it provided more barriers to gas flowing into the well, and it also would be easier to "cement" into place than a long string casing. The significant safety advantages of the liner/tieback option were recognized and explicitly acknowledged in BP's internal documents that were shared with Anadarko. For instance, in connection with its investigation, the Congressional Energy Committee reviewed a BP document called a "Forward Plan Review," dating from mid-April 2010, that recommended against using a "long string" casing at the Macondo well because (1) it created fewer barriers between the bottom of the well and the seal at the wellhead, which increased the risk that gas (*i.e.,* hydrocarbons) could leak into the well and cause a "blow-out"; and (2) it was more difficult to cement into place. Indeed, BP's mid-April Forward Plan Review gave four reasons against using a single string of casing:

- "Cement simulations indicate it is unlikely to be a successful cement job due to formation breakdown."
- "Unable to fulfill MMS regulations of 500' of cement above top HC zone [*i.e.*, Hydrocarbon zone]."
- "Open annulus to the wellhead, with … seal assembly as only barrier."
- "Potential need to verify with bond log, and perform remedial cement job(s)."

67. The Forward Plan Review goes on to recommend that a "liner-tieback" casing be used because, among other things, it had the advantage of additional barriers to the flow of

hydrocarbons (*i.e.,* "[l]iner hanger acts as second barrier for HC in annulus"). In other words, BP representatives had internally recommended against the "long string" casing option out of safety concerns. Anadarko was provided with or had access to this document. Indeed, Anadarko had specifically bargained for access to such documents in the Joint Operating Agreement. Thus, section 5.7 of the Joint Operation Agreement required that Anadarko be provided with information about well operations, including information concerning "casing," and "complete report of all core data and analyses."

68. Despite these known risks, BP chose to use the single "long" string casing instead of the liner/tieback option. As the Congressional Energy Committee concluded, the decision to run a single string of casing "appears to have been made to save time and reduce costs." Several internal emails among BP personnel note the significant time and cost savings that would be achieved by using a long string casing. For instance, on March 25, 2010, Brian Morel (BP's drilling engineer) emailed Allison Crane, the Materials Management Coordinator for BP's Gulf of Mexico unit that the long string casing "saves a lot of time ... at least 3 days." On March 30, Mr. Morel emailed Sarah Dobbs, the BP Completions Engineer, and Mark Hafle, another BP Drilling Engineer, that "[n]ot running the tieback . . . saves a good deal of time/money." In an email to a colleague dated April 14, 2010 discussing the two casing approaches, Mr. Morel noted "this has been [a] nightmare well which has everyone all over the place."[3] On April 15, BP estimated that using a liner instead of the single string casing "will add an additional $7 - $10 MM to the completion cost." The same document calls the single "long" string casing to be the "best economic case . . ." for the well.

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[3] When called as a witness in connection with the Joint Marine Board Investigation, Morel asserted his Fifth Amendment right to refuse to testify to avoid self-incrimination.

69. Anadarko expressly approved the decision to use the riskier long string casing to seal the well. Indeed, on April 14, 2010, BP prepared a third AFE seeking approximately $3 million in additional funds from the Macondo partners, including Anadarko. According to testimony from the Marine Board Investigation, the third AFE sought money from Anadarko, among the other partners, to "fund the nine and seven-eighths by seven-inch production casing, casing hanger, cement casing accessories and set the lockdown sleeve" (the "Third AFE"). Thus, the third AFE expressly disclosed to Anadarko that BP was using a long string casing rather than a liner/tieback option.

70. Confirming Anadarko's informed approval of the long string casing decisions, Beirne testified as follows:

> Q. Turn, if you will, to Tab 11, and that would be document bearing Bates stamp BP-HZN-MBI00192559. And this is the authorization for expenditure, AFE, dated April 14, 2010?
>
> A. Yes, ma'am.
>
> Q. And this is the one signed by Anadarko?
>
> A. Yes, ma'am.
>
> [...]
>
> Q. And is there also reference in here to what the production casing was going to be that was going to be used, nine and seven-eighths by seven-inch?
>
> A. Yes, ma'am.
>
> Q. Was that information provided to Anadarko through this AFE?
>
> A. Yes, ma'am.
>
> [...]
>
> Q. Did ... Anadarko ever ask you for any information after you sent your email that you did not provide them with?

A. No, ma'am. The next day was the day that we had sent the production casing AFE, which they approved the same day.

71. In addition, on April 15, 2010, Bobby Bodack, a BP operations geologist, wrote an email to Anadarko and others, which gave Anadarko the opportunity to look over all the "posted data" and invited any "questions, comments, concerns or requests about what was proposed in the nine and seven-eighths and seven inch casing proposal." As noted above, Beirne's testimony from the Joint Marine Board Investigation confirms that Anadarko had access to this posted information via two "real time" drilling databases referred to, respectively, as Well Space and INSITE. For example, during his testimony, Beirne read aloud from the 24-hour forecast portion of a "daily operations report" printed from the Well Space database, which plainly discusses operations relating to the well casing:

> [T]his is BP-HZN-MBI00013986. In this 24-hour forecast, this one is a little more detailed, it has: Run in hole with seven-inch, 32.0, number sign, HCQ125, HYD513 by nine and seven-eighths, 62.8 number Q-125HYD, 523, abbreviation CSG casing, RT nine and seven-eighths casing tools, PU, pull up hanger, continue to run in hole.

72. Beirne testified that he also sent an email to Anadarko and others providing data and other information concerning the Third AFE, and also stated that Anadarko had sufficient time to review the relevant information concerning the Third AFE. According to Beirne:

> The way we tried to do it when the rig is on location is it has -- the operating agreement has a 48-hour election period. And we try to keep in verbal communication ahead of time so there is no surprises, where they just don't get a formal AFE. And we were doing that with the counterparts, my counterparts. We have an AFE that will be coming, so they can be ready to make a timely election.

According to Beirne, Anadarko also had the right to opt to no longer participate in this operation or to propose an alternative procedure or plan, but they chose not to do so.

73. On April 15, 2010, fully aware that a long string casing was to be used, Anadarko approved the Third AFE. Four days later, on April 19, 2010, BP installed the final section of steel tubing in the well.

74. The use of a long string casing in this situation was against industry custom and best practices. As the Presidential Commission concluded, it was unusual to employ a long string casing on a well like Macondo – "a deepwater well in an unfamiliar geology requiring a finesse cement job." Indeed, several industry CEOs testified to Congress that they would never have used a long string production casing at the Macondo well and that this violated industry norms. For instance, John Watson, the Chairman and Chief Executive Officer of Chevron Corporation testified before Congress that:

> There are several areas that appear . .. based on the information we've been able to gather, that suggests the practices that we would not put in place were employed here [by BP and Anadarko]. For example, the casing design and mechanical barriers that were put in place appear to be different than what we would use . . . we would not have run a full string [*i.e.*, the long string casing]

75. The Chairman and Chief Executive Officer of Exxon-Mobile, Rex Tillerson, similarly testified that the blowout would not have happened if Exxon-Mobile had been drilling the well because:

> We would have run a liner, a tie-back liner [rather than the long string casing], we would have used a different cement formulation, we would have tested for cement integrity before we circulated the mud out, we would have had the locking seal ring at the casing hanger before proceeding. And leading up to all of that, though, there was clearly . .. . a lot of indications or problems with this well going on for some period of time leading up to the final loss of control. And why those – how those were dealt with and why they weren't dealt with differently I don't know.

76. The President of Shell Oil Company, Marvin Odum, also told the Congressional Energy Committee that Shell would not have used the well design approved by Anadarko and BP, testifying that "...it's not a well that we would have drilled in that mechanical set-up."

77. The Chairman and Chief Executive Officer of the ConocoPhillips Company, James Mulva, similarly confirmed that "...we wouldn't have drilled the well that way." Mr. Mulva elaborated "[w]e feel that it's most important to have two barriers to contain or control the hydrocarbons verified and tested by pressure to verify those two barriers exist."

78. Shockingly, Anadarko itself has publicly stated that use of the long-string casing was improper for the Macondo well (albeit this was only after the explosion). In an article published by the Wall Street Journal on June 19, 2010 reported as follows:

> Anadarko Petroleum Corp., a minority partner of BP's in the destroyed well, used [long string casing] on 42% of its deepwater Gulf wells, though it says it doesn't do so in the wells of the type drilled by BP [*i.e.*, the Macondo well]. [...]
>
> Anadarko says it doesn't use long-string design for drilling exploration wells in unfamiliar areas. The company also says it only uses long strings in lower-pressure wells. The well BP was drilling with the *Deepwater Horizon* was an exploration well, and was well above normal pressure.

79. As alleged above, despite Anadarko's admission that the long string well casing was improper for use at Macondo, Anadarko expressly approved of its use.

2. Anadarko Approved The Use Of A Dangerously Small Number Of Well Casing Centralizers In Order To Save Time: "Who Cares, It's Done, End Of Story, [It] Will Probably Be Fine"

80. Having decided to use a long string casing, the next task for the Macondo co-owners was to lower the casing into the well. It is extremely important for safety reasons that the well casing be placed in the exact center of the well. If not properly centered, there can be severe difficulties with "cementing" the casing into place. This is because when the casing hangs in the center of the wellbore, cement will flow evenly up the well around the casing and will push out any mud or debris that was previously in the borehole, leaving a clean column of strong cement securing the well. On the other hand, if the casing is not centered, the cement will not flow evenly (it will instead avoid the narrow areas and naturally flow towards the broader

ones) and may leave mud or debris trapped in the well, which will greatly weaken the cement job and increase the risk of a blow out. This is well-known within the oil industry. Indeed, the American Petroleum Institute's (API) Recommended Practice 65 explains, if the casing is not centered, "...[i]t is difficult, if not impossible, to displace mud effectively from the narrow side of the annulus," resulting in a failed cement job.

81. Centralizers are devices that attach around the well casing as it is lowered into the well and ensure that the casing is aligned in the exact center of the borehole. The original well design plan for the Macondo well, (which was, according to Beirne's testimony, provided to and approved by Anadarko) called for 16 centralizers to be placed along the final string of casing. But on April 1, 2010, BP learned that its supplier only had six centralizers in stock. According to findings by both the Congressional Energy Committee and the Presidential Commission, on April 15, 2010, BP informed Halliburton that BP was planning to use six centralizers on the final casing string at the Macondo well. Halliburton engineers spent that day running a computer analysis designed to assess the impact that so few centralizers would have on the cementing process, and Halliburton informed Mr. Morel (BP's drilling engineer) and other BP officials via email later that day that the well would need more than six centralizers to ensure a strong cement job.

82. According to documents reviewed by the Congressional Energy Committee, Mr. Morel responded on April 15, 2010 by emailing:

> We have 6 centralizers, we can run them in a row, spread out, or any combination of the two. It's a vertical hole, so hopefully the pipe stays centralized due to gravity. As far as changes, it's too late to get any more product on the rig, our only option is to rearrange placement of these centralizers.

BP's own Drilling Engineering Team Leader disagreed with Mr. Morel and sent an email to several BP engineers on April 16, 2010 acknowledging that the long string casing needed at least 16 centralizers, and "we need to honor the modeling to be consistent with our previous decisions to go with the long string."

83. Ultimately, however, BP decided to proceed with only the 6 centralizers based on the urging of a BP engineer who was concerned, among other things, about the delay it would take to add additional centralizers. Specifically, in an email dated April 16, 2010, John Guide, BP's Well Team Leader, stated that "it will take 10 hours to install them [*i.e.,* the additional centralizers] .... I do not like this." Apparently based on Mr. Guide's input, BP decided to proceed with just 6 centralizers. An email also dated April 16, 2010 from Brett Cocales, BP's Operations Drilling Engineer, to Mr. Morel, noted the risks with this approach:

> Even if the hole is perfectly straight, a straight piece of pipe even in tension will not seek the perfect center of the hole unless it has something to centralize it. But, who cares, it's done, end of story, [it] will probably be fine . . . so Guide is right on the risk/reward equation.

