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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY
Civ. No. 04-3749 (JAP)
(Consolidated Cases)
Hon. Joel A. Pisano

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IN RE ROYAL DUTCH/SHELL |
TRANSPORT SECURITIES |
LITIGATION |
- - - - - - - - - - - - - - - +

Videotaped Deposition of Walter van de Vijver
Washington, D.C.
Wednesday, January 31st, 2007
9:39 a.m.

Job No. 22-94056
Pages 1 - 217, Volume I
Reported by: Laurie Bangart-Smith

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Videotaped Deposition of
WALTER VAN DE VIJVER

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Taken pursuant to the Federal Rules of Civil Procedure, by notice, before Laurie Bangart-Smith, Registered Professional Reporter and Notary Public in and for the District of Columbia.

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Also present:
Steve Peitler, Investigator
Cali Day, Videographer

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EXAMINATION INDEX

E X H I B I T S

(Attached to the Transcript)

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WALTER VAN DE VIJVER, January 31, 2007

P R O C E E D I N G S

THE VIDEOGRAPHER: Here begins Tape Number 1 in the deposition of Walter van de Vijver, in the matter of Royal Dutch/Shell Transport Securities Litigation, in the United States District Court, District of New Jersey, Case Number 04-3749. Today's date is January 31st, 2007. The time is 9:39 a.m.

The video operator today is Cali Day of LegaLink New York. This deposition is taking place at Akin Gump, 1333 New Hampshire Avenue, Northwest, Washington, D.C.

Would counsel please identify themselves and state whom they represent.

MR. HABER: Jeffrey Haber from Bernstein, Liebhard & Lifshitz, on behalf of lead plaintiff, Peter M. Wood in the class. Also with me is my colleague, Allen Hobbs, also from Bernstein, Liebhard & Lifshitz.

MS. MACKINTOSH: Christine Mackintosh from Grant & Eisenhofer on behalf of the opt-out plaintiffs.

MR. GOLDSTEIN: Joseph Goldstein from

Mayer, Brown, Rowe & Maw on behalf of Sir Philip

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Watts.

MS. MAZARAKIS: Akrivi Mazarakis, Mayer, Brown, Rowe & Maw, on behalf of defendant Philip Watts.

MR. MORSE: Adreian Morse, Mayer Brown, for Sir Philip Watts.

MR. WEED: Earl Weed, in-house Shell.

MR. TUTTLE: John Tuttle, Debevoise & Plimpton, LLP, on behalf of the Shell defendants.

MR. WARE: David Ware, Debevoise & Plimpton, on behalf of the Shell defendants.

MR. KING: Jeffrey King from Akin Gump on behalf of the witness, Mr. Van de Vijver.

MR. DOWD: John Dowd from Akin Gump on behalf of Mr. Van de Vijver.

MR. HOTZ: Robert Hotz from Akin Gump representing for Mr. van de Vijver.

MR. SCHULTEN: Christopher Schulten from Akin Gump on behalf of Mr. Van de Vijver.

MR. ADLER: Derek Adler from Hughes, Hubbard & Reed, for PricewaterhouseCoopers U.K.

MR. CORSON: Nicholas Corson, Hogan & Hartson, for KPMG Accountants.

MS. WICKHEM: Rebecca Wickhem, Foley &

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Lardner, on behalf of Judith Boynton.

MS. SENNETT: Nancy Sennett of Foley & Lardner, LLP, on behalf of the defendant Judith Boynton.

MR. WEED: Ralph Ferrara, LeBoeuf, Lamb, Green & MacRae, on behalf of Shell Transport and Trading, Royal Dutch/Shell, and I might want to remind my good friend Jeff Haber that there is no class to represent yet, but we understand are his clients.

THE VIDEOGRAPHER: The court reporter today is Laurie Bangart-Smith of LegaLink New York. Would the reporter please swear in the witness.

WALTER VAN DE VIJVER,
having been duly sworn, testified as follows:
EXAMINATION BY COUNSEL FOR PLAINTIFFS
BY MR. HABER:
Q Mr. Van de Vijver, good morning.
Before we start, I just want to let everyone know that I am told that there is food, there's breakfast, and there will be lunch served in the Georgetown Room, which is right behind us, and everyone is welcome to partake in that.

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Also, Ralph, I understand, but I'm pretty confident we'll get there.
Also, Mr. Van de Vijver, this morning and throughout the next couple of days, as you know, we're going to be asking you a series of questions, and what I'm looking for are your best recollection, your knowledge of the events and circumstances that I'll be asking you about. And as you probably know from speaking with your counsel, these issues relate to the recategorization that Shell had announced in multiple releases, beginning in January of 2004.
If I ask you a question and you don't understand, would you let me know that?
A Sure.
Q And I will let you know that if you ask me to rephrase a question or you don't understand a question, I'll be happy to rephrase it so that you do understand. This way we're always on the same page.
If you don't hear a question, will you tell me?
A Yes.
Q And again, if you don't hear it, I'll be happy to repeat it.

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Also, please recognize that even though these proceedings are being videotaped, we still have a court reporter, and your answers still need to be verbal, so please articulate your answers

with a "yes" or a "no" and certainly any response that you need. Head nods and "uh-huhs," they don't get picked up by the court reporter. Is that okay with you?
A Sure.
Q If you don't know the answer to a question that I ask, would you let me know that.
A Yes.
Q Please, if you could, speak clearly and audibly for the court reporter. Again, even though this is being videotaped, the court reporter needs to be able to hear and understand everything that's being said.
A lot of times during these proceedings what will happen -- and it's completely unintentional -- is the examiner and the witness tend to talk over each other. I will do the best that I can to make sure that you finish all your answers before I ask a question, and I would
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appreciate it if you would do the same; wait for me to finish my questions before you answer. Is that okay?
A Sure.
Q Finally, if you need a break at any time, please let me know, and I will do what I can to accommodate you. The only time that I will not accommodate the request is if the -- if there's a question pending, in which case then I would ask for a response, the only exception to that being if there's an issue of privilege that your counsel is asserting.
Is that acceptable?
A Yes.
Q Great. Okay. For the record, can you tell us your name and address, current address.
A Walter van de Vijver. I'm living in the Netherlands in Wassenaar. The street name is Groot Haesebroenseweg, Number 1.
Q We can go off the record later and --
A I'm sorry. I can't make it any easier than that.

Q That's okay.
And have you attended a college or
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university?
A Yes.
Q And where did you go?
A It's called the University of Technology in Delft in the Netherlands.
Q Did you graduate with a degree?
A Yes. I graduated with a master's degree in civil engineering.
Q Did you continue with any higher education after graduating from Delft University?
A No. Immediately after that degree, I joined Shell.
Q Before we start with your CV, if you will, just a couple of other unrelated questions to Shell.
Do you have any professional licenses?
A Apart from a driver's license, no, I don't think so.
Q Okay. Did you ever join the Society of Petroleum Engineers?
A Yeah, as a member, but it doesn't really mean a lot, right? Everyone who wants to become a member can become a member.
Q Are you currently a member?
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A No.
Q When did you begin your membership?
A Somewhere -- I don't know exactly. Somewhere in the early, early eighties.
Q And how long did you maintain the membership?
A I left somewhere, 2000, 2001 or so.
Q Did you ever attend any meetings of the SPE?
A A couple but not, not many, and I did a few -- I think I once also did a presentation at, at one of the SPE meetings.
Q Do you recall when that presentation was

