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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

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WESTERNGECO LLC, . 4:09-CV-01827  
. HOUSTON, TEXAS

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PLAINTIFF, .

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vs. .

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ION GEOPHYSICAL .  
CORPORATION, FUGRO GEOTEAM, .

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INC., ET AL, .

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DEFENDANTS . VOLUME 13

. . . . . AUGUST 9, 2012

. . . . . 7:34 A.M.

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TRANSCRIPT OF JURY TRIAL  
BEFORE THE HONORABLE KEITH P. ELLISON  
UNITED STATES DISTRICT JUDGE

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A P P E A R A N C E S:

07:33

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*Torgerson Direct Continued of Kenneth Williamson*

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**P R O C E E D I N G S**

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*(Jury present)*

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*THE COURT:* You may resume.

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**KENNETH WILLIAMSON, DULY SWORN, FURTHER TESTIFIED:**

07:33

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**DIRECT EXAMINATION CONTINUED**

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BY MR. TORGERSON:

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Q Yesterday, you were discussing a number of different issues identifying market resistance to Q-Marine. Q-Marine had been publicly offered prior to your joinder to the then-merged

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WesternGeco entity. And you gave us some examples of market resistance to Q-Marine that you personally witnessed in connection with your role as sales manager and as vice president of marketing through 2003.

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One of these -- would you agree with me that one of the issues of market resistance to Q-Marine was its high price?

A Yes.

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Q And remind us again how different the original pricing of Q-Marine was over the rest of conventional seismic.

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A The intended -- by the time it came to be rationalized, it was about three or four times the price of conventional, was the initial projected target.

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Q And that went down over time?

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A Yes.

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Q And we will talk about some other examples of that.

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*Torgerson Direct Continued of Kenneth Williamson*

07:36 1 Another area of market resistance to Q-Marine was  
2 WesternGeco's refusal to release the single sensor data. Is  
3 that fair?

4 A Yes.

07:36 5 Q Another area that you had mentioned yesterday, I believe,  
6 was some early teething problems, as you described them, or  
7 technical issues associated with the performance of Q-Marine,  
8 just like any other new technology?

9 A Yes.

07:36 10 Q You gave us a story about an episode in Mauritania. Were  
11 there other technical issues that you had heard about up  
12 through the end of 2003 associated with the performance of the  
13 Q-Fin?

14 A It was the propeller effect.

07:36 15 Q What is that?

16 A It was an issue where the fin would have parallel wing  
17 angles and it would act like an impeller, and after it went in  
18 the water, it would just keep rotating. And that caused some  
19 problems with lots of noise. And eventually we would have to  
20 stop and go and retrieve that malfunctioning device from the  
21 streamers.

07:37 22 Q And in addition to that, we talked briefly yesterday about  
23 solid streamers or the fact that WesternGeco didn't offer solid  
24 streamers with its Q-Marine system while you were there.

07:37 25 What was the importance of that, again?

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*Torgerson Direct Continued of Kenneth Williamson*

07:37 1 A There were several. One was that for places where we were  
2 arguing about single sensor for the noise reduction, some of  
3 the competitors with solid streamer were effectively combating  
4 similar arguments with the performance of the solid streamer,  
07:37 5 because that was also quite robust for eliminating weather-  
6 related noise. So we just lost that argument against solid  
7 streamer. So it was like a competitive type of situation.

8 Q So in the market, you had different manufacturers and  
9 different contractors utilizing solid streamers, essentially  
07:38 10 pitching to the oil companies that their technology was better  
11 for noise reduction, and on the other hand, WesternGeco was  
12 touting its ability to attenuate noise through the Q-Marine  
13 single sensor network?

14 A That's correct, yeah.

07:38 15 Q All right. As a result of these issues that led to market  
16 resistance to Q-Marine, how did that impact the utilization of  
17 the Q-Marine fleet?

18 A Utilization was low. In fact, we had -- one of the issues  
19 was the stance on price, and market acceptance caused a  
07:38 20 utilization issue with the Q-Marine fleet. So it was low.

21 Q Yesterday, you had told us about a pricing tier that you  
22 had put in place, not unlike a car wash. And could you give  
23 some brief background on how that came about?

24 Was there any interaction with senior management  
07:39 25 or leadership within WesternGeco and Schlumberger to get that

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*Torgerson Direct Continued of Kenneth Williamson*

07:39 1 pricing tier established?  
2 A Yes. Initially, under the presidency of Gary Jones, we  
3 were trying to roll Q out and have this pricing discussion in  
4 the marketplace. We clearly weren't getting the traction, but  
07:39 5 there was sort of a predetermined mandate about pricing that  
6 "We are not going to back down on pricing. We will shut the  
7 vessels down." And I could see that it was clear it wasn't  
8 going to work. We were going to struggle with very low  
9 utilization for a long time.

07:39 10 And when Dalton Boutte came in as president, we  
11 had more fingers into the mother ship of the Schlumberger  
12 company to get the audience compliant to maybe change their  
13 stance a little bit. And ultimately there was a meeting he  
14 organized with Andrew Gould present, who was the chairman at  
07:40 15 the time. And I think it was a three-hour slot that I had in  
16 that meeting agenda, with lots of technical support showing  
17 some of the market resistance to utilization and showing that  
18 with a lower price, we could probably get a much higher  
19 utilization.

07:40 20 I remember showing a chart in that meeting which  
21 showed that we were around 10 percent utilization based on the  
22 current pricing and looking at we could probably achieve a  
23 lower pricing and much higher utilization, but overall a higher  
24 profitability than we were getting.

07:40 25 And part of the market feedback -- and I think

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