84. When Halliburton was informed that BP had decided to use only 6 centralizers, a Halliburton engineer ran an additional computer model. According to Halliburton's April 18, 2010 report (which was provided to BP and available to Anadarko), using only six centralizers would likely result in a failure of the cement job and a "SEVERE gas flow problem."

85. In addition to Halliburton's warning, BP's own mid-April 2010 Forward Plan Review for the Macondo well, which was shared with or available to Anadarko (and later produced to the Congressional Energy Committee), showed that with only six centralizers "[c]ement simulations indicate is it unlikely to be a successful cement job."

86. Anadarko was expressly informed of the decision to run only six centralizers. For example, Beirne testified that Anadarko received information about the centralizer decision:

Q. Turn, if you will, to Tab 11, and that would be document bearing Bates stamp BP-HZN-MBI00192559. And this is the authorization for expenditure, AFE, dated April 14, 2010?

A. Yes, ma'am.

Q. And this is the one signed by Anadarko?

A. Yes, ma'am.

Q. Now, you were asked whether Anadarko or MOEX had any information regarding the centralizers. Is there reference in this email under Description to centralizer subs?

A. Yes, ma'am.

Q. Did Anadarko or MOEX come back and ask you any information about the centralizers or centralizer subs that were going to be used on this well?

A. No, ma'am. I do not believe so.

87. Further, BP's daily report to the Macondo partners on April 18, 2010, entitled "*Daily Operations Report – Partners (Completion)*," specifically discusses the fact that only six centralizers were going to be used with respect to the long string casing. The fact that Anadarko received this document is demonstrated not only by testimony obtained by the Joint Marine Board Investigation confirming that Anadarko received daily operational reports but also BP was required to provide Anadarko with the daily operations reports pursuant to section 5.7 of the Joint Operating Agreement. Further, Anadarko's receipt of this key document is plain from the very title of the document "*Daily Operational Report – Partners.*"

88. In addition, according to the June 29, 2010 article published by the Financial Times, Anadarko publicly admitted that it knew of the decision to use only six centralizers. The Financial Times reported: "Anadarko says it knew of BP's decision on April 16 to use only six centralizers despite the challenging nature of the well."

3. Anadarko Approved The Failure To Conduct Proper Cement Circulation Or Properly Test The Cement Job

89. The next step in the process of preparing the Macondo well for production, after the co-owners' decision to install the long string well casing with only six centralizers, was to cement the casing to secure the casing to the well wall and seal off the bottom of the well so that no explosive gases could leak into the well chamber.

90. The first step in the cementing process was to circulate the drilling mud. The American Petroleum Institute's Recommended Practices state that oil companies should fully circulate all drilling mud in the well from the bottom to the top before starting the cementing process. The API's Recommended Practice 65-Part 2, *Isolating Potential Flow Zones During Well Construction*, 4.8.4. at 36-37 states "when the casing is on bottom and before cementing... The drilling fluid should be conditioned until equilibrium is achieved... At a minimum, the [well] should be conditioned for cementing by circulating 1.5 annular volumes or one casing volume, whichever is greater." This permits well owners to test the well mud for gas influxes, to safely remove any pockets of gas, and to eliminate debris to prevent contamination of the cement.

91. But circulating the drilling mud takes time. At the Macondo well, the mud circulation process could have taken as long as 12 hours. Again, faced with the prospect of further delays, BP decided to forego this crucial safety step and conducted only a partial circulation of the drilling mud before the cement job. Instead of the 2,760 barrels needed to complete a full "bottoms up" circulation, BP only circulated approximately 350 barrels of mud before cementing. This was a serious departure from standard industry practice.

92. According to the Presidential Commission's *Report to the President*, the relevant information concerning BP's partial circulation of the drilling mud was disclosed to Anadarko via the INSITE database (to which Anadarko had at all relevant times full and constant access).

93. Compounding the failure to fully circulate the drilling mud, as confirmed by the Congressional Energy Commission, BP and Anadarko failed to properly test the cement job after it was completed. A "cement bond log" is an acoustic test conducted by running a tool inside the casing after the cementing is completed. Essentially, the cement bond log determines whether the cement has bonded to the casing and surrounding formations such that there are no spaces or "channels" that would permit dangerous gases to flow through the cement. If any such channels are found, the cement can be repaired by having additional cement injected into the channels. However, this repair takes time.

94. BP's mid-April plan review predicted cement failure, stating "Cement simulations indicate it is unlikely to be a successful cement job due to formation breakdown." Despite this warning and Halliburton's prediction of severe gas flow problems, the co-owners of the Macondo well, including Anadarko, chose ***not*** to run a 9- to 12-hour procedure called a cement bond log to assess the integrity of the cement seal.

95. According to evidence that has emerged from the investigation conducted by the Congressional Energy Committee, BP had a crew from an independent contractor flown out to the *Deepwater Horizon* rig on the morning of April 20 for the purpose of running a cement bond log, but they departed after BP told them their services were not needed. It appears that this decision was made yet again to save time and reduce costs. Documents produced by the third party contractor to the Congressional Energy Committee indicate that the cement bond log would have added $128,000 to the cost of the well, while cancelling the service cost only $10,000.

Further, remedying problems found during the cement bond log would have added additional delays to an already lagging operation.

96. BP and Anadarko knew or ought to have known that a cement bond log should have been performed. Indeed, MMS regulations required a cement bond log or equivalent test at the Macondo well. According to regulations, if there is an indication of an inadequate cement job, the oil company must "(1) Pressure test the casing shoe; (2) Run a temperature survey; (3) Run a cement bond log; or (4) Use a combination of these techniques." 30 CFR § 250.428. The necessity of this procedure was also confirmed by testimony from a Halliburton representative who informed the Congressional Energy Commission that a cement bond log is "part of a comprehensive systems integrity test." Similarly, two separate and independent engineers consulted by the Congressional Energy Commission confirmed that the decision not to run a cement bond log departed from standard industry protocols. Indeed, Gordon Aaker, Jr. P.E. a Failure Analysis Consultant with the firm Engineering Services, LLP told the Congressional Energy Commission that such an approach is "unheard of" within the industry, and John Martinez, P.E. confirmed that a cement bond log "should always be used on the production string."

97. Anadarko knew or recklessly disregarded that a cement bond log had not been performed concerning the Macondo well. Indeed, Anadarko had specifically contracted for receipt of "forty-eight (48) hours' advance notice of logging, coring, or testing operations" as well as real-time access to "cementation tallies," "a complete report of all core data and analyses," and "copies of logs and surveys as run, including all digitally recorded data." Thus, Anadarko was either expressly informed of BP's decision not to perform the cement bond log, or, at the very least, knew that the procedure had not been performed. Anadarko nonetheless

turned a blind eye to this failure and, eager to stop mounting delays and expenses, ignored the fact that the integrity of the well's cement seal had not been properly assessed.

98. This reckless omission is even more concerning given that Anadarko was well aware of previous cementing integrity issues at the well. Prior to the explosion, on October 24, 2009, February 20, 2010, and March 6, 2010 BP listed "cement squeezes" as significant events on reporting documents to the MMS. A cement squeeze is a process designed to force cement into leak paths in order to repair poor primary cement jobs, isolate perforations or repair a damaged casing or liner. The JOA required that copies of these reports be provided to Anadarko.

VI. THE DEEPWATER HORIZON RIG EXPLODES AND THE MACONDO CO-OWNERS ARE UNABLE TO STEM THE FLOOD OF OIL GUSHING INTO THE GULF OF MEXICO

A. The Explosion And Fire On The *Deepwater Horizon*

99. On April 20, 2010, with the *Deepwater Horizon* rig at least 43 days late for its next drilling location and over-budget by approximately $58 million, the risks knowingly or recklessly taken by Anadarko and BP materialized with catastrophic consequences.

100. Gas leaked through the improper cement job into the well. By the time the gas reached the floor of the *Deepwater Horizon* rig, one witness quoted in the *Report to the President* likened the rising gas to "a 550-ton freight train that hit the rig floor," followed by "a jet engine's worth of gas" spewing onto the rig floor. An attempt to contain the leaked gas by activating the blowout preventer – the last line of defense against loss of well control – failed. An uncontrolled flow of hydrocarbons onto the *Deepwater Horizon* rig soon ignited, and the ensuing series of explosions resulted in the deaths of 11 crew members (the other 115 members of the crew were evacuated, many with serious injuries). The *Deepwater Horizon* rig burned for more than a day, and sank on April 22, 2010.

101. As the *Deepwater Horizon* rig sank, it took with it a pipe (called a "riser") connecting the rig to the well. The riser eventually tore away from the well, and oil began to gush uncontrolled into the Gulf of Mexico. On April 24, the Coast Guard estimated that oil was leaking at a rate of 1,000 barrels of oil per day ("bbls/day").

102. On April 26, 2010 the Coast Guard stated that the oil slick was approximately 48 miles by 39 miles in size. On April 27, 2010 reports surfaced that BP and Coast Guard were considering controlled burns to contain the environmental threat caused by the oil leak.

103. On April 30, 2010 Homeland Security Secretary Janet Napolitano warned of the coastal threat caused by the spill. Calling this "a spill of national significance," the Federal Government moved to quickly create a second command post in Mobile, Alabama to monitor and control the oil. Louisiana Governor Bobby Jindal declared a state of emergency and requested assistance from the National Guard to keep the oil off the Louisiana coast. That same day, Interior Secretary Ken Salazar dispatched teams for an immediate review of the 30 offshore drilling rigs and 47 production platforms operating in the deepwater Gulf. The following day, Mississippi, Alabama, and Florida all declared states of emergency as the oil gushing from the damaged well site started to wash ashore.

B. The Macondo Co-Owners Are Unable To Contain The Spill For Months

104. The Macondo co-owners responded to the spill with an ineffectual trial and error approach to containing the oil. As attempt after attempt failed, millions of barrels of oil continued to gush from the damaged well at an estimated rate of between 53,000 and 62,000 barrels per day. By late June 2010, oil had contaminated the coastlines of Louisiana, Alabama, Mississippi and Florida – with devastating effect on the environment, wildlife and the livelihoods of thousands of people who work in the coastal Gulf region.

105. After numerous unsuccessful attempts at containing the spill, the well was finally capped on July 15, 2010, 84 days after the rig sank and oil first appeared in the Gulf. The oil spill that ensued after the April 20 rig explosion dumped approximately 185 million gallons of crude oil in the Gulf of Mexico.

106. The spill caused devastating damage to the ecosystem of the entire Gulf of Mexico and huge swaths of the coastline of the South Eastern United States. As oil rose from the seafloor, it passed through several layers of the ecosystem, encountering on its way cold water coral and fish, endangered sperm whales, and even higher in the water column hundreds of species of fish, marine mammals, crustaceans, and a multitude of plankton, larvae, and seaweed before reaching the surface.

107. As this oil-blackened tide reached the coastline, hundreds and even thousands of oil covered birds, mammals, and turtles were spotted in distress on the shoreline. As of November 2010, 8,100 birds were collected, many already dead and soaked through in oil. Collection efforts have recovered hundreds of dead sea turtles. The spill also damaged oyster beds, blue crab larvae, plankton and floating seaweed beds – vital food for many marine animals – ensuring that the impact of the spill on wildlife will be suffered for a long time.

108. The spill also had devastating economic effects on the tourism and commercial fishing industries in the Gulf. As outlined in the *Report to the President*, both industries are highly sensitive to direct ecosystem harm and indirect public perceptions about tainted food and soiled beaches. As the *Report to the President* noted "[t]he Gulf coast's economy depends heavily on commercial fisheries, tourism, and energy production—each directly and immediately affected by the oil gushing from the Macondo well."

109. Because the Macondo oil spill was unprecedented in size, location and duration, the consequences and effects of the co-owners' oil spill on the natural resources, wildlife, economy and the people of the Gulf coast will be felt for many years to come.