given?
A I think I may have given one -- I really can't be sure. I think maybe somewhere -- it was in Aberdeen, when I was based in Aberdeen looking after the Brent field.
Q I know now I'm skipping into your CV a little. When were you in Aberdeen?
A Aberdeen? I arrived in Aberdeen in end of March '91.
Q And how long were you there?
A I was there for nearly six years. In
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February, February '97, I moved over to London.
Q Going back to the presentation, do you recall the subject matter of the presentation?
A It must have been about the Brent fields. I was -- when I was in Brent I was responsible for a major redevelopment of, uh, of the Brent field.
Q And where is the Brent field?
A In the North Sea, in the northern North Sea.
Q Is that a gas or oil --
A Gas and oil field.
Q It's both?
A Yeah.
Q What was your position while you were at Aberdeen?
A I started off as the petroleum engineer and manager for the Brent field, and then after a couple of years I took over as the General Manager for the Brent field.
Q And was General Manager the last position you held while you were at Aberdeen?
A Yes.
Q Going back to the SPE, do you recall
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attending any meetings of the SPE where reserves reporting was discussed?
A No, never.
Q Do you recall -- do you know if the SPE

publishes any periodicals that it sends to its members?
A Yes. I -- as part of being an SPE member, I go to their -- I think it's JPT, Journal of -- I don't know what, but I think theirs is called JTP, a magazine that they published on I think a monthly basis.
Q Do you recall reviewing the JPT when it was distributed to you?
A Oh, like a little magazine saying -- I must have read a few articles in it. No details.
Q Do you recall ever reading articles about reserves reporting requirements?
A No.
Q And again I'm just referring to the JPT right now.
A Yeah, yeah, I understand.
Q Other than the SPE, are you a member of the Royal Institute of Engineers?
A No.
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Q Can you think of any other industry organizations that you either were or currently are a member of?
A I'm currently not a member of, of anything. I remember when I was in the United States I was a member of the API.
Q And what is the API?
A American Petroleum Institute.
Q And how long were you a member of the API?
A That was purely coincidal with my assignment in the United States from '98 until 2001, early 2001.
Q Okay. Why don't we jump back to the CV for a moment. You said that in February of '97 you moved to London?
A Yeah.
Q What position did you take when you moved to London?
A I became the CEO of our gas, coal and power business.

Q What is the gas, coal and power business?
A Gas, coal and power business is a, is a
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business that looked after the, the coal interest that, that Shell had. Shell, not today anymore, but at that time had an interest in a coal business in Australia and in South Africa. It looked after the, the interest in, in LNG projects, and it looked after Shell's interest in power. Back in '97 Shell entered the power business, which I was involved in in a joint venture with Bechtel called Intergen.
Q What was the purpose of the joint venture?
A To get in the business of independent power producers and see that there's a profitable growth area for the Shell Group.
Q When you were at gas, coal and power, what was your position? I'm sorry. Withdrawn. You said you were CEO?
A Yeah, that was the title, yeah.
Q What were your duties and responsibilities as CEO?
A To look after that part of, of the business, and in that role I reported into one of the Group Managing Directors.
Q Who did you report to?
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A Maarten van den Bergh.
Q And was Mr. van den Bergh a member of the CNB at that time?
A Yeah, Group Managing Director means being a member of the CMD.
Q For the record, what is the CMD?
A Committee of Managing Directors.
Q What's the function of the CMD?
A That's the top accountable body in the, in the Shell Group below the, the boards, which was called Conference.
Q When you say "the boards," was that --

are you referring to the boards of both Shell Transport and Royal Dutch?
A If I talk Conference, that's the place where the boards of both Royal Dutch and ST&T would sit together.
Q And ST&T being Shell Transport and Trading?
A Yes.
Q What was your relationship like with Mr. van den Bergh when you reported to him?
A I think very well. It was my first assignment outside the exploration and production
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business, so I had before never really had anything to do with him, and that was a, was a new experience for me.
Q Did you find he was someone that you could speak to openly and freely?
A Yes.
Q The gas and power business; is that considered an upstream business?
A In the group it was put separate to give it its own identity, because it was more about the, the commercial side of the business.
Q And is that the functional equivalent of upstream, something that is being produced and commercialized?
A Well, it was a separate business. Exploration and production is distinct from the gas and power business, and I think that's still the case today within Shell.
Q I guess what I'm just trying to understand -- I've heard within this case "upstream" and "downstream," and I understood gas and power to be upstream and to be different from exploration, which was downstream. Am I wrong?
A I think you're getting a little bit
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confused. Gas and power was often called the downstream gas. The E&P business, exploration and production business, is often referred to as

upstream.
Q Okay, and can you explain to me why.
A Well, upstream is all about finding and getting the hydrocarbons out of the ground, and downstream, just like you have the oil products business, is about marketing and ultimately the distribution of those products.
Q Going back to the CV for a moment, you were in London from around February of '97 until sometime in -- until sometime into 1998, correct?
A Yes.
Q What did you do in London?
A That's what we just talked. That was here, the gas and power business, '97, '98.
Q Okay, I'm sorry. I, I completely lost it. I'm sorry.
In '98 to 2001 what did you do?
A That's when I went to the United States and I became -- I think official title is President and CEO of Shell Exploration and Production. I think the acronym was SEPCo. That
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was the U.S. arm of the exploration and production business.
Q And as CEO of SEPCo, what were your duties and responsibilities?
A I had to -- the responsibilities, they are both for the upstream business, the exploration and production business, but also for the downstream gas and power business. Later that was sort of split, but that's sort of how the structure was when I arrived in the United States.
Q Who did you report to while you were at SEPCo?
A That was one of these -- in the transition I reported both to the CEO of Shell Oil Company as well as into the Regional Director within the E&P business for America and Europe, which was Bob Sprague at that time.
Q So Bob Sprague was the Regional Business Director for America and Europe at the time?
A Yes.

Q Did that reporting line subsequently change, or did you report to him throughout your tenure?
A No, that did not change.
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Q Was Bob Sprague someone that you can talk to openly and candidly?
A I think generally yes, yeah.
Q Who was the CEO of Shell Oil?
A When I arrived in the United States, I took over from, from Jack Little, who had held my position there for I think about 11 years. When I arrived, he moved off up to become the CEO of Shell Oil Company.
Q And did he remain the CEO of Shell Oil Company during your tenure as CEO of SEPCo?
A No, because he retired about -- I don't know exactly. It was about a year later.
Q And who succeeded him?
A Steve Miller.
Q Do you know where Steve Miller had come from?
A He, he came in the U.S. from actually the Committee of Managing Directors. Before that he had been one of the members of the Committee of Managing Directors.
Q Did he remain on the CMD during his tenure as, as CEO of Shell Oil?
A No.
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Q Do you have an understanding as to why?
A Well, I mean it was all as part of the, the transition which is called the globalization of, of the business where Shell Oil was brought more closely to the rest of the group in terms of reporting lines and decision-making. Until I arrived in the United States, Shell Oil was very much sort of in a separate identity with its own boards and with a lot of the decision-making done in the United States, whereby on the board of Shell Oil there would always be two members of the

Committee of Managing Directors as board members of Shell Oil Company, but it was thereby sort of governed separately.
Q When did the globalization of the business occur?
A In terms of the globalization, that happened, if I recall correctly, on the sort of first of April '99 at least with respect to my business.
Q At the time of the globalization, around April of 1999, was Shell Oil a separate reporting company from the larger group?
A Yes. That's what I just explained, to
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having its own, own board and, and the board would govern Shell Oil directly. And as part of the globalization, there was a gradual move to bring the decision-making, investment decisions and business planning in line with the, with the rest of the group.
Q And so you're talking internally about reporting, correct?
A Yeah, yeah.
Q I was actually referring to externally, like the Securities and Exchange Commission.
A I don't know the details about -- I mean Shell Oil, no, it's -- I think it was all reported as one entity, because it was already back in -- I think it's 1985. That was the time of my first assignment to Shell Oil where the minority shareholders and Shell Oil Company were bought out, so it wasn't a hundred percent Shell Company.
Q So much earlier than April of '99 for external reporting purposes, Shell was already -- Shell Oil was already part of the larger group?
A Yes.
Q In your function as CEO of SEPCo, did you have any responsibilities for reporting of
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proved reserves?
A Like every operating unit within the

company -- the term "operating unit"; every entity within the country was called an operating unit. Every operating unit on an annual basis would report their best estimate of reserves, including proved reserves, to, to the Center in, in The Hague.