C. The Woefully Deficient Macondo Oil Spill Response Plan

110. The inability of Anadarko and BP to effectively control the oil spill is unsurprising given the woefully deficient oil spill response plan that the Macondo co-owners had in place.

111. Pursuant to the Oil Pollution Act of 1990, the MMS (now known as the Bureau of Ocean Energy Management Regulation and Enforcement) is responsible for oil-spill planning and preparedness. MMS regulations require that all owners of offshore oil-handling, storage or transportation facilities prepare oil spill response plans for each offshore facility, which describes in detail what actions the owners will take in the event of an oil spill. In that regard, the MMS regulations set out required elements of a spill response plan – *i.e.*, an emergency-response action plan (the "core" of the document), oil-spill response equipment inventory, oil-spill response contractual agreements, a calculation of the worst-case discharge scenario, plan for dispersant use, an *in-situ* burning plan, and information concerning oil-spill response training and drills.

112. BP's Initial Exploration Plan, submitted to the MMS in March 2009, specified that the spill response plan applicable to the Macondo well was BP's *Gulf of Mexico Regional Oil Spill Response Plan* (the "Macondo Spill Response Plan") already on file with the MMS. The Macondo Spill Response Plan states that it was issued on December 1, 2000, revised on June 30, 2009 and was scheduled for its next review on June 30, 2011.

113. Anadarko and the Individual Defendants, as experienced oil and gas industry participants and owners or co-owners of numerous oil wells, knew that an oil spill response plan

was necessary for the Macondo well, and that one would have to be filed with the MMS. Indeed, Anadarko specifically bargained for the right to review the Macondo Spill Response Plan in the Joint Operating Agreement. For example, section 5.7 of the JOA required BP to furnish Anadarko with "a copy of each application for a permit to drill [and all amendments thereto]" and "copies of reports made to regulatory agencies." In accordance with these contractual rights, Anadarko was provided with a copy of the Macondo Spill Response Plan. For example, Beirne (BP's Offshore Land Negotiator and the primary contact between BP and Anadarko concerning the Macondo well) testified that Anadarko was provided with detailed information concerning BP's plans for the Macondo well as early as the summer of 2009, including the well design plan, well permit applications and other filings with the U.S. Government, which would have included the Macondo Spill Response Plan.

114. Even a cursory review of the Macondo Spill Response Plan revels that it was woefully inadequate and riddled with errors and outright inaccuracies. Indeed, in a letter to other industry participants dated June 28, 2010, the Congressional Subcommittee on Energy and Environment investigating the Macondo disaster referred to the Macondo Spill Response Plan as "tragically flawed" and described it as containing "embarrassing" flaws.

115. For instance, the Macondo Spill Response plan lists a Peter Lutz as a national wildlife expert at the University of Miami who was recommended as a "go-to" resource to be contacted in the event of a spill. Professor Lutz had not only left the University of Miami twenty years ago, he in fact died in 2005. Other obvious inaccuracies in the plan include the fact that, under the heading "sensitive biological resources," the plan lists marine mammals that do not live anywhere near the Gulf of Mexico – including walruses, sea otters, sea lions and seals.

116. In addition, the names and phone numbers of several Texas A&M University marine life specialists were incorrect, as were the numbers for marine mammal stranding network offices in Louisiana and Florida, which are no longer in service. The website listed in the Macondo Spill Response Plan is for Marine Spill Response Corp. – one of only two firms relied upon for equipment to clean a spill – linked to a defunct Japanese-language page.

117. More fundamentally, in addition to listing long-dead experts and irrelevant animal species, the Macondo Oil Spill Response Plan materially understated the dangers posed by an uncontrolled oil leak at the Macondo well site, while at the same time vastly overstating the co-owners' ability to deal with such a leak. The plan repeatedly provides only a cursory analysis of the risks and proposes responses that were not realistic. For instance, the plan absurdly states that if there were a leak at the *Deepwater Horizon* well site, there would be "no adverse impact" on birds, sea turtles or endangered marine mammals. According to the wildly optimistic (and obviously flawed) assessment of BP in the Macondo Spill Response Plan, in the "unlikely" event that a leak occurred at the Macondo well:

- Fish, marine mammals and birds would escape serious harm;
- beaches would remain pristine;
- water quality would be only a temporary problem.

118. These statements were made without any basis or any analysis to support them, indeed to the extent any analysis underlies these statements, they are based on wildly false assumptions. According to a June 9, 2010 Associated Press report, while the BP spill response plan calculates expected spill volume based on "the darkness of the oil sheen," the internationally accepted formula for calculating spill volume suggests that spill volume would be 100 times higher than that estimated by BP and reviewed by Anadarko.

119. In estimating the risk that any oil spill would spread to beaches or expand beyond the *Deepwater Horizon* site, the Macondo co-owners' Initial Exploration Plan assured the Government that there would be no coastline problems because the site was far offshore. "Due to the distance to shore (48 miles) and the response capabilities that would be implemented, no significant adverse impacts are expected." Similarly, the Environmental Impact Analysis discounts the harm from an oil spill to fisheries in the area, stating "it is unlikely that an accidental surface or subsurface oil spill would occur from the proposed activities [*i.e.,* at the Macondo well]" and "[i]f such a spill were to occur...the effects would likely be sub-lethal..." According to the plan, there was only a 21 percent chance oil could reach the Louisiana coast within a month of a spill. In reality, however, oil reached the Mississippi River delta just nine days after the April 20 explosion.

120. The utter failure of the "tragically flawed" and "embarrassing" Macondo Spill Response Plan to predict the actual spread of the oil spill is unsurprising given that the plan fails to consider – or even mention – the Gulf's loop current – a key factor to consider with respect to an oil spill in the Gulf of Mexico. The plan also asserts that BP would be able to marshal enough "skimmer" vessels to scoop up all oil before any deepwater spill could reach shore – a claim that was based on no facts whatsoever and has proven wildly inaccurate. In sum, the Macondo Spill Response Plan was a cursory and outdated document that failed to anticipate the most obvious issues, was based on obviously false assumptions, and was woefully inadequate.

121. Contrary to the Company's Class Period representations that it reviewed and managed each project with rigor, Anadarko recklessly ignored the materially deficient Macondo Spill Response Plan that contributed to both the environmental disaster and its devastating economic effects.

VII. ADDITIONAL ALLEGATIONS CONFIRMING ANADARKO'S RECKLESSNESS OR WILLFUL MISCONDUCT

A. Defendant Hackett Admits That Recklessness Or Willful Misconduct Caused The Macondo Disaster

122. On June 18, 2010, Anadarko published a press release admitting that the Macondo disaster resulted from "preventable" and "reckless" actions that "likely represent [among other things] willful misconduct" – but sought to blame BP exclusively for that misconduct. Anadarko's press release stated, in relevant part, the following:

> The mounting evidence clearly demonstrates that this tragedy was preventable and the direct result of BP's reckless decisions and actions. Frankly, we are shocked by the publicly available information that has been disclosed in recent investigations and during this week's testimony that, among other things, indicates BP operated unsafely and failed to monitor and react to several critical warning signs during the drilling of the Macondo well. BP's behavior and actions likely represent gross negligence or willful misconduct and thus affect the obligations of the parties under the operating agreement.

B. Anadarko Willfully Or Recklessly Ignored BP's Abysmal Safety Record

123. At the time Anadarko considered entering into the Joint Operating Agreement for the Macondo well, BP's abysmal safety record was well-known within the oil and natural gas exploration and production industry. Indeed, BP has for years evinced a corporate culture where concerns for safety standards and environmental laws have been disregarded in favor of cutting costs and maximizing profits.

124. In an article dated May 16, 2010, The Center for Public Integrity reported that between the period of June 2007 and February 2010 BP received an astounding 862 citations for safety violations at its oil refineries – 760 of which were classified as "egregious willful." As reported by ABC News in a subsequent article entitled *BP's Dismal Safety Record*, dated May 27, 2010, these 760 egregious willful violations accounted for approximately 97% of all

egregious willful violations issued to all oil producers during the above stated timeframe. According to The Center for Public Integrity:

> OSHA [the U.S. Occupational Safety and Health Administration] defines a willful violation as one 'committed with plain indifference to or intentional disregard for employee safety and health.' An egregious willful violation is considered so severe that it can result in a penalty each time a violation occurs, rather than a single penalty for all violations of a regulation. A serious violation is described as one creating a 'substantial probability' of death or serious injury.

Of BP's remaining 102 citations, 69 were considered "willful."

125. To put this in perspective, no other oil company inspected by OSHA since June 2007 came remotely close to BP in the number of safety citations issues. For example, in contrast to BP's 760 egregious willful violations, Sunoco, Inc. received eight willful violations, ConocoPhillips Co., four, and Citgo Petroleum Corp., two. The Center for Public Integrity explained BP's abysmal safety record by stating that "BP was cited for more egregious willful violations than other refiners because it failed to correct the types of problems that led to the 2005 Texas City accident even after OSHA pointed them out."

126. Indeed, in March 2005, an explosion at a BP refinery in Texas City, Texas killed fifteen people and caused nearly 200 other injuries. BP's investigation of that deadly incident – which was conducted by a committee of independent experts – found that "significant process safety issues exist at all five U.S. refineries, not just Texas City." The report also found that "instances of a lack of operating discipline, toleration of serious deviations from safe operating practices, and apparent complacency toward serious process safety risk existed at each refinery." In a separate investigation into these tragic events, OSHA cited "organizational and safety deficiencies at all levels of [] BP." According to an article entitled *Renegade Refiner: OSHA Says BP Has "Systemic Safety Problem,"* dated May 16, 2010, the U.S. Chemical Safety Board,

an independent federal agency, concluded that the Texas City explosion was caused by "organizational and safety deficiencies at all levels of the BP Corporation. Warning signs of a possible disaster were present for several years, but company officials did not intervene effectively to prevent it." The U.S. Chemical Safety Board further concluded that "cost-cutting ... [by] BP left the Texas City refinery vulnerable to a catastrophe."

127. In connection with the Texas City disaster, BP pleaded guilty to violating the Clean Air Act and paid a fine of $50 million. On October 29, 2009, OSHA fined BP $87 million – the largest fine in OSHA history – for failing to adequately correct the safety hazards previously identified at the Texas City refinery. According to OSHA's website, the prior largest total penalty, $21 million, was issued by OSHA in 2005, also against BP.

128. Further, an article published in *Propublica* on June 7, 2010, entitled *Years of Internal BP Probes Warned That Neglect Could Lead to Accidents*, detailed a series of other instances "over the past decade" warning that BP's flagrant disregard for safety and environmental rules risked a serious accident. These events were sounded in various reports, lawsuits, and state inquiries, which Anadarko knew or should have known about prior to entering into the Joint Operating Agreement, and "portray[ed BP as] a company that systemically ignored its own safety policies across its North American operations - from Alaska to the Gulf of Mexico to California and Texas." These events included, but were not limited to, the following:

- Prudhoe Bay, Alaska: In August 2006, BP was forced to shut down its oil operations in Prudhoe Bay, Alaska, months after discovering leaks over miles of its pipeline that released approximately 267,000 barrels of oil into the environment. The Prudhoe Bay incident was dubbed the worst oil spill in the history of the North Slope, and, according to Bart Stupak, the chairman of the energy and commerce investigations subcommittee,

"[a] review of the mountain of circumstantial evidence can only lead me to the conclusion that severe pressure for cost cutting did have an impact on [BP's] maintenance of pipelines." In October 2007, BP was fined $20 million for a single misdemeanor violation of the Clean Water Act in connection with the Prudhoe Bay disaster,

- California Refinery: In 2002, California state officials discovered that BP falsified its inspections of fuel tanks at a Los Angeles-area refinery. Significantly, the California state officials found that more than 80 percent of the facilities in question failed to meet requirements to maintain storage tanks without leaks or damage. In connection with this incident, BP settled a civil lawsuit brought by the South Coast Air Quality Management District for more than $100 million.