Q Did you have people who reported to you who had that responsibility for gathering their reserves information for reporting in to The Hague?

A For the U.S., yes, certainly. I, I recall that a few occasions during my regular management or I call the Leadership Team of SEPCo, there would be, on an annual basis, reports in on the, on the status of our reserves.

Q Did, did Shell Oil participate in the annual closeout of reserves which I understand is called the ARPR?

A Yes.

Q And did you have any responsibility in connection with the ARPR while you were head of SEPCo?

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A Well, as sort of the CEO of that entity, you have a responsibility, ultimately, for the business, so including reserves. Obviously I relied on the experts in my organization to make sure that, that the right, right numbers were, were prepared.

Q And in terms of the right numbers being prepared, do you know against what those numbers were, were measured by; that is, Shell's guidelines or the SEC's rule governing reserves reporting?

MR. TUTTLE: Object to form.

BY MR. HABER:

Q You can answer.

A Sorry. Can you repeat the question.

Q Sure. When -- you said in your prior answer that, that the organization rolled up the numbers, they collated the numbers, and you had said that you relied on the experts to make sure

that the numbers were prepared, and what I want to know is against what did they make sure that those numbers were prepared properly.
MR. MORSE: Objection to form.
MR. TUTTLE: Objection.
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THE WITNESS: Am I not allowed to answer?
BY MR. HABER:
Q No, no. You can answer.
A Okay. So to the best of my understanding, it was against the Shell guidelines that would apply just in Shell Oil.
(Discussion was held off the record.)
BY MR. HABER:
Q In connection with Shell's guidelines, did you review Shell's guidelines while you were CEO of SEPCo?
A No.
Q Are you aware that the SEC had enacted a rule governing the reporting of proved reserves?
A No.
Q Have you ever heard of a rule called Rule 4-10?
A Not until end of 2003.
Q And why did you hear about Rule 4-10 in the end of 2003?
A Because there was a, there was a lot of debate, and of course, I'm stepping forward now, all the way to, to Rockford when there was a lot
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of discussion about whether the new numbers we came up with, whether there was an effect from what I recall these clarifications that were issued by the SEC -- was it 2000 or 2001?
Q When you refer to "clarifications" issued by the SEC, are you referring to the staff interpretive guidance that the SEC staff had issued?
A Yes. Is that something different than this rule? I assumed that that was what you were

referring to.
Q No, I'm actually referring to the rule itself, so --
A Maybe then I was confused. I was talking about this clarification that happened in 2000 or 2001.
Q Going back again to the time of being CEO of SEPCo, do you know if Shell's guidelines made reference to Rule 4-10?
A No.
Q Do you know if Shell's guidelines quoted from Rule 4-10?
A No.
Q As CEO of SEPCo, were you also
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responsible for business planning for Shell Oil?
A Yes.
Q And let me be a little -- let me make a distinction here, because I might have been too broad. Let's take first SEPCo. Were you responsible for business planning with regard to SEPCo?
A Yes.
Q Now, is there a difference between business planning for SEPCo and Shell Oil?
A Well, Shell Oil involves the totality of business in the U.S., so that is downstream as well as upstream, and I did not have any responsibility, clearly, for other parts of the business. I only had responsibility for my part of the business.
Q So with regard to business planning for SEPCo, that was your responsibility?
A Yeah.
Q Okay. Going back to when you first started Shell, you say you started Shell when you graduated from Delft University, right?
A Yes.
Q When did you graduate?
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A October -- October or November. October

or November '79.
Q Okay. What was your first position at Shell?
A My first position was a field engineer/structural engineer.
Q What is that?
A I, I joined Shell for an international career. That was why I joined Shell. I didn't really know anything about Shell, so I ended up in this job in London probably with the background that, because I had known civil engineering and I had finished my last study in harbor design, that I knew something about water, and I ended up in a structural engineering group which was involved in the design of offshore structures in the North Sea. So my first year I spent a lot of time calculating strengths of offshore structures and doing technical calculations and fatigue calculations around platforms.
Q And how long were you in this position?
A Not that long. I think it was probably about one and a half years, because while I was in that position I got involved in a few project
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teams, and I wanted to know why -- I had designed a platform for six wells, so I wanted to know what was happening subsurface, and why can't I know more about subsurface. I want to know about what I'm doing. It took a little bit of time for the Shell system to accept that if I wanted to get more exposed to the subsurface, I actually had to sort of rejoin Shell, so I had to go for re-interviews again in The Hague to apply to become a petroleum engineer, and that's what I did.
Q And that was sometime in 1981?
A Yes. I think it was '81, and after I had my initial training, internal Shell classes, I was transferred to Qatar in the Middle East. That's a state, a country in the gulf state, state of Qatar, and I was transferred there as a well site petroleum engineer, which essentially meant

you would spend your time on the rig, learning hands-on about what it all takes to drill a well safely and successfully. And I did that again for about one and a half years, and then I couldn't find another position there, and then I moved back to the Hague. I think it was -- I don't know
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exactly. I think somewhere early '84 I moved back to the Hague.
Q Before we get to that position, what -- sorry. Withdrawn. How long was the training course that you attended?
A I think a total of about three months.
Q Did that course include lectures or other materials on reserves reporting?
A No, nothing on reserve reporting but general on all the different skills relating to petroleum engineering and field planning, so from being able to analyze a log to be able to -- electric log in a well, to what it would take to do -- analyze a production well test to doing some basic economics, I mean sort of the broad spectrum of the, of the petroleum engineering business.
Q In 1984 you started a new position. What did you -- where did you go?
A In 1984 I became, I became a reservoir engineer in, in The Hague, in the section of the Hague that was involved with Europe.
Q And what was your position there?
A Just a junior reservoir engineer doing whatever work was thrown at me to do.
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Q Up until this point you had not done any reservoir engineering work; is that correct?
A That's correct, yeah.
Q And based upon what you've said about your education, you're not -- you don't have a degree in reservoir engineering?
A Probably not, no.
Q How long did you remain in this position as a reservoir engineer?

A About two years, just under two years, and then I moved to Shell Oil in California as a reservoir engineer and later a team leader.
Q And what did you do at Shell Oil?
A Involved with heavy oil fields. That was the, the part where -- in Bakersfield in California. That's where Shell Oil had the business unit, a couple of business units, but I was in one of the business units called the San Joaquin division that dealt with a variety of, of heavy oil fields.
Q When you became a team leader, did your responsibilities change?
A Not -- well, it was more a coordinating role when I would work with facility engineers,
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drilling engineers, to develop -- prepare development plans for some of the assets I was looking after. I spent about a year there on a, on a project that involved developing a steam injection project involved in cogeneration facilities, so it was quite complex, and make sure it all was properly set up.
Q While you were working in Bakersfield, did you work with Roelof Platenkamp?
A No, not directly. He was in another division, but we were sort of -- we were posted to California at the same time. There was three, three people that sort of at the same time got, got posted to California, and at that time there was a little bit high profile. Of course, we were Dutch people coming from this very strange Royal Dutch group that sort of were planted in the Shell Oil organization. So the three of us, it was him, Max Peters and Roelof Platenkamp, therefore saw each other a lot socially, but we were -- Roelof was working in a different division from where I was, I was working.
Q And how long were you at Shell Oil?
A That was predetermined. Exactly two
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years. It was one of these sort of one year the Royal Dutch group would pay for it, another year Shell Oil would pay for it, and that was the package.
Q And during the two years that you were at Bakersfield, was Mr. Platenkamp also in Shell Oil for those two years?
A Yeah, yeah. I think we were sort of roughly exactly the same period.
Q After Bakersfield in 1988, where did you go?
A I went to -- we're in '87, huh? '85 is -- from '85 to '87 I went to Shell Oil. If I'm correct, I think I moved -- I moved in '87. I moved to Oman. I think I got it correct; yes? Are you confused?
Q A little, but that's okay. I'm going to be guided by you.
A No, it's '83-'85 was The Hague, and then '85 to middle of '87 or so was Shell Oil, and then, then I went to Oman.
Q And so in '87 you went to Oman?
A Yes.
Q Okay, and how long were you in Oman?
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A For nearly four years.
Q Approximately when did that position conclude?
A In -- I think I said earlier March '91 when I moved to Aberdeen to Shell ExPro.
Q What was your position when you were in Oman?
A I started as a, as a reservoir engineer, and then after a year I became Team Leader. It was called Area Team Leader for the Marmul area. That's a geographic area within Oman. I think I did that for one and a half years or so, and then I became Operations Manager in -- for North Oman. Oman was sort of operationally split in two areas, and I moved -- my last position was Operations Manager for North Oman.
Q You ever heard of the Yibal field or the

Yibal field?
A Yibal field, yes. I remember it very well, because when I was Operations Manager for North Oman, I inaugurated, just for the fun of it, Well 300 on the field, Well Number 300 which was, for one field, quite a few wells, so -- that was in North Oman, yes. It was one of the, the big,
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big fields in Oman.
Q Were there any other big fields in Oman?
A Yeah. In total there were about six or eight large fields in Oman. It was . . .
Q Do you recall the names of those fields?
A Now you're testing me. Lekhwair was one. Yibal was one. Farut was one. Natih was one. They were all in South Oman. South Oman had a couple as well. One was Marmul I, which I looked after. Another one was Nimr. I think that's all of the -- how many have I got now?
Q A number. Six, seven.
A Yeah, I think that's it.
Q Okay. Now, with regard to --
A Oh, another one. Rima. That was also South Oman.
Q Thank you.
Now, with regard to the restatement, do you know if any of these fields had proved reserves that were restated?
A A lot of them had proved reserves that were restated, because there was a big number in Oman. So I can't recollect the detail anymore, but I assume, because the, the reserves, clearly
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the vast majority was in these big fields. They all to some extent must have been, been affected.
Q Do you recall, during the time that preceded the announcements of the restatement, reviewing proved reserves information concerning the fields you just identified?
A No, no proved reserves, no. I did expectation reserves. Expectation reserves I did,

because there was a, there was a disagreement with the government.
Q Why don't we talk about that for a moment. What, what is this disagreement with the government that you're referring to?
A In Oman there was an agreement, contractual agreement with the Omani government that part of the fee and, therefore, the revenue that Shell would earn in Oman was linked to a reserves fee, both in terms of reserves found under mature exploration, and then both through maturation of reserves in existing fields.
Just for clarity, this has nothing to do with proved reserves. The Omani government didn't work with proved reserves. This is on -- exploration is a totally different categorization
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during the reserves, and on the Estimated Ultimate Recovery fee, I think it was called the EUR fee, related to existing fields that was linked to expectation reserves.
Q Is there a difference between expectation reserves and proved reserves?
A Yes.
Q What is that difference?
A Well, I'm, I'm -- it all has to do with the certainty around these reserves. All the, all the business planning in terms of making a business plan, doing your forecast, expenditure, volumes, et cetera, is all done on expectation basis and therefore also linked to expectation reserves. Proved reserves is a separate categorization that links to the definitions around proved reserves and also comes back in your financial calculations in terms of the depreciation in terms of your investment activity.
Q So going back now to the disagreement --
A Oman does things -- just for clarity, in Oman the government didn't use proved reserves, they only used expectation reserves, and for a depreciation there were fixed rules how
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depreciation happened, so totally separate from any consideration on proved reserves.
Q So what was the disagreement between Shell and the Omani government?
A There had been some field development activity that had been prepared and had been signed off, which meant -- was related to incremental recovery in the Marmul field. I think it was the Haima formation, and related to incremental development activity in the Yibal field, or development plans were executed, but when these development plans got executed, they didn't live up to expectation.
And clearly, because these development plans had been prepared and had been signed off by the relative parties, Shell had earned a fee on, on those activities, and as ultimately these developments didn't pan out as was predicted, the Omani government felt that that had been unjustified having paid Shell these fees. And one of the first things I did with, with the Minister of Oil and Gas is to agree that whatever Shell had received on those would be refunded. Well, actually that happened after the visit to me in
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Oman where I actually reviewed what had happened on these particular fields.
Q Just so the record is clear --
A Yeah.
Q -- this disagreement that you just testified about; when did this disagreement occur?
A I think that was already in 2001, around September 2001.
Q And so the efforts that you just described that you would undertake to go to Oman, that occurred once you moved on to a different position, because my questions were still with regard to your time in Oman.
A Oh, sorry. We totally skipped fast forward, right?
Q That's okay. So what position were you

in at the time you were having these discussions with the Omani government?
A This is all 2001 we're talking about.
Q Right. Okay. So what position did you have at the time?
A Oh, at that time I was CEO for the exploration and production business.
Q Okay. How would you describe the

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relationship between the Omani government and Shell at the time you became CEO of exploration and production?
A Very difficult.
Q And why is that?
A It's, it's -- maybe I can give you a little bit of context to, to understand it. PDO, which is a government-controlled company in Oman and very dominant in Oman, because it produces about 90 percent of the total oil in the country, so it is -- for the Omani government, it is extremely important how that entity performs.
That company had had a extremely successful track record for many, many, many years. It started -- I think it starts somewhere in the early seventies and sort of was able to sort of year by year to increase production and find additional fields and expand their production capacity. And the Omani government, through that process in terms of their international economy, was heavily dependent on the performance of PDO as a country, and the track record had been absolutely amazing in terms of year by year being able to increase production and et cetera.

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It's -- at the time, um, I think around 2000, PDO was producing 850,000 barrels a day, so it was a very large operation. For Shell equity, of course, the majority part was much smaller, but as a single operation it is a very large operation, producing 850,000 barrels a day. At the time when I arrived, there were clearly --

there were some disagreements around the ability to continue to maintain that production performance for the decades to come.
And I had my first visit back in Oman I think it was one of the first operating units I visited, I think after Nigeria, I visited Oman in the middle of June in 2001 to sort of reacquaint myself with, with the company, and as part of that process, I don't know whether it's that one or the follow-up meeting exactly, I also met the Minister of, of oil and gas.
Q So is it fair to say that among the reasons the relationship between the Omani government and Shell was tense had to do with production that Shell -- or that PDO was no longer able to do?
MR. TUTTLE: Object to form.