129. In light of their considerable experience in the oil and natural gas exploration and production industry, the multitude of publicly available information concerning BP's checkered safety record, and the information that BP provided to the Defendants in order form them to evaluate the Macondo well as a viable investment opportunity, Defendants either knew or were reckless in not knowing about BP's abysmal safety record prior to partnering with BP. In light of the foregoing, Defendants also knew or were reckless in not knowing that they needed to closely monitor BP's management and operation of the Macondo well to ensure that the Company's multi-million dollar investment was being responsibly looked after.

C. Anadarko Is Sued By The U.S. Government For Its Role In The Disaster

130. On December 15, 2010, the United States government filed a civil lawsuit against Anadarko and others captioned *United States of America v. BP Exploration & Production, Inc. et al.*, 10-cv-04536-CJB-SS (E.D. La.) relating to the *Deepwater Horizon* Disaster (the

"Government Action"). According to the complaint filed in the Government Action (the "Government Complaint"), Anadarko and others violated important safety and operating regulations in the period leading up to the April 20th *Deepwater Horizon* disaster. In that regard, the Government Complaint sets out detailed allegations against Anadarko and others, including allegations of "willful misconduct" against Anadarko.

131. In particular, the Government Action alleges that, pursuant to the Joint Operating Agreement between Macondo co-owners Anadarko and BP, Anadarko's approval was necessary for BP to proceed with certain operations on the well and that Anadarko had access to substantial detailed technical information regarding the well, including daily reports, sampling and other "real time" data from the oil rig. *See, e.g.,* Government Complaint at ¶¶35-36. The Government Complaint also alleges that Anadarko caused and/or contributed to the *Deepwater Horizon* spill by, among other things, failing to assure well control was maintained by proper and adequate (i) cementing, (ii) inspection and maintenance of the blowout preventer stack, and (iii) well-monitoring. *Id.* at ¶¶ 49-56. Further, the Government Complaint alleges that the *Deepwater Horizon* spill was proximately caused by one or more of, among other things, the acts, joint acts, gross negligence and/or willful misconduct of Anadarko and/or others. *Id.* at ¶¶ 69, 75. The Government Action seeks, among other things, civil penalties under the Clean Water Act and a declaration that Anadarko and others are "liable without limitation" under the Oil Pollution Act for all removal costs and damages resulting from the *Deepwater Horizon* Spill.

132. Also on December 15, 2010, the Attorney General of the United States Eric H. Holder Jr. delivered a speech announcing the Government Action. The Attorney General stated:

> While oil spill response efforts were underway, the Department of Justice launched both criminal and civil probes into this matter. We dispatched dozens of top attorneys to the gulf region, and members of the Department's senior leadership have also made multiple trips to the area. For months, Department

> lawyers and investigators have been working night and day – and in close coordination with local U.S. Attorneys' Offices and State Attorneys General.

133. The Attorney General further described the Government Action to be the product of extensive civil and criminal investigations involving multiple agencies of the United States Government, including the Environmental Protection Agency, the U.S. Coast Guard, the National Oceanic and Atmospheric Administration, and the Department of Interior's U.S. Fish and Wildlife Service and Bureau of Ocean Energy Management, Regulation and Enforcement. The Attorney General also noted that "[b]oth our criminal and civil investigations are continuing."

D. Numerous Investigations Confirm That The Spill Was Preventable And Resulted From Reckless Decisions Made To Save Time And Money

134. Following the disaster at the Macondo well, several federal agencies commenced investigations to examine the causes of explosion and its impact on the Gulf region. Though most of these investigations remain ongoing, and most of the underlying documents have not yet been made public, the evidence emerging from these investigative efforts, as well as both preliminary and final conclusions that have been made publicly available, confirm that the decisions approved by Anadarko directly contributed to the disaster and were made in an effort to save costs while sacrificing safety.

135. The Congressional Energy Committee Investigation. The United States Committee on Energy and Commerce's Subcommittee on Oversight and Investigations is conducting an inquiry into the *Deepwater Horizon* oil spill, which is being lead by Chairman Henry A. Waxman. The Congressional Energy Committee is examining the root causes of the explosion, the environmental and human impact in the wake of the oil spill, the government's

response efforts to the spill, as well as the conduct and actions taken by the owners and operators of the Macondo/*Deepwater Horizon* well.

136. On June 14, 2010, the Congressional Energy Committee wrote a letter to Tony Hayward, CEO of BP, summarizing material defects in the design and operation of the Macondo/*Deepwater Horizon* well. The Subcommittee letter confirms the allegations set out herein. For example, the letter stated, in relevant part:

> At the time of the blowout, the Macondo well was significantly behind schedule. This appears to have created pressure to take shortcuts to speed finishing the well. In particular, the Committee is focusing on five crucial decisions made by BP: (1) the decision to use a well design with few barriers to gas flow; (2) the failure to use a sufficient number of "centralizers" to prevent channeling during the cement process; (3) the failure to run a cement bond log to evaluate the effectiveness of the cement job; (4) the failure to circulate potentially gas-bearing drilling muds out of the well; and (5) the failure to secure the wellhead with a lockdown sleeve before allowing pressure on the seal from below. The common feature of these five decisions is that they posed a trade-off between cost and well safety.

137. The Presidential Commission. On May 21, 2010, President Obama established the National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling (defined above as the Presidential Commission) through Executive Order 13543. The Presidential Commission has been tasked with examining the facts relevant to the root causes of the explosion and to develop preventative measures and recommendations to improve federal law and industry practice.

138. On January 11, 2011, the Presidential Commission released the *Report to the President*, which provides an account of the *Deepwater Horizon* explosion and subsequent events. As a result of the investigation, the Presidential Commission concluded, among other things, that the "immediate causes of the Macondo well blowout" were "identifiable mistakes by BP [and others]...that reveal[ed]... systematic failures in risk management...."

139. The Joint Marine Board Investigation. A joint investigation between the United States Coast Guard and the Bureau of Ocean Energy Management (formerly the Mineral and Management Service) (defined above as the Joint Marine Board) began on April 27, 2010 with the goal of developing conclusions and recommendations as they relate to the *Deepwater Horizon* explosion. The Joint Marine Board sits as an independent investigatory body authorized by Congress pursuant to enabling statutes and regulations. The Joint Marine Board investigation team has conducted numerous hearings, including over 80 days of testimony from various witnesses, including from Beirne (as described above) and expert testimony related to the rig explosion. A final report is scheduled to be delivered in March 2011.

140. On October 28, 2010, Anadarko was served with a subpoena by the Joint Marine Board, which requested that Anadarko produce "[a]ll drill cuttings from the Macondo well, catalogued by depth" (the "Subpoena"). Anadarko filed motion papers in connection with the Louisiana Litigation seeking to relief from an evidence preservation order in order to comply with the Subpoena. In these papers, Anadarko states that it has possession of "7 sample boxes of drill cuttings" from the Macondo well, which weigh a total of 9 lbs. Anadarko further states that the samples were taken from the rock in the well between a depth of 9,076' to approximately 18,360' of measured wellbore depth.

141. Engineering & Research Committee. The National Academy of Engineering and National Research Council established a committee (the "Engineering & Research Committee") in September 2010, at the request of the Honorable Kenneth L. Salazar, Secretary, U.S. Department of the Interior, to examine the causes of the disaster and identify measures for preventing similar incidents in the future.

142. On November 16, 2010, the Engineering Research Committee issued a report entitled the "Interim Report on Causes of the *Deepwater Horizon* Oil Rig Blowout and Ways to prevent Such Events" (the "Report"). The Report, which is the Committee's preliminary report on the Macondo well disaster, found that the numerous technical and operational breakdowns that contributed to the explosion on the *Deepwater Horizon*, and the resulting oil spill, were due to the "lack of a suitable approach for anticipating and managing the inherent risks, uncertainties, and dangers associated with deepwater drilling operations and a failure to learn from previous near misses." Confirming the allegations above, the Report criticizes the co-owners' decision use the risky long string casing design on the Macondo well, as well as the decisions to use only six centralizers, to conduct only a partial circulation of the drilling mud and to not run a cement bond log. The Report concluded that of particular concern was the "lack of a systems approach that would integrate the multiplicity of factors potentially affecting the safety of the well, monitor the overall margins of safety, and assess the various decisions from perspectives of well integrity and safety."

143. The Engineering & Research Committee's work is ongoing. A final report that presents the committee's analysis and recommendations is scheduled to conclude by June 1, 2011 and a final published version is scheduled to follow by December 30, 2011.

VIII. THE TRUTH IS REVEALED

144. The full impact of the Macondo/*Deepwater Horizon* disaster on Anadarko was not immediately revealed to the public. In the subsequent weeks and months, the market became aware of the vast scope of the disaster and the potential liability that Anadarko faced for its role in the calamity, despite Defendants' efforts to suggest that Anadarko's liability would be capped at a fraction of the true potential liability.

145. In the days immediately following the explosion, Defendants remained silent about Anadarko's involvement in the Macondo well and the Company's potential liability. On April 22, 2010, a news article reported in passing that Anadarko held a 25% ownership interest in the Macondo well. By April 27, 2010, analysts covering the Company were beginning to report that the oil leak was more severe than previously known and the Company may be responsible for potentially significant environmental liabilities. In response to this news, on April 27, the price of Anadarko's common stock fell over $3 per share from a closing price of $73.18 per share on the prior day's trading to $70.10 per share, or 4.2%, on above average trading volume of 5,335,300 shares.

146. On April 29, 2010, oil from the Macondo well was seen within miles of the Louisiana coast. At a press conference held on April 30, Louisiana Governor Bobby Jindal expressed concern over the Macondo co-owners' efforts to protect the Louisiana shoreline, calling into question whether "BP's current resources [were] adequate." In response to these events, the price of Anadarko's common stock fell nearly $3 per share on April 29 from a closing price of $70.20 per share on the prior day's trading to $67.33 per share, or 4.1%, on high trading volume of 14,134,700 shares. On April 30, Anadarko's common stock continued to drop an additional $5.17 per share from a closing price of $67.33 per share on the prior day's trading to $62.16 per share, or 7.7%, on high trading volume of 21,079,100 shares.

147. On May 3, 2010, nearly three weeks after the Macondo oil spill disaster, Anadarko issued a press release announcing the Company's results for the first quarter ended March 31, 2010. In the press release, Defendants for the first time disclosed that Anadarko held a 25% interest in the Macondo well and thus could potentially be exposed to liability in connection with the oil spill disaster. To mitigate the market reaction to this news, Defendants

reassured investors that Anadarko had sufficiently insured against any such potential exposure, stating, in relevant part, as follows:

> About two weeks ago, in the Gulf of Mexico, the BP-operated Macondo exploration well on Mississippi Canyon block 252 discovered an oil accumulation. As reported in the press, an explosion and fire occurred on the Deepwater Horizon drilling rig during operations. The rig subsequently sank, hydrocarbons were released into the Gulf and a large-scale well-control and clean-up effort has ensued. Anadarko is a 25-percent working interest owner in this block, which is operated by BP Exploration & Production, Inc. A full response and investigation is being conducted by the operator of the well, the drilling rig owner and governmental entities. The company maintains insurance policies designed to provide financial protection for such events, for its share of gross covered costs up to an aggregate level of approximately $710 million, less deductibles. Based on its 25-percent non-operated interest, the company estimates its net insurance coverage will likely total approximately $177.5 million, less deductibles of $15 million.

148. The misrepresentations in the May 3 press release averted widespread panic among Anadarko investors. According to analysts with The Buckingham Research Group, "[w]e maintain that APC is strong enough financially to weather the storm of future liabilities related to this disaster e.g., APC has $3.5 billion of cash on the balance sheet and 28% net debt to cap ratio ... We estimate worst case at $20 bn -- 25% of which is net to APC." Further, according to analysts with SunTrust Robinson Humphrey, "Anadarko has lost over $5 billion in market capitalization (±$11/share), an unwarranted share price decline given its working interest and insurance coverage."