BY MR. HABER:
Q You can answer.
A There were a variety of issues that played at the time. Some related to the Oman LNG project, some related to the, to the performance of, of PDO as a company.
Q What's the Oman LNG project that you're referring to?
A Oman LNG is again a project that's, wherein Shell was the technical advisor and partner in of, of developing the upstream gas resource or reserves of Oman and exporting those to, to Japan and Korea.
Q And why was the Omani government upset over this?
A Like everything else, which I think I tried to put you a little bit of the context of the history of the company, when -- and of course, things went very well in Oman, and there was a bit of a tendency of the Omani government saying, well, look how great we have done, and if things would not go so well, the first to sort of point the finger at was Shell, because Shell was so dominant in the country, and there, there had been

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some difficulties in the marketing of the Oman LNG gas, that not all the volumes that were available at that time were committed to the market, and there were some issues around clearly the overall, as I mentioned, performance of PDO.
Q Was this issue ever resolved?
A What issue?
Q The LNG.
A Yes.
Q And how?
A Because Shell was successful to ultimately help Oman to market all the gas and then later even added another train to the whole project based on the Omani government initiative.
Q And when was Shell able to perform those?
A I, I don't know the exact dates. It was not my part of, of the business, so I can't tell you exactly when it happened.
Q Whose part of the business?
A Well, that is the gas and power business.
Q I see. Who was the head of gas and power at the time?
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A That was -- I think it was -- I'm not sure. I think it was Linda Cook.
Q Who is Linda Cook at the time other than being the head of gas and power?
A Linda Cook was someone that came out of the Shell Oil organization, an American who moved over. At the time that I moved to, to the U.S. to take over as CEO of the exploration and production business, she moved across to the what at that time was called EP BusCom, EP Business Committee, whatever they call it.
Q Do you know who she reported to in gas and power?
A In gas and power? There were some changes in the Committee of Managing Directors.

Up to early 2002, if I recall correctly, it was Harry Roels, and thereafter it was Malcolm Brinded.
Q Now, a moment ago --
A But there may have been an interim period where I reported directly to Phil Watts, because I think it was a bit of a gap between Harry Roels leaving and Malcolm Brinded joining CMD.
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Q How would you describe the relationship between Linda Cook and Phil Watts?
MR. TUTTLE: Object to form.
BY MR. HABER:
Q You can answer.
A I think they, they got on very well with each other.
Q Going back to your prior answer, you had mentioned the LNG project as a source of I guess being upset with Shell by the Omani government. Another response you gave was the performance of PDO. What are you referring to?
MR. MORSE: Objection to form.
BY MR. HABER:
Q You can answer.
A The Minister of Oil and Gas was not very happy with the quality of work that was being done by, by PDO.
Q And what did he say?
A He just -- he was -- his concern was that some of the field development quality was not there, that he felt that PDO did not have a real good handle in terms of a future production capacity, and he, he was just -- from his side, he
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was not sure whether, whether Shell was basically paying enough attention to what he saw as sort of emerging problems in PDO.
Q Did he mention anything about the achievability of producing 850,000 barrels a day?
A Well, over, over time, that clearly

became a very hot topic, because the production -- I don't know particularly at what point, but the production slowly started to, to slide. And the initial response from PDO to that, that phenomenon, was something that they had done successfully in the past, and it's to get some additional drilling rigs and drill some more wells to, to cover for that shortfall.

Q Had -- prior to your meeting with the Minister of Oil and Gas, had someone from Shell met with officials from the Omani government?

A Yeah, I learned that two weeks before I made my first sort of fact-finding visit to Oman. Mark Moody-Stuart and the Jeroen van der Veer had gone and visited Oman and had met with, with the Sultan of Oman and had, had portrayed to him that they had confidence that, that PDO would be able to maintain its production capacity, 850,000

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barrels a day.

Q After your visit in two weeks later to Oman, did you reach a conclusion of whether that 850,000-barrel-a-day representation was reachable?

A Well, I'm -- I may be very smart, but I can't in a two-day visit establish whether I think that's possible. The only thing, I think if you look at my visit notes, which I think were always comprehensive, I was clearly -- I was concerned about PDO, not forgetting, of course, I did it with the mindset of having worked there in the past where it was an extremely successful company, and sort of talking to people there that I knew from the past and sort of going around, I, I, I left Oman being, being concerned about the overall strength of the organization and their ability to deal with what they had to deal with.

Q And that Trip Report reflected those concerns?

A Yes.

Q Did you distribute the Trip Report to anyone?

A Yes. I'm sure it went to Jeroen van der

Veer and to Phil Watts.
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Q Do you know if it went to anyone else?
A My organization, clearly. I mean the first was to mostly distribute it to my organization.
Q Do you recall distributing it to the other members of the CMD?
A I'm not so sure in this case whether it went beyond Phil Watts and Jeroen van der Veer. We would have to look at documentation.
Q Who is Mark Moody-Stuart?
A Mark Moody-Stuart was the Chairman, and Phil Watts took over Chairman from him on the first of July, 2001.
Q And you mentioned Jeroen van der Veer. Who was Mr. Van der Veer?
A Jeroen van der Veer was one of the Group Managing Directors at that time, who, as part of the structure we had at CMD, Group Managing Directors would have, of course, their business responsibilities, but they would also have a, a regional responsibility.
Q Do you know what his regional responsibility was at the time?
A At the time when -- I mean I don't know
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the history. I only know at the time when, when I arrived at that CMD, he had regional responsibility for the Middle East and the former CIS and East Asia, which includes India and Pakistan.
Q And within the region, was Oman the largest operating unit?
A From an upstream perspective, it clearly was the largest operating unit.
Q Have you, have you heard of the term "creaming" before?
A I've heard of the word "creaming." I think the word "creaming" was used in a creaming curve when we talk about exploration prospects or

when we talk about capital allocation.
Q Have you ever heard of a creaming project in the context of exploration or production?
A Well, not the way -- it doesn't ring a bell the way you express it. Can you be more clear.
Q Let me ask a different one. Have you ever heard of a "sweet spot" project before?
A Sweet spot? No.
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MR. HABER: Okay. Why don't we take our first break.
THE VIDEOGRAPHER: We are going off the record. The time is 10:48 a.m.
(Whereupon, a short recess was taken.)
THE VIDEOGRAPHER: We are back on the record. The time is 11:02 a.m.
BY MR. HABER:
Q Mr. Van de Vijver, why don't we --
A Why don't you just call me "Walter." It sounds so formal.
Q It's on the record.
A Sorry.
Q I apologize for the formality of the whole process.
We will come back to this trip a little bit later, but I want to finish up, if we can, where we sort of let off, and that was your time in Oman when you were working in Oman, and I think, if I have the time correct, you said you were in Oman for nearly four years; is that correct?
A Yes.
Q And that took you to March of '91?
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A Yes.
Q Now, what is the -- withdrawn. Is PDO owned, wholly owned by Shell?
A No. The government has a majority stake in it. Don't ask me to quote what the exact

number is, but I think Shell had a 32 percent stake in PDO. And then there was Partex, a small Portuguese entity, had a few percent, and Total I think had five percent, but Shell was -- so Shell was an, was an equity player in PDO, but it was also a technical advisor to PDO.
Q Why, if you know, was there within Oman a split between the north and the south?
A That was purely for operational convenience. Oman is a very large-spread operation. I think in total you talk about a hundred fields production, and the split was sort of halfway, but it also was a little bit of a split, just purely an infrastructure, but most of the heavier oil was in South Oman, and then North Oman was the, was the lighter oil and the gas.
Q Did each half have its own manager that reported to a single, say, you know, head or CEO of Oman?
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A Yeah, it all came together in one organization, so, for instance, when I was Marmul Area Team Leader, I reported in to whatever manager in South Oman, but he would then subsequently report in to overall petroleum engineering manager, and when I was Operations Manager North Oman, I was reporting to an Operations Director who was responsible for the totality of Oman, so it was purely a way to sort of cut up the, the assets and the, and the infrastructure.
Q And during your tenure in Oman did you have any responsibility for the calculation of proved reserves for Shell?
A Proved reserves, no.
Q Your only responsibility had to do with expectation reserves?
A Yeah, yeah.
Q And with regard to reporting then, it would only be with regard to reporting to the Omani government?
A Yeah, internally within the, the