149. On May 4, 2010, Anadarko filed its Form 10-Q for the first quarter ended March 31, 2010 with the SEC. The Form 10-Q, which was signed by Defendant Gwin and certified by Defendants Gwin and Hackett, reiterated the statements made in the May 3 press release. According to the Form 10-Q, "[b]ased on its 25-percent non-operated interest in this well, the company estimates its net insurance coverage will likely total approximately $177.5 million, less deductibles of $15 million."

150. That same day, Anadarko held an earnings conference call to discuss the Company's first quarter results with investors. During the earnings conference, an analyst at RBC Capital Markets asked Anadarko executives "[h]ow passive typically are you when you are a nonoperator? Were you a part of ... the well's design on Macondo?" In response, Defendant Daniels answered that:

> You actually do know what targets you're going after and remembering we had farmed into this after the well had already spud. So the well design and it's procedures, operating procedures were all done before we actually farmed in. When you typically approve these as a nonoperator, you basically approve just the capital spending level in the targeted zones from a geological perspective, as opposed to looking at the detail, well design or procedures. We were not involved in that at all on this well.

151. Analysts and investors were comforted by these remarks. Indeed, an analyst from HSBC noted Anadarko's representations "that it has insurance coverage for this incident of USD177.5m less deductibles of USD15m based on its 25% working interest position" and that "the Oil Pollution Act of 1990 ... is likely applicable in the current circumstance," which could cap liability at $75 million. These statements caused the price of Anadarko's common stock to rise to $64.40 per share on May 4, 2010.

152. On May 5, 2010, analysts began to publicly express growing concerns over the uncontained oil spill at the Macondo well. That same day, a news report suggested that environmental recovery costs could reach as high as $15 billion, and that BP maintained that liability should extend to its co-owners. In response to these disclosures, on May 5, the price of Anadarko's common stock fell $2.57 per share from the prior day's closing price of $64.40 per share to $61.83 per share, or 4%, on high trading volume of 11,184,700 shares. The truth, however, was not fully revealed regarding the extent to which Anadarko was involved in and approved the reckless decisions on the Macondo well and the full extent of Anadarko's liability pertaining thereto.

153. As information regarding the true extent of the disaster continued to reach the public, Anadarko's stock continued to decline despite Defendants' efforts to minimize their potential exposure. On May 28, U.S. Speaker of the House Nancy Pelosi partially refuted Defendant Hackett's earlier suggestion that liability could be capped by hinting that Congress was considering eliminating the liability cap altogether for economic damages caused by oil spills. After previously supporting a proposal to raise the existing cap to $10 billion, Speaker Pelosi stated on Bloomberg Television that eliminating the cap "is worthy of looking at." In response to these disclosures, Anadarko's common stock fell $3.24 per share from the prior day's closing price of $55.57 per share to $52.33 per share, a 5.8%, on high trading volume of 9,825,800 shares.

154. On May 30, 2010, documents released by Congress revealed that emails were circulated on March 10, 2010 that highlighted fears concerning safety and significant problems related to the drilling operation at the Macondo well before the April 20, 2010 explosion. These disclosures began to reveal the true extent of the safety risks that had been taken by the co-owners on the Macondo well.

155. When the market reopened on June 1, 2010 – approximately one month after Defendants estimated their potential liability in connection with the Macondo oil spill disaster to be approximately $175 million – it was reported that the Macondo well could not be capped, and investors came to realize that there was no effective Spill Plan in place to control the leak. In response to these concerns, the price of Anadarko's common stock plummeted by almost $10.00 per share – or approximately 20% – from the prior day's closing price of $52.33 per share to close at $42.10 per share on extraordinarily high trading volume of over 44.8 million shares. This single day decline wiped out a staggering $5 billion of the total market capitalization of

Anadarko. Bloomberg News reported that "Anadarko Petroleum Corp. and other companies connected to BP Plc's leadking Gulf of Mexico oil well tumbled in New York trading after an effort to stop the flow of crude into the ocean failed. APC [Anadarko], tumbled 20%."

156. Between June 2 and June 9, 2010, several disclosures revealed the full truth about Anadarko's potential liability and the Company's role in a plan of action in the event of an oil spill disaster. On June 2, 2010, the online publication MarketWatch reported that the oil spill liability related to the Macondo disaster would likely reach at least $40 billion, placing Anadarko's 25% interest in this liability at approximately $10 billion – roughly $9.8 billion more than the Company's insurance coverage. Indeed, the report stated, in part, as follows:

157. On June 4, 2010, Moody's Moody's ratings agency lowered its rating on Anadarko's credit to "Outlook Negative." In connection with this significant ratings downgrade, Moody's issued the following statement:

> **"Anadarko ratings outlook negative on oil spill-Moody's"**
>
> Moody's Investors Service on Friday revised its ratings outlook on Anadarko Petroleum Corp to negative from stable, indicating the oil company's debt may be cut into junk territory over the coming 18 months.
>
> Anadarko owns 25 percent of the Gulf of Mexico well that ruptured in the April 20 explosion that sparked the worst oil spill in U.S. history.
>
> The outlook change reflects "considerable uncertainty" associated with Anadarko's share of cleaning up the spill, and financial liabilities from the April explosion, Moody's said. Moody's rates Anadarko's senior unsecured debt Baa3, the lowest investment grade.
>
> "The future quality of the company's credit profile will be in large part dependent on the steps Anadarko's management is willing, and able, to take to maintain financial flexibility and address its share of liabilities stemming from the disaster," Moody's said.
>
> Longer term the company's finances could also be affected by drilling restrictions in the Gulf of Mexico or other deepwater regions and regulatory constraints including tougher safety requirements, Moody's said.

158. On June 6, 2010, a news report in the Michigan Grand Rapids Press highlighted the potential liability faced by the co-owners of the Macondo well, including Anadarko. The article quoted a maritime lawyer who called the Macondo disaster "the mother of all liability claims." The article also reported that BP and its partner Anadarko potentially faced under Federal law a minimum fine of $1,000 per barrel of oil spilled into the gulf as a result of the spill. According to the article, "[t]he government estimates 20 million to 43 million gallons of crude have gushed into the Gulf over the past six weeks. If the spill were contained today, the fines would add up to $480 million to $1 billion."

159. On June 8, 2010, rumors began to surface that the liability related to the oil spill could be so large that BP, the oil giant, could be forced to file for bankruptcy. Indeed, since the oil spill, BP's shares plummeted from $60 to $30, representing a total market value loss of $90 billion, and the spill had not yet been contained. The possibility of BP going bankrupt stirred concerns among investors of the possibility that Anadarko could be responsible for more than $40 billion of potential liability for cleaning up the Gulf oil spill. At that time, rumors also circulated that BP had submitted a bill to Anadarko for the cleanup, although this rumor was later disputed.

160. Further, on June 8, Reuters reported that the S&P had downgraded its outlook on Anadarko from "Stable" to "Negative." "The negative rating actions are based on various concerns and possible operating disruptions for companies operating in the Gulf of Mexico due to the moratorium and the flow of oil from the well disaster," S&P said in a statement. Further, S&P indicated that the Company may be cut into junk territory over the next one to two years. At the time, Anadarko was rated BBB-minus, the lowest investment-grade rating. On June 8, 2010,

in response to these disclosures, Anadarko's stock price declined by more than 4.5%, to $42.80 on extremely heavy volume.

161. On June 9, 2010, prior to the opening of the market, the Huffington Post reported on the glaring errors and omission in the Macondo Spill Response Plan (some of which are summarized above in ¶¶ 110-121), leading the article to question whether "BP officials have pretty much been making it up as they go along. The lengthy plans approved by the federal government last year before BP drilled its ill-fated well vastly understate the dangers posed by an uncontrolled leak and vastly overstate the company's preparedness to deal with one." Reuters reported that the cost to ensure Anadarko's debt "jumped to new highs on concerns over the costs the companies face as a result of exposure to the largest oil spell in U.S. history." Anadarko's bonds were placed on a "negative credit watch" by several ratings agencies to "reflect uncertainties regarding the Company's potential share of significant liabilities and clean-up costs associated with the Macondo well oil spill in the Gulf of Mexico, which started on April 20, 2010."

162. In response to the disclosures set forth above, and the fact that the Company was now potentially liable for over $10 billion in clean up costs plus an additional over $1 billion in fines, on June 9, 2010 shares of the Company fell to below $34.50 per share, from the prior day's close of $42.80 per share, an approximately 19% single day decline, on extraordinarily high trading volume of over 45.72 million shares. This drop represented a market capitalization drop of $3.95 billion to the Company, bringing the total market capitalization loss in June alone to approximately $9 billion.

IX. ADDITIONAL SCIENTER ALLEGATIONS

163. As alleged above, numerous facts give rise to a strong inference that, throughout the Class Period, Defendants Anadarko, Hackett, Gwin and Daniels knew or

recklessly disregarded that the statements set forth above were materially false and misleading when made. Defendant Hackett's knowledge or recklessness is further demonstrated by the fact that he had an extremely powerful motive to defraud. During the Class Period, Defendant Hackett sold over $61 million of Anadarko common stock in just a seven month period. Hackett's sales, as reported in the Company's SEC filings, are reflected on the chart below:

Name	Date	Shares	Price	Value
Hackett, James	9/18/2009	150,000	$ 64.62	$ 9,693,000
Hackett, James	9/18/2009	100,000	$ 62.49	$ 6,249,000
Hackett, James	9/18/2009	37,000	$ 64.56	$ 2,388,720
Hackett, James	3/31/2010	584,534	$ 73.11	$ 42,735,281
	TOTALS	**871,534**		**$ 61,066,001**

164. The nature and timing of his sales were highly unusual. Indeed, in just seven months during the Class Period, Defendant Hackett sold a total of 871,534 of his shares of Anadarko's common stock for total proceeds of $61,066,001 – this is in stark contrast to the fact that Hackett had not sold a single share of Anadarko's common stock in the two years preceding the Class Period.

165. The timing and size of Defendant Hackett's sale of $42.7 million worth of stock on March 31, 2010 is particularly unusual. This massive one-day sale of stock occurred after the Macondo project had suffered significant delays and just three weeks before the tragic Macondo well disaster. This sale, of 584,534 shares on a single day represented a massive sell-off of 69% of Hackett's total Anadarko holdings at the time.

166. In addition, the $61,062,720 in proceeds that Defendant Hackett made from his sale of Anadarko stock during the Class Period is extremely large in comparison to his base salary ($1,567,500 per year, as of January 1, 2009 and unchanged effective November, 2009). Accordingly, the proceeds of Defendant Hackett's stock sales during the Class Period is more than 38 times greater than his salary during that period, which is also suggestive of Defendant Hackett's scienter.

167. Further, Defendant Hackett made no open market purchases of stock during the Class Period, which stands in stark contrast to the vast shareholdings he sold. Defendant Hackett's only acquisitions during the Class Period were securities he was granted by the Company. In contrast, prior to the Class Period, Hackett purchased shares on the open market to supplement the grants he received directly from the Company.

X. DEFENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS DURING THE CLASS PERIOD

168. For companies involved in deepwater oil exploration and production, the profits are potentially enormous. Equally enormous, however, are the risks and potential liabilities faced by industry participants. In that context, a company's ability to conduct business safely and in an environmentally responsible way takes on heightened importance for investors. Accordingly, during the Class Period, defendants repeatedly assured the investing public that Anadarko was committed to a "safety-first" culture, diligently protective of the environment and scrupulously rigorous in managing risks faced by the Company. Defendants' public assurances regarding these subjects, however, were materially false and misleading when made.

A. Defendants' Materially False And Misleading Statements Published On Anadarko's Website Throughout The Class Period

169. Anadarko's purported commitment to safety and environmental compliance features prominently on the Company's website (www.anadarko.com). For example, Anadarko

describes itself as a "steward of the environment" and as a company that is wholly committed to business practices that promote "health and safety." For instance, the website states:

> At Anadarko, we are committed to safely producing the energy we all need in a manner that protects the environment, public health and supports our communities. Energy is fundamental to physical existence. It is as important as clean air, water and affordable food. We take our responsibility seriously to deliver resources to our energy-hungry world, and we hold true to our core values of integrity and trust, servant leadership, commercial focus, people and passion, and open communication in all of our business activities.

170. In describing the Company's "Expertise," Defendants assure the public that the Company is "committed to safely finding and producing the energy our world needs." Similarly, the Company touts its ability to "safely leverage leading-edge technology to create pathways to new opportunities for energy development, while preserving the environment."

171. Anadarko also publishes for investors a document entitled "Environment, Health & Safety Fact Sheet." This document states that Anadarko is:

> Committed to sustainable operations that protect our natural resources and preserve our environment. We recognize our obligation to maintain a balance between finding, developing and producing the energy reserves that are essential to physical existence, while protecting our environment, public health and our communities. [...] We understand our natural world, appreciate it and most of all – respect it.
>
> Tailoring our operations to accommodate wildlife habitat, and monitoring populations of local species and migration patterns of big game are key elements of our efforts to balance energy development and the natural world.

172. In addition, Anadarko touts the Company's safety practices in the deepwater of the Gulf of Mexico:

> Anadarko's Gulf of Mexico operations team views safety as a top priority. Anadarko employees and contractors promote a culture of safety by following the LiveSAFE program.

Indeed, the Company stresses that "Anadarko's expertise and focused pursuit of material exploration targets in the Gulf of Mexico have made us one of the industry's safest and most successful deepwater explorers."

173. Similarly, Anadarko's "Gulf of Mexico Fact Sheet" states that Anadarko is:

> Safely and responsibly providing the energy we all need, while protecting our people and the environment. Safety and environmental stewardship are highly valued at Anadarko and are inherent components of the culture of the company. [...] At Anadarko, safety is no accident.

174. Anadarko also touts the Company's disciplined and rigorous approach to safely managing its oil exploration activities and the risks faced in Anadarko's oil exploration and production activities. For example, the Company's discussion of "Corporate Responsibility" published on its website states, in relevant part, as follows:

> We are committed to doing things the right way at Anadarko.
>
> Anadarko manages and operates its worldwide assets in a manner consistent with our core values to protect health and safety, and comply with applicable environmental, health and safety laws, regulations and internal standards.
>
> A safety-first culture is a way of life at Anadarko. And whenever we undertake a new project, we work to understand the environmental issues and cultural considerations of an area. Then we create a balanced plan that couples new energy development with oftentimes innovative techniques to protect the locations in which we operate. Fundamental to our operating philosophy is a commitment to adhere to the stricter of two standards: our own policies and principles or an individual country's regulations.

175. Anadarko further states that the Company's core "Values" include a commitment to "[m]aintain high standards for health, safety and the environment" and that the Company will "[a]ct responsibly with company assets."

176. Again specifically with respect to Anadarko's operations in the deepwater of the Gulf of Mexico, Anadarko emphasizes its disciplined and rigorous risk management practices. For example, the Company notes its "Premier Deepwater Position" in the deepwater of the Gulf

of Mexico and claims that Anadarko is an "industry leader" concerning its "Project Execution Skills and Safety."

177. Further, the Company's "Gulf of Mexico Fact Sheet" stresses Anadarko's disciplined and rigorous approach to managing risk:

> Positioned for continued success in the deepwater Gulf of Mexico and disciplined in its risking methodology. This methodology incorporates a rigorous technical and commercial evaluation, risked economics for comparability and continuous high grading with commercial focus.

In touting its "risking methodology" on its website, Anadarko specifically points to its "[p]roven exploration track record," and "industry-leading project-management skills."

178. The above statements were materially false and misleading when made because, among other things, Anadarko was not managing its projects, including the Macondo well, in a manner that was safe or designed to ensure environmental safety. Nor did Anadarko have disciplined and rigorous risk management practices. For instance, when partnering with BP on the Macondo well, Defendants approved dangerous and high-risk operational decisions for the Macondo well, failed to properly monitor operations on the Macondo well, risked the lives of the workers on the well, endangered wildlife, the environment and commercial interests along the Gulf coast, jeopardized the Company's multi-million dollar investment in the Macondo well project and exposed the Company to billions of dollars in potential civil and environmental liability. Anadarko also failed to meaningfully review the woefully inadequate Macondo Spill Response Plan, or otherwise properly investigate BP's safety record and practices. Moreover, Anadarko completely failed to exercise any oversight over BP despite being alerted to BP's industry-wide safety record that should have made Anadarko pay particularly close to attention to BP's practices on the Macondo well.

B. Defendants' Materially False And Misleading Statements Made During The Second Quarter Of 2009

179. As described above, Anadarko began evaluating the opportunity to partner with BP on the Macondo well during the summer of 2009.

180. On June 12, 2009, the start of the Class Period, Defendant Hackett was featured in an interview published by Energy Tribune, an influential energy business trade publication, in which he stated that Anadarko's deepwater drilling program operated in a safe and environmentally responsible manner. Defendant Hackett touted the Company's ability to use cutting-edge technology to produce oil from deepwater sources in a safe and environmentally friendly manner, stating "[i]t's technology like this that makes us scratch our heads as to why our government still holds so much of our natural resources off limits. We've proven we can develop these resources safely while protecting the environment..."

181. The above statement touting Anadarko's commitment to protecting the environment was materially false and misleading for the reasons set forth in ¶ 178.

C. Defendants' Materially False And Misleading Statements Made During The Third Quarter Of 2009

182. On July 8, 2009, Anadarko participated in the Morgan Stanley Energy Conference, during which Anadarko's Vice President of Exploration (VP Exploration) gave a presentation. In the presentation, Anadarko's VP Exploration touted, among other things, Anadarko's rigorous risk management practices, stating, in relevant part, that the Company seeks to "to understand geological risk and a range of possible outcomes" and that it has a "separate risk assessment team that interacts with each of our exploration teams to help them understand these risk factors." According to Anadarko's VP Exploration, "the bottom line is – the point I want you to take away from this is that we have a consistent process. It is rigorous and it's applied throughout the world to each of the prospects we drill."

183. On July 29, 2009, Anadarko issued a press release announcing a fourth major discovery in the deepwater of the Gulf of Mexico. This press release quotes Defendant Daniels as touting "the tremendous quality of our deepwater portfolio of high-impact prospects."

184. On August 3, 2009, Anadarko issued a press release announcing the Company's second quarter results for the period ended June 30, 2009. The press release touts Anadarko's drilling expertise in the Gulf of Mexico, as well as the success of the Company's deepwater oil exploration teams. The press release quotes Defendant Hackett as follows:

> Anadarko Chairman and CEO Jim Hackett said. "We are continuing to drive down costs to better align them with the current commodity-price environment. I am also very pleased with the excellent performance of our exploration teams, which have announced six deepwater discoveries so far this year. [...]
>
> Anadarko's exploration success," continued Hackett, "coupled with our strong operational performance ... continues to deliver excellent value today and positions the company to continue to do so in the future."

185. On August 4, 2009, Anadarko filed its Form 10-Q for the second quarter with the SEC (the "2Q2009 10-Q"). The 2Q2009 10-Q repeated the above statements made in the Company's August 3 press release and was signed by Defendant Gwin and certified by Defendants Gwin and Hackett. The 2Q2009 10-Q also represented to investors that the Company had reviewed, among other things, the Company's risk profile, and had properly reserved for, and insured against, foreseeable drilling related liabilities.

186. Further, Anadarko's 2Q2009 10-Q misrepresented to investors the purported effectiveness and sufficiency of the Company's internal controls and procedures. In that regard, the 2Q2009 10-Q stated, in relevant part, that:

> [T]he Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of June 30, 2009.

187. The Company's 2Q2009 10-Q also contained certifications by Defendants Hackett and Gwin that attested to the purported accuracy and completeness of the Company's 2Q2009 10-Q.

188. Also on August 4, 2009, defendants also conducted an earnings conference call to discuss Anadarko's second quarter results with investors. Defendants Hackett and Gwin, among other corporate representatives, participated in the call. During the call, Defendant Hackett applauded Anadarko's "strong deep inventory of world class exploration and appraisal activities to test this year and beyond."

189. On August 13, 2009, Anadarko presented at the EnerCom Incorporated Oil & Gas Conference. During the Company's presentation, Anadarko's Vice President of Operations highlighted Anadarko's scrupulous project management practices, stating:

> [Anadarko has] ... an industry-proven track record of project execution and development, with three mega-projects worldwide. Third we've got a predictable and efficient capital base. We manage where we drill and at what pace we drill throughout our assets.

Anadarko's Vice President of Operations also specifically touted Anadarko's project management skills in the Gulf of Mexico to investors, stating:

> So moving to the Gulf of Mexico, we define ourselves as a premier player here. We have demonstrated exploration success. Established infrastructure and project management capabilities. [We] have established a track record of bringing new development projects on 35% faster than the industry."

190. Further, on the August 13 call, Anadarko's Vice President of Operations specifically reassured investors that, among other things, Anadarko's strong portfolio of low-risk assets made the Company's stock a sound investment for shareholders:

> It's a great time to invest in Anadarko. We offer a strong balance sheet. It's built for uncertain times with good value-retention characteristics for the economic downturn. It's got a strong growth vehicle for a combination of both low-risk and high-end exploration opportunities that will really start leveraging up as we see return and recovery in commodity prices."

191. The above statements were materially false and misleading when made because, as set forth above in ¶ 178, while evaluating its partnership with BP on the Macondo well, Defendants' statements touting Anadarko's commitment to health, safety and the environment and its disciplined and rigorous risk management practices deliberately or recklessly failed to disclose that defendants had not properly investigated or considered, among other things, BP's abysmal safety record and the woefully inadequate Macondo Spill Response Plan.

D. Defendants' Materially False And Misleading Statements Made During The Fourth Quarter Of 2009

192. Anadarko's partnership with BP and 25% co-ownership of the Macondo well was made effective as of October 1, 2009. Drilling at the Macondo well commenced on or about October 9, 2009.

193. On October 20, 2009, Anadarko issued a press release touting its "commitment to ... protecting the environment across all our operations."

194. On November 3, 2009, Anadarko filed its Form 10-Q for the third quarter ended September 30, 2009 with the SEC (the "3Q2009 10-Q"). The 3Q2009 10-Q was signed by Defendant Gwin and certified by Defendants Gwin and Hackett. In its 3Q2009 10-Q, Anadarko touted its "active" risk management practices – both above and below the deepwater – on its oil exploration and development projects stating:

> Anadarko's global business development approach transfers core skills across the globe to assist in the discovery and development of world-class resources that are accretive to the Company's performance. These resources help form an optimized global portfolio where both surface and subsurface risks are actively managed.

195. Anadarko's 3Q2009 10-Q also represented to investors that the Company had reviewed its accounting principles, including its risk profile, and had properly reserved for, and insured against, foreseeable drilling related contingencies. The statements issued in the 3Q2009

10-Q relating to the Company's purported Controls and Procedures and Accounting Principles and the accompanying certifications were substantially similar to those statements set out above in ¶¶ 186-187.

196. Also on November 3, 2009, defendants conducted an earnings conference call to discuss the Company's third quarter results with investors. Defendant Hackett participated in the call, along with other Anadarko representatives. During his presentation, Defendant Hackett continued to tout the success of Anadarko's deepwater oil exploration program stating "[d]ue to our successful deepwater exploration program, we are actively pursuing an aggressive appraisal drilling schedule during the remainder of this year and throughout 2010."

197. On November 9, 2009, Anadarko issued a press release in which Defendant Hackett praised Anadarko and its employees for acting as "as good stewards of the environment."