company, yeah.
Q Within the company; you mean PDO?
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A Within PDO. I was not involved with even the reporting from PDO, for instance, into The Hague. I was not involved in any of that.
Q So you had no involvement in the ARPR process?
A Not, not directly, no.
Q Well, how about indirectly?
A Well, maybe because -- I mean clearly I was involved when I was a senior reservoir engineer, I was involved in sometimes making a -- reviewing some notes that had been written on specific assets that would be sent in a Note For File purely for internal PDO reporting, but I was never involved in whatever happened in terms of collating these numbers or in terms of reporting them to the Hague or whatever.
Q I think you testified earlier that in March of '91 you went to Aberdeen?
A Yes.
Q And what was the operating unit that you went to?
A That was called the Brent field unit.
Q Was that part of Shell ExPro?
A Yes.
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Q And you I believe testified that you were there until February of '97?
A Yes. That was an extremely good learning experience in terms of continuity where you could actually -- what not actually happens in a Shell career you can actually follow through from being involved in the planning and also being involved in the execution.
Q So you were involved in business planning while you were at Shell ExPro?
A For the, for the Brent field, only for the Brent field, yeah.
Q Is there a difference between field

development planning and business planning?
A Yeah, if you talk business planning, it's around to the, the annual cycling of, cycle of preparing your business plan and reviewing the state of your business plan, reporting versus targets, et cetera. When I talk field development planning, it is the technical work that gets done to actually plan the development of a particular field.
Q Did you ever have any responsibility for field development planning during any of your
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stints at these Operating Units, such as say PDO?
A When I was team leader for the Oman/Marmul area, as I mentioned to you earlier, I was responsible for field development activities in the Marmul area. I think actually during that, that time, I was involved in preparing a couple of field development plans.
Q What are some of the elements of a field development plan?
A Elements of the field development plan is, is trying to get a, a feel for the, for the recovery and production potential of the field and then linking it with activity in terms of what type of facilities need to be drilled, how many wells need to be drilled, and the economics around all of that.
Q Is it your understanding that before a field can start producing, field development plans have to be in place?
A Yes.
Q Now, I believe you said after the time at Shell ExPro, you then became CEO of Exploration and Production, correct?
A No, no. That was where I had the gas,
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coal and power business, in between.
Q That's right. That's right. So you -- in '98 through 2001, that was the gas --
A No, no.

Q Please forgive me.
A No, no. In February, I think it was February '97, I moved over to gas and power in London, and then in August 2001 I moved across to the United States, to Houston.
Q And in August 2001 when you moved to Houston, the position you held was --
A CEO and President of SEPCo.
Q All right. Okay. When did you --
A Is it all clear? Am I confused now?
Q No, I thought you had become CEO --
A Oh, August -- August of '98. Sorry. My correction. August '98 I went to Houston as CEO and President of SEPCo, and then in June 2001 I went across to the Hague as CEO for the Global Exploration and Production Unit.
Q And how long were you in a position as CEO of EP?
A From June 2001 until my sudden exit the 3rd of March 2004, March 3rd, 2004.
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Q When you say "sudden exit," I take it you weren't expecting to leave Shell at that time; is that correct?
A It was the biggest shock in my life, totally unexpected.
Q Why was it a big shock?
A I, I thought at that stage, having been the driving force around this whole issue of getting clarity around reserves, I thought I would get a reward for it rather than getting something happen to me like that.
Q Why don't you take us a little bit through what had happened. How did you -- how was it broken to you that you were being terminated from Shell?
A I was -- I was just sitting in my office on a Wednesday when we had a regular board meeting, a conference. I was preparing my material for that, for that meeting, which included the close-out of the previous year, et cetera, and suddenly two of the board members, Aad

Jacobs, who was the Chairman, Royal Dutch, and Lord Oxburgh, entered my office and asked to talk to me.

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Q And was this on March 3rd?
A Yes.
Q Now, was this meeting with Lord Oxburgh and Aad Jakob scheduled?
A No. Totally out of nowhere.
Q So what did they say to you when they entered your office?
A They told me that they had lost confidence in me and that they basically wanted me to leave, resign.
Q Did they explain why they had lost confidence in you?
A No.
Q What did you say in response?
A I was just totally -- I mean I just broke down. I was just totally and utterly shocked.
Q How long did the meeting last?
A Maybe two minutes.
Q So they just came in, said --
A Delivered the message, and they said they would come back, because they, they wanted me to sign a paper.
Q Did they say what paper they wanted you

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to sign?
A Well, that I would resign, that I would leave, because they wanted to issue a press release that day at 11:00 or something like that.
Q Did they come back with a Letter of Resignation?
A Yes. I mean when that happened, the first I did was, uh, was call my wife, and she, she immediately came to the office. I was in a pretty bad state then. I was just so deeply shocked. I, I then -- did I contact John directly? Because I basically was just so

shocked, and, uh, and thereafter indeed some of the other board members and people would come in trying to basically get me to, to sign that note and leave the office as quickly as possible. So people like, like Ricciardi came in. I think John Hofmeister came in. I think Jeroen van der Veer came in. It was just all trying to put pressure on me to, to sign the, the letter and to then pack and leave.

Q Who is Mr. Ricciardi?

A He is one of the board members.

Q And who is John Hofmeister?

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A The head of HR, Human Resources in Shell.

Q And Jeroen van der Veer is the same person you identified earlier?

A Yes.

Q How would you describe your relationship with Mr. Hofmeister?

A Cool.

Q Why is that?

A It -- I always tried to keep him at a distance. I did not have full confidence in him.

Q Why didn't you have full confidence in him?

A I always felt when, when, when I was in his surrounding, that he somehow was trying to, to manipulate events and influence outcomes.

Q Are there any particular instances that you can recall?

A Often it had to do with, with people. I mean clearly, as HR person, he was trying to influence my thinking about, judgment about people or wanting to sort of help me scheming things I had, and I always sort of wanted to have my own judgment, and I never quite felt very comfortable

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with --

Q And you're referring now with regard to personnel within your organization, the EP

organization?
A Yeah.
Q When -- did the three gentlemen that you identified -- Ricciardi, Hofmeister and van der Veer -- did they come together to your office or separately?
A Separately. They sort of had, I guess, sort of an agreed process of every half hour to check in to me to make sure that I was making progress in, in signing the letter.
Q Did you sign the letter?
A Yes. You can imagine at that time I was just so shocked and so deeply, deeply insulted, that -- what can you do?
Q Were there people within Shell who you believed should have been terminated?
A That's not for me to judge.
Q Well, with regard to the, the whole reserves issue that we're here for today, at the time did you feel that there were people who were responsible who should have been terminated?
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A Yes.
Q Who?
A Phil Watts and Judy Boynton.
Q Why did you feel that way about Mr. Watts?
A I, I had the feel that, that clearly with, with a lot of things I was dealing with, were things that were from the time that he was, uh, was running E&P.
Q Can you be a little specific.
MR. FERRARA: Objection as to form. It's very ambiguous and vague. We know that this is an important area of the testimony. I think these should be questions that are precise that the witness can answer with respect to relating facts into the record.
BY MR. HABER:
Q You said that you had a feel, you said, with "a lot of things that I was dealing with." What do you mean by that?