198. On November 11, 2009, following Hurricane Ida, Anadarko issued a statement representing to its shareholders that "[n]ow that Hurricane Ida has passed and weakened to a tropical depression. [...] We will begin ramping up production as quickly and safely as possible..."

199. Also on November 11, 2009, Anadarko's Board of Directors adopted a revised Code of Business Conduct and Ethics (the "Code"), which was disclosed on the Company's corporate website. Among other things, the Code emphasizes that "Anadarko is committed to managing and operating its assets in a manner that protects and conserves the environment and is consistent with all environmental laws and regulations." Further, according to the Company's Code, "Anadarko will not compromise health or safety in the workplace. Anadarko will take

reasonable steps to protect employee health and safety. It is the goal at each Anadarko location to have and maintain a safe workplace."

200. On November 18, 2009, Anadarko participated in the Bank of America Securities Energy Conference, at which Defendant Daniels presented. During the presentation, Defendant Daniels praised Anadarko's project and risk management practices, telling investors:

> The project management skills that we think -- well, we're not just ourselves thinking this. The outside consultants that do project management, benchmarking, have consistently shown that Anadarko is one of the industry leaders in this and this is so important when you see that exploration success, how we translate that into value for our shareholders. So that's critically important to us.
>
> The predictable production profile is something that we build upon. It's something that every quarter we can count on to deliver the results that we say we're going to deliver.
>
> The assets that we have ... are very, very predictable. Again, when we put a rig on a location, we know how much it's going to cost to get what kind of a rate profile and to get what kind of reserves.

201. Further, Defendant Daniels highlighted the Company's expertise in the Gulf of Mexico there, representing to investors that:

> [W]e think we've got one of the best deepwater positions in the industry ... we have infrastructure in the deepwater across the Gulf of Mexico and what this means is, this infrastructure we built. That means we've got the skillset to do it again. We know how to do it. We brought these things online on time and on budget. They've been performing very, very well and then we utilize them for tie-back options and really drive value creation.

202. On December 9, 2009, Anadarko participated in the Wells Fargo Securities MLP Pipeline and E&P, Energy Services & Utility Symposiums. Anadarko's Vice President of Investor Relations and Communications ("VP Investor Relations") presented at this conference. During that presentation, Anadarko's VP Investor Relations touted the Company's expertise in managing major deepwater projects stating, in relevant part, that "one thing that we are very

proud of is our project management skills. We have a track record of being the industry leader in on-time, on-budget delivery on these megaprojects."

203. The above statements were materially false and misleading when made because, as set forth above in ¶ 178, Anadarko was not managing its projects, including the Macondo well, in a manner that was safe or designed to ensure environmental safety. Nor did Anadarko have disciplined and rigorous risk management practices. For instance, when partnering with BP on the Macondo well, Defendants approved dangerous and high-risk operational decisions for the Macondo well, failed to properly monitor operations on the Macondo well, risked the lives of the workers on the well, endangered wildlife, the environment and commercial interests along the Gulf coast, jeopardized the Company's multi-million dollar investment in the Macondo well project and exposed the Company to billions of dollars in potential civil and environmental liability. Moreover, Anadarko completely failed to investigate, consider, or exercise any oversight over BP despite being alerted to BP's industry-wide safety record that should have made Anadarko pay particularly close to attention to BP's practices on the Macondo well.

E. Defendants' Materially False And Misleading Statements Made During The First Quarter Of 2010

204. On January 31, 2010, the *Deepwater Horizon* arrived at the Macondo well to resume exploratory drilling operations on the site.

205. On February 1, 2010, Anadarko issued a press release announcing the Company's financial results for the fourth quarter ending December 31, 2009. In the press release, Defendant Hackett stated: "2009 was a very successful year in advancing our strategy and illustrating the high quality of our portfolio."

206. On February 2, 2010, Anadarko held an earnings conference call to discuss the Company's fourth quarter financial results with investors. Defendants Hackett and Gwin, among

other Anadarko representatives, participated on the call, which, in large part, repeated the above the statements made in the Company's February 1 press release.

207. On February 3, 2010, Anadarko participated in the Credit Suisse Group Energy Summit, at which Defendant Daniels presented. During the call, Daniels emphasized the Company's project management expertise, informing investors that:

> "[o]n the project development side, this is the second point I hope that you take away from here, is that we are very, very good at managing projects both from a time and a capital standpoint and bringing these very large megaprojects on production, on time, and on budget."

208. Defendant Daniels also highlighted to investors Anadarko's specific expertise in oil exploration in the Gulf of Mexico, and in particular noted, among other things, the Company's "demonstrated exploration success" in that region:

> Going on to the Gulf of Mexico. We have been in the deepwater Gulf of Mexico for a long time; that is the only place we focus now. We feel like we are a premier operator out here. We have got demonstrated exploration success ... [t]he infrastructure we have is established and we can utilize that, and it shows very clearly our operating capabilities. The fact that we were able to bring those online, develop discoveries we had already had, have very efficient operations, and utilize that existing infrastructure to drive more value.

209. Also during the February 3, 2010 Credit Suisse conference call, Defendant Daniels specifically touted the Company's attractiveness to investors based on the success of Anadarko's exploration program and the efficiency Company's project management skills, stating:

> So it really speaks to efficiencies, it speaks to the success of the exploration program, and the project management skills of our teams that we are able to drive our capital costs down, keep things on time and on budget, and grow our production in that kind of fashion.
>
> So, overall, it's a great time to invest in Anadarko.

210. On February 23, 2010, Anadarko filed with the SEC its Form 10-K for the fourth quarter and fiscal year ended December 31, 2009 (the "2009 10-K"). The 2009 10-K, which

repeated the above statements made in the Company's February 1 press release, was signed by Defendants Hackett and Gwin, among other Anadarko executives. The 2009 10-K was also certified by Defendants Hackett and Gwin.

211. Anadarko's 2009 10-K touted the Company's active risk management practices, stating:

> "Anadarko's global business development approach transfers core skills across the globe to discover and develop world-class resources that are accretive to the Company's performance. These resources help form an optimized-global portfolio where both surface and subsurface risks are actively managed."

212. Anadarko's 2009 10-K also reassured investors concerning the insurance maintained by the Company, stating:

> Our business is subject to all of the operating risks normally associated with the exploration for and production, gathering, processing and transportation of oil and gas, including hurricanes, blowouts, cratering and fire, any of which could result in damage to, or destruction of, oil and natural-gas wells or formations or production facilities and other property and injury to persons. As protection against financial loss resulting from these operating hazards, we maintain insurance coverage, including certain physical damage, employer's liability, comprehensive general liability and worker's compensation insurance. However, we are not fully insured against all risks in all aspects of our business, such as political risk, business-interruption risk and risk of major terrorist attacks and piracy.

213. In addition, Anadarko's 2009 10-K stated represented to investors that Defendants had reviewed the Company's accounting principles, including its risk profile, and had properly reserved for, and insured against, foreseeable drilling related contingencies, similar to the statements regarding these matters described above in ¶¶ 186-187.

214. Similar to the Form 10-Qs filed by the Company in prior quarters, and described above in ¶¶ 186-187, Anadarko's 2009 10-K contained certifications by Defendants Hackett and Gwin attesting to the purported accuracy and completeness of the Company's financial condition and operational information. According to the certifications, "the information contained in the

Report fairly present, in all material respects the financial condition and results of operations on the Company."

215. On March 2, 2010, Anadarko held its 2010 Annual Investor Conference, in which. Defendants Hackett and Gwin, among other Anadarko representatives, participated. During the Company's presentation, Defendant Hackett highlighted Anadarko's purportedly rigorous risk management practices, reassuring investors that "[w]e have a mindset towards exploration, prudent exploration, managed internationally in a very strong risk-management perspective, and we also think we've got the portfolio to be able to execute upon a very compelling plan."

216. Also on the conference call, Defendant Daniels explained in detail the Company's rigorous risk management practices:

> I want to talk a little bit about the process. I get an awful lot of questions about how we do things, how do we make decisions, how are we able to come up here and predict these kinds of resources and then deliver those. Where does the 3.5 billion barrels that we talked about in the exploration wedge, come from? [...]
>
> So we go through this process internally and this is something that we do very, very rigorously. I know Al talked about the magic that the exploration group does. It really is magic. It's a lot of work, the guys spend an awful lot of time on risk assessment subsurface risk assessment, commercial risk assessment, so that we can make the best decisions when we invest the Company's capital. The very first thing we do, is the technical team defines the opportunity sets, they define what they think the range of resources could be. We have a group internally at Anadarko called the RCT, Risk Consistency Team. They use a methodology, Rowe's methodology; a lot of other companies use it but we're very rigorous about it and we get every single opportunity through that group and it's not a onetime event. It's a continuum of the process.
>
> Early in the process, they visit with the RCT; RCT helps focus on, what's the key risk elements in this prospect. That's where you should put your effort, that's where you should put your capital, if required, to help mitigate those risk elements.
>
> At the end of that, we feel like we've got a very good subsurface assessment of resource ranges and they are probabilistic resource ranges and subsurface risk assessment, based on the criterias that we have listed below which are the critical elements for hydrocarbon trapping and accumulation. We then take that assessment to a team that's internal to the exploration group of engineers and

that's the exploration/engineering group who gets together with our facilities team, our drilling team and gets costs estimates for conceptual development plans.

217. Defendant Daniels further explained the Company's risk management philosophy:

> We also have things that don't fall into what we call, the happy land, or the upper right quadrant, that we look at as, how do we get them up there? Typically these are less mature, higher risk, type of opportunities. We can get new data that can help either minimize the risk or give us a better understanding. We can take technology to the existing data and help move those things up again, through our constant process of evaluating the risk, up into the area where there would be one that we would consider for investment. Or, we can monetize them; we can get somebody else to come in and take those opportunities and drill those wells and keep a piece of it.

218. Anadarko's Senior Vice President of Worldwide Operations elaborated on Defendant Daniels' statements by highlighting to investors Anadarko's ability to monitor its projects, touting Anadarko's "increase[ing] our automation and surveillance activities that we have on our wells ... [Indeed,] 95% of our gas production is up...has a surveillance component to it through automation, and that gives us a great advantage of actually going to where the problem wells are and getting them fixed, getting them back on line, and ... those activities have resulted in reducing our OpEx this last year by over 20%."

219. Anadarko's President and COO also presented at the investor conference, touting the Company's successful deepwater program to investors, stating: "I think it's extraordinary that we had the kind of success rate we had last year in deepwater exploration. We got to a point where in some ways I think we started as an organization to assume everything was going to be successful, and I think the investment community did too." According to Anadarko's President and COO, "I don't think anybody had the kind of success we had last year, and when you talk to the service companies that tell us that our 30 exploration wells and appraisal wells that we have planned for the coming year are probably, by anybody's definition, the most active of any

company in the world you can see we're not only good at it, but -- and we have a track record to back it up, but we're also very active in it."

220. Anadarko's President and COO attributed the Company's successful deepwater program, in large part, to Anadarko's ability to apply the skills it acquired from the Company's experience producing oil in the Gulf of Mexico. According to Anadarko's President and COO, "[t]he types of things that we've done in the past, we've taken what we learned in the Gulf of Mexico, we exported that to Brazil and West Africa, and now more recently in East Africa in Mozambique, and we're pretty excited about what that skill set's going to be able to do for us." Building on this point, Defendant Daniels remarked that:

> [W]e were very conscious about taking a skill set that we'd developed in the Gulf of Mexico which was around exploration in deep water and then into the development phase but particularly our skills in the exploration world and transporting that around the globe to where we thought there were more opportunities, less mature basins that we could apply those skill sets to.

221. The above statements were materially false and misleading when made because, as set forth above in ¶ 178, Anadarko was not managing its projects, including the Macondo well, in a manner that was safe or designed to ensure environmental safety. Nor did Anadarko have disciplined and rigorous risk management practices. For instance, when partnering with BP on the Macondo well, Defendants approved dangerous and high-risk operational decisions for the Macondo well, failed to properly monitor operations on the Macondo well, risked the lives of the workers on the well, endangered wildlife, the environment and commercial interests along the Gulf coast, jeopardized the Company's multi-million dollar investment in the Macondo well project and exposed the Company to billions of dollars in potential civil and environmental liability. Moreover, Anadarko completely failed to investigate, consider, or exercise any oversight over BP despite being alerted to BP's industry-wide safety record that should have made Anadarko pay particularly close to attention to BP's practices on the Macondo well.

XI. LOSS CAUSATION

222. As alleged herein, Defendants' wrongful conduct directly and proximately caused the economic loss suffered by Lead Plaintiffs and the Class. Throughout the Class Period, as set forth above, the market price of Anadarko securities was inflated by the material omissions and false and misleading statements made by the Company and Defendants Hackett, Gwin, and Daniels, which were widely disseminated to the securities markets, investment analysts and to the investing public. The false and misleading statements materially misrepresented to the investing public the Company's financial results regarding Anadarko's business, operations, risk profile and levels of insurance, and caused those securities to trade at prices in excess of their true value.

223. As a result, Lead Plaintiffs and the Class purchased Anadarko securities at artificially inflated prices. When the truth about Anadarko was revealed to the market through several partial disclosures, the price of Anadarko's securities declined in response, as the artificial inflation caused by the Defendants' material omissions and false and misleading statements was removed from the price of Anadarko's securities, thereby causing substantial damage to Lead Plaintiffs and the Class.

224. During the Class Period, Anadarko's common stock traded as high as $74.74 per share. Immediately after the explosion, Anadarko securities fell slowly over the next few weeks as the true nature of Anadarko's involvement in the well and potential liability was revealed. On April 27, 2010, on news that the spill would be difficult to contain, Anadarko's common stock fell over $3 per share from a closing price of $73.18 per share on April 26 to $70.10 per share on April 27, a statistically significant drop of 4.2%, on above average trading volume of 5,335,300 shares. On April 29, 2010, the price of Anadarko's common stock fell another $3 per share from a closing price of $70.20 per share on April 28 to $67.33 per share on April 29, a statistically

significant drop of 4.1%, on high trading volume of 14,134,700 shares. Finally, as a result of the partial disclosures on April 30, 2010 that cleanup efforts were ineffective and that Anadarko faced increased liability, the Company's stock continued to drop an additional $5.17 per share from the April 29 closing price of $67.33 per share to $62.16 per share on April 30, a statistically significant drop of 7.7%, on high trading volume of 21,079,100.

225. On May 5, 2010 a partial disclosure revealed the possibility that environmental recovery costs could reach $15 billion. This partial truth informed investors as to Anadarko's exposure to liability, and as a result, the price of Anadarko's common stock fell $2.57 per share from the May 4 closing price of $64.40 per share to $61.83 per share on May 5, a statistically significant drop of 4%, on high trading volume of 11,184,700 shares.

226. On May 28, 2010, another partial disclosure revealed that Congress was considering removing the liability cap for damage caused by oil spills. Removing the cap directly contrasted Hacket's earlier statement and would have increased Anadarko's potential liability. The market reacted and Anadarko's common stock fell $3.24 per share from the May 27 closing price of $55.57 per share to $52.33 per share on May 28, a statistically significant drop of 5.8%, on high trading volume of 9,825,800 shares.

227. On May 30, 2010, the first partial disclosure concerning the reckless decisions by BP and its partners in drilling the Macondo well were made. In response to these concerns, the price of Anadarko's common stock plummeted by almost $10.00 per share – a precipitous drop of approximately 20% – from the May 28 closing price of $52.33 per share to close at $42.10 per share on June 1, on extraordinarily high trading volume of over 44.8 million shares.

228. A series of partial disclosures made between June 2, 2010 and Jun 9, 2010 revealed additional truths about Anadarko and the spill. As set forth above in ¶¶ 156-162, these

additional disclosures revised the potential liability for the spill upward to $40 billion, forecast the potential environmental penalties on the parties to the Macondo well, and highlighted the errors and omission in the Macondo Spill Response Plan, a document that was available to Anadarko at the time of its investment in the Macondo well.

229. When the market finally gained a complete understanding of the magnitude of the environmental liabilities facing Anadarko and became aware of the true safety measures adopted at the rig, on June 9, 2010 the price of Anadarko's common stock had plummeted another 19% to just below $34.50 per share from their June 8 close of $42.80 per share on an extraordinarily high trading volume of over 45.72 million shares.

230. As a result of their purchases of Anadarko securities during the Class Period and the corrections removing the artificial inflation in the prices paid for those securities, Lead Plaintiffs and the Class suffered economic harm under the federal securities laws.

XII. CLASS ACTION ALLEGATIONS

231. Lead Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the publicly traded securities of Anadarko between June 12, 2009 and June 9, 2010, inclusive (the "Class") and who were injured thereby. Excluded from the Class are Defendants, members of the family of each of the Individual Defendants, executive officers and/or directors of Anadarko, any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, agents, affiliates, heirs, successors-in-interest or assigns of any such excluded party.

232. Throughout the Class Period, Anadarko's common stock was actively traded on the NYSE, which is an efficient market. Numerous securities analysts published reports about

Anadarko during the Class Period, including analysts from Argus Research Company, Bernstein Research, Buckingham Research, Credit Suisse, Deutsche Bank, Fitch, HSBC, Jeffries & Co., JP Morgan, Macquarie (USA), Morgan Stanley, Oppenheimer, RBC Capital, Sadif Investment Analytics, Scotia Capital, Sun Trust, Validea, and Wells Fargo. Hundreds of thousands of Company shares were traded every day during the Class Period, and over ten million Anadarko shares were traded on numerous days.

233. The members of the Class are so numerous that joinder of all members is impracticable. As of March 31, 2010, the Company had over 494.74 million shares of common stock issued and outstanding. While the exact number of Class members is unknown to Lead Plaintiffs at this time and can only be ascertained through appropriate discovery, Lead Plaintiffs believe that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Anadarko or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

234. Lead Plaintiffs' claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal securities laws, and sustained damages as a result of the conduct complained of herein.

235. Lead Plaintiffs will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Lead Plaintiffs have no interests that are contrary to or in conflict with those of the members of the Class that Lead Plaintiffs seek to represent.

236. Common questions of law and fact exist as to all members of the Class, and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

a. whether the federal securities laws were violated by Defendants' acts as alleged herein;

b. whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations, risk profile and management of Anadarko;

c. whether and to what extent the market prices of the Company's securities were artificially inflated during the Class Period due to the non-disclosures and/or misrepresentations complained of herein;

d. whether Defendants acted with scienter;

e. whether Defendants named in Lead Plaintiffs' claim pursuant Section 20(a) of the Exchange Act are controlling persons of the Company;

f. whether reliance may be presumed pursuant to the fraud-on-the-market rule and/or the fraud-created-the-market rule;

g. whether the members of the Class have sustained Damages as a result of the misconduct complained of herein, and if so, the proper measure thereof.

h. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy, since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to

individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

XIII. INAPPLICABILITY OF THE STATUTORY SAFE HARBOR

237. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are nevertheless because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false or lacked a reasonable basis, and/or the forward-looking statement was authorized and/or approved by an executive officer of Anadarko who knew and/or recklessly disregarded that those statements were false when made.

238. Lead Plaintiffs have alleged the following based upon the investigation of Lead Plaintiffs' counsel, which included a review of SEC filings by Anadarko, as well as regulatory filings and reports, securities analysts' reports and advisories about the Company, press releases and other public statements issued by the Company, related litigation, and media reports, and Lead Plaintiffs believe that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

XIV. PRESUMPTION OF RELIANCE

239. At all relevant times, the market for Anadarko's common stock was an efficient market for the following reasons, among others:

a. Anadarko's stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

b. As a regulated issuer, Anadarko filed periodic public reports with the SEC and the NYSE;

c. Anadarko regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

d. Anadarko was followed by several securities analysts employed by major brokerage firm(s) who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firm(s). Each of these reports was publicly available and entered the public marketplace.

240. As a result of the foregoing, the market for Anadarko securities promptly digested current information regarding Anadarko from all publicly available sources and reflected such information in Anadarko's stock price. Under these circumstances, all purchasers of Anadarko common stock during the Class Period suffered similar injury through their purchase of Anadarko common stock at artificially inflated prices and the presumption of reliance applies.

XV. CLAIMS FOR RELIEF UNDER THE EXCHANGE ACT

COUNT ONE

FOR VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 PROMULGATED THEREUNDER AGAINST ALL DEFENDANTS

241. Lead Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

242. During the Class Period, Defendants Anadarko, Hackett, Gwin and Daniels carried out a plan, scheme, and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public regarding Anadarko's business, operations, risk profile, foreseeable liability exposure, and the intrinsic value of Anadarko common stock; (ii) enable defendants to artificially inflate the price of Anadarko shares; (iii) enable Defendant Hackett to sell over $61 million of his privately-held Anadarko shares while in possession of material adverse non-public information; and (iv) cause Lead Plaintiffs and other members of the Class to purchase Anadarko common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, jointly and individually (and each of them) took the actions set forth herein.

243. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially inflated market prices for Anadarko's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

244. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Anadarko as specified herein.

245. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein, to falsely assure investors of Anadarko's intrinsic value, performance, and continued substantial growth. These acts included, among other things the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary to make the statements issued-about Anadarko, its business operations, and its future prospects not misleading. Defendants also engaged in transactions, practices, and a course of business which operated as a fraud and deceit upon the purchasers of Anadarko common stock during the Class Period.

246. The Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in failing to ascertain and to disclose such facts. Defendants' material misrepresentations and/or omissions were done knowingly or recklessly for the purpose and effect of concealing Anadarko's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by Defendants' overstatements and misstatements of the Company's business, operations risk profile, foreseeable insurance liability, cost, expenses, and earnings throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by refraining from taking steps necessary to discover whether those statements were false or misleading.

247. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Anadarko common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices

of Anadarko's publicly-traded common stock were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Lead Plaintiffs and the other members of the Class acquired Anadarko common stock during the Class Period at artificially high prices and were damaged thereby.

248. At the time of said misrepresentations and omissions, Lead Plaintiffs and other members of the Class did not know the misstatements were materially false and misleading. Had Lead Plaintiffs and the other members of the Class and the marketplace known the truth, Lead Plaintiffs and other members of the Class would not have purchased or otherwise acquired Anadarko's publicly-traded securities, or, if they had acquired such publicly traded securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

249. By virtue of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

250. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

COUNT TWO

FOR VIOLATIONS OF SECTION 20(a) OF THE EXCHANGE ACT AGAINST INDIVIDUAL DEFENDANTS

251. Lead Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

252. Defendants Hackett, Gwin and Daniels acted as controlling persons of Anadarko within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Lead Plaintiffs contend are false and misleading. Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Lead Plaintiffs to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

253. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

254. As set forth above, Defendants each violated Section 10(b) and Rule 1 0b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's publicly-traded securities during the Class Period.

DEMAND FOR JURY TRIAL

255. Lead Plaintiffs, on behalf of themselves and the Class, hereby demand a trial by jury in this action of all issues so triable.

PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiffs, on behalf of themselves and the Class, pray for relief and judgment as follows:

A. Determining that this action is a proper class action and certifying Lead Plaintiffs as the class representatives under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of Lead Plaintiffs and the other members of the Class against all Defendants for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, together with interest thereon;

C. Awarding rescission and/or rescissory damages in favor of Lead Plaintiffs and the other members of the Class;

D. Awarding prejudgment interest and/or opportunity cost damages in favor of Lead Plaintiffs and the other members of the Class;

E. Awarding Lead Plaintiffs and the Class the fees and expenses incurred in this action, including attorneys' fees and expert fees; and

F. Granting such other and further relief as the Court may deem just and proper.

Dated: January 31, 2011

Respectfully Submitted,

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP

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