A I think we can -- as I mentioned, when I took over E&P, there were a lot of things operationally, organizationally, et cetera, that I found in the business that I was not very happy
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with.
Q What sort of things?
A I think -- I mean generally in terms of how the organizational structure was operating, how we had made some choices in the, in the portfolio; how we -- how the technical quality of, of the organization was, was performing around the strategy in terms of where we wanted to go. A whole variety of, of business things.
Q And were these issues issues that you communicated to Mr. Watts prior to your termination?
A I had been totally transparent in my whole tenure in E&P about what issues -- the answer is yes. I've been totally transparent about the issues I was working and I was dealing with over the tenure.
Q When you say "over the tenure," you're talking beginning as early as June of 2001?
A Yes. There were things already that I, very quickly after I arrived -- you mentioned example in Oman on things that I was uncomfortable with.
Q Now, you mentioned choices in portfolio.
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What did you mean by choices in the portfolio?
A A choice in the portfolio, I mean some of the, the acquisitions that were made, that didn't turn out as was hoped that they would turn out, some of the strategic focus about where we wanted to grow the business.
Q Did any of these choices have to do also with bookings of proved reserves?
A No, initially that was not the first thing I, I came across. I mean I think I -- the issue around concerns around reserves started

early 2002.
Q And generally what were the issues surrounding your concerns around reserves?
A Those were issues that they came up during the closeout report from Anton Barendregt in 2001 which identified areas of, of exposure and concern.
Q Do you recall what areas of exposure were identified with Mr. Barendregt?
A Some related to, to specific projects. Some related to Oman and Nigeria as a total country.
Q And of course, with Oman you had already
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identified problems in your Trip Report; is that correct?
MR. TUTTLE: Objection to form; characterization of the testimony.
MR. MORSE: Same objection.
MR. DOWD: Answer the question.
BY MR. HABER:
Q You can answer the question.
A Sorry. Can you repeat the question again.
Q I said with Oman you had already identified problems in your Trip Report; is that correct?
MR. TUTTLE: Same objection.
THE WITNESS: That's correct, but that was not relating to proved reserves, just to clarify.
BY MR. HABER:
Q It was a broader issue --
A Broader issues around the state of the business.
Q Performance?
A Yes.
Q Production?
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A Production, but just quality of the, of the overall operation, quality of the team, how

the company felt in terms of being well organized and functioning.
Q And the Trip Report you distributed to Phil Watts, correct?
A Yes, and Jeroen van der Veer.
Q Going back to the reasons why you felt Mr. Watts should have been terminated, what other reasons did you have for believing that?
A I'd rather talk about myself than about other people, if I may.
Q Well, if I could I'd like an answer. I'd like to know what other reasons.
MR. DOWD: Answer the questions. You don't have that liberty.
THE WITNESS: Okay.
MR. FERRARA: Could you repeat the question.
MR. DOWD: Hang on a second.
(Discussion was held off the record.)
BY MR. HABER:
Q Going back to the reasons why you felt Mr. Watts should have been terminated, what are
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the reasons you had for believing that?
MR. FERRARA: Objection; ambiguous, vague, calling for a narrative, not facts.
BY MR. HABER:
Q You can answer.
MR. DOWD: Answer the question.
THE WITNESS: I, I generally felt that the company was not doing well under his leadership.
BY MR. HABER:
Q And what reasons did you have for feeling that?
A As I mentioned earlier, a lot of these reasons related to how I felt the E&P business was run before my time.
Q Were there other reasons than what you mentioned a few moments ago?
A No. I always tried to keep a professional relationship going.

Q You referred to the E&P business under Mr. Watts' leadership. When was he running E&P?
A From mid-'97 until June 2001.
Q Did any of the reasons that -- withdrawn.
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Did the fact that there were a number of bookings of proved reserves before they had reached FID factor into your reasoning for why Phil Watts should have been fired?
A No.
MR. TUTTLE: Objection to form. Assumes facts not in evidence.
MR. MORSE: Objection.
BY MR. HABER:
Q You can answer.
A I said no.
Q You mentioned Judy Boynton as someone who you believe should have been terminated. What reasons did you have for that feeling?
A I felt very uncomfortable during Project Rockford.
Q And why is that?
A I didn't feel that the right questions were being asked and that we were going through the process as efficiently as we could have gone through.
Q Can you elaborate a little bit more of what questions did you believe should be asked or should have been asked.
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MR. TUTTLE: Mr. Haber, at this point as we get into questions on Project Rockford, I'd like to remind you and the witness that Shell has not waived its attorney/client privilege with respect to conversations that Mr. Van de Vijver may have had with lawyers or seeking legal advice. I would ask you and Mr. Van de Vijver both to make sure that we stay away from those privileged areas and that the company intends to assert its privilege on this.

MR. HABER: Okay.
MS. SENNETT: Objection to the form of the question, too, if you're going to proceed and answer.
BY MR. HABER:
Q Can you answer the question without involving any counsel, any of Shell's counsel at the time?
A I think I -- one of the things that I did after this whole shock event at Shell, I wrote a letter to my former colleagues in March 2004 where I tried to provide some of the overall context, and particularly during Project Rockford where I was, I was very worried about conflict of
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interest, I was very worried about this not going quickly enough through the process of establishing what the real -- getting out of this new knowledge based on Oman and Nigeria, trying to get a full understanding of, of the extent of our global problem based on the findings, and getting to an understanding about, given what we had about addressing issues like restatement and revision and doing that role as expediently as possible.
MR. DOWD: Let me make a statement for the record on behalf of Mr. Van de Vijver with respect to Mr. Tuttle's point. After Mr. Van de Vijver was discharged, there were leaks out of the Shell organization trying to defame him and destroy him, and it had to do with Rockford, so I think he's free to respond, and particularly the March letter, if you could focus on that, but there weren't any privilege with respect to the leaks to defame him and make it appear that he had done nothing to bring these matters to the attention of the senior people in Shell, so I object to the objection, and I think Mr. Van de Vijver ought to be able to testify to these matters.
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MR. HABER: Certainly from the

plaintiffs' point of view, if the information was leaked, then I would concur that there is no privilege, because then that privilege would have been waived.

MR. DOWD: Well, frankly, I don't know what is privileged or is not privileged. I have never been so advised, nor has Mr. Van de Vijver. All I know is he was on the receiving end of false and defamatory information from this company, essentially destroyed the only asset he had, and that's why he wrote the letter in March. So perhaps we could focus on the March letter which is not privileged and contains the information I think you have.

MR. HABER: We need to take a two-minute break.

THE VIDEOGRAPHER: This marks the end of Tape 1 in the deposition of Mr. Van de Vijver. We are going off the record. The time is 11:35 a.m.

(Exhibit No. 1 was marked for identification and attached to the deposition transcript.)

THE VIDEOGRAPHER: This marks the

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beginning of Tape 2. We are back on the record. The time is 11:42 a.m.

BY MR. HABER:

Q We have marked and handed to the witness van de Vijver Exhibit 1. It's a letter from Mr. Van de Vijver to his colleagues. It's dated March 22, 2004. Its Bates number is LON01850017 through LON01850022.

Mr. Van de Vijver, have you seen this letter before today?

A Yes.

Q Did you write this letter?

A Yes, with help from my, from my -- how do you call it? Counsel. Attorney.

Q And what reasons did you have for writing this letter?

A I was still very upset about what had happened to me, which I considered totally unjust, and I, I felt -- particularly with all the things that were in the news on this issue, I felt that I had to explain to the, to the board and my former colleagues at CMD what I thought was the reflection of the facts.

Q Now, earlier I had asked you questions

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about why you believe Ms. Boynton should have been terminated, and you identified one reason: Because she wasn't asking the right questions. Is there something in this letter where you discuss that issue? And please take a moment to look at the letter.

A Yeah. Now, what I tried to, to explain here, first of all, is the sequence of events that ultimately led to the realization in November 2003 that we had a big issue, and obviously that took time, and I at all times shared with, with my colleagues the progress in dealing with the issues, the exposures and the general health of the business. So I clearly felt that through my frequent communication, both in terms of e-mails as well as the formal notes to the CMD, that, that my colleagues had been kept fully up-to-date on the state of, of the issues. Clearly, in my role I was not, not involved with, uh, with the group or that committee, so that's -- I just shared everything with, with the CMD.

Now, the reality was that in November 2003 when I received unsatisfactory audit reports on Oman and Nigeria, I was deeply

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concerned that we now had a, a real disclosure issue, and I got my staff to work on that whole disclosure. I, I submitted a note to the CMD to that effect on, on the 8th of December, 2003. I was advised, as soon as I had submitted that Note For Distribution to the CMD, that, that the note needed to be looked at and, uh, and was then redistributed the day thereafter to CMD, and some changes were made.

At the same time when all of this was ongoing, there was a lot of work ongoing trying to get to the full understanding about not only what the real numbers should be on Oman and Nigeria, but also doing a patrol to the rest of our portfolio, very carefully with the limited number of experts we had, to try to get to the full understanding. At that, at that first CMD meeting, I think it was December 9th, the process was, was being taken over by, uh, by the Group Chairman and the CFO, and I felt that that whole process was, was very, very difficult, very tense, and it, it led to, to ultimately the disclosure as it was on the 9th of January. I felt the whole process was a very tedious process.
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Q And when you say "the Group Chairman," who are you referring to?
A Phil Watts.
Q And the CFO?
A Judy Boynton.
Q Now, if you look at Page 3, and I'm looking at the paragraph that begins "Throughout this entire process." Do you see that? It's on the -- it's the fourth -- it's the third paragraph from the bottom. The first sentence reads, "Throughout this entire process, my attempts to bring the reserves issues to management's attention were met with resistance."
How were your attempts resisted?
A You have to see the sentence in the context of, of the whole period that, that started in, when we had the real understanding in November 2003.
Q Okay, so in that context, in that context --
A In that context I, I charged -- in November I charged Coopman to prepare the staff work to take the issue at that stage I think my target to Conference on the 3rd of December, and
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as you know, it, it took a long time to actually get there. I mentioned earlier that, that the process that happened on the 8th of December were actually when I had the meeting with all my staff on the 3rd of December to work this and get all the necessary work done. Part of that work was, uh, was taken away from E&P and was taken by Judy Boynton, and therefore I had the original -- I had the work scope for E&P reduced, and thereafter, as you know, the process was, was totally taken over by the Chairman and the CFO, and I -- that was the start of, of Rockford.
Q Now, when you say that, that the work scope was taken away from E&P, what did you mean? What do you mean by that?
A There were, there were two issues to work. First, there was the technical work, doing the detailed review based on the SEC rules, what the real numbers needed to be, but there was other issue that related to how are we going to externally disclose the numbers, and what are we going to communicate and what are we not going to communicate in that disclosure externally. And the note to the Group Audit Committee was also
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largely outside my hands.
Q Do you have an understanding as to why Ms. Boynton had reduced the scope of work at EP?
A I think she, she felt uncomfortable with the work done by Frank Coopman and wanted to have a closer control on the end product.
Q And what is your understanding as to why she had felt uncomfortable with the work done by Mr. Coopman?
MS. WICKHEM: Object to form and foundation.
BY MR. HABER:
Q You can answer.
A Her, her relationship with Coopman was a difficult one.
Q Did someone tell you that?
A Yes.

Q Who?
A Judy Boynton told me that in many instances.
Q Did Frank Coopman ever tell you he had a difficult relationship with Ms. Boynton?
A Yes.
Q On how many occasions?
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A Quite a few.
Q Who took over the work that was earmarked or targeted toward E&P?
MR. MORSE: Objection to form.
MR. TUTTLE: Same objection.
BY MR. HABER:
Q You can answer.
A There was Tim Morrison, the controller group working for Judy Boynton.
Q Now, who is Tim Morrison?
A The Group Controller.
Q And who did Tim Morrison report to?
A Judy Boynton.
Q Have you heard of a "dotted line reporting" within Shell?
A Yes.
Q And what is your understanding of a dotted line reporting?
A In this particular case it means that the CFO of E&P has a dotted line reporting relationship to the Group CFO.
Q And the opposite or I guess the other type of reporting is a straight line reporting?
A Yes, straight line reporting to me of
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Frank Coopman.
Q How did you react when Ms. Boynton had reduced the scope of work that EP was supposed to be doing?
MS. WICKHEM: Object to form and foundation.
THE WITNESS: Well, I know we had a discussion about it at that time, and in the end

of the day she is the Group CFO, so she has the right to do that, and for us it was important to make sure that we were getting the right numbers, so in the end of the day you work within the organization that is there.
BY MR. HABER:
Q And you said you had a, a discussion with her. Was this a face-to-face meeting?
A Yes.
Q Do you recall when this meeting took place?
A I think it was either the 4th or 5th of December.
Q And where was the meeting held?
A In London.
Q And why was it held in London?
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A She is based in London, and it was part of the CMD system. We had offices on both sides, so I also had an office in London, and I would be there on a regular basis.
Q Was anyone else present during this meeting?
A No. I think it was just between Judy and myself, whereafter a note was issued to clarify who was going to do what work.
Q Other than the reduction in the scope of work to EP, are there any other instances where you believe you met with resistance with regard to Ms. Boynton?
A Well, there was a lot of argument at the time as well about whether this was going to be a revision or a restatement. We in E&P believed it was pretty clear-cut that this needed to be a restatement.
Q And why did you believe it needed to be a restatement?
A Because it affected things that -- in the strict adherence with the knowledge we now had at the time of SEC rules, it was not related to new learning in that particular year, but it was
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something that in the past, based on using the Shell guidelines, has been done incorrectly.
Q What was Ms. Boynton's position?
A She very much believed it to be a revision.
Q Did she ever express to you why she thought it should be a revision?
A A revision is an easier route, because you don't have to readjust all your prior year results as part of that process.
Q Did she say anything else?
A No, not that I recall.
Q Now, you understand that in January the first announcement that Shell made referred to a recategorization of proved reserves; do you recall that?
A Yes.
Q Do you recall any discussion over calling the restatement a recategorization?
MR. TUTTLE: Object to form and foundation.
THE WITNESS: I recall that in early January, John Darley and myself prepared a note that tried to, to provide the rationale that this
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was, was a restatement in our, in our position, but ultimately it was decided in London that it was going to be a recategorization. Sorry. I have difficulty pronouncing the word.
BY MR. HABER:
Q Don't worry. It doesn't flow off my tongue either.
Do you recall when this was decided in London?
A A couple of days before the press announcement.
Q A couple of days before the first announcement in January of 2004?
A Yes.
Q Were you in attendance during this meeting?

MR. TUTTLE: Object to form.
THE WITNESS: Not that I recall.
BY MR. HABER:
Q Did someone report to you what had been decided?
A Yes.
Q Who?
A I think I remember receiving that from
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Mary Jo Jacobi.
Q And who is Mary Jo Jacobi?
A She was the head of our External Affairs or Public Affairs, one of the two departments.
Q Did she say she was in attendance at a meeting where this decision was made?
A Not that I recall. I think this was an e-mail that I saw.
MR. HABER: Let's mark as Exhibit 2 an e-mail string, and while you take a look at it, I'll identify it for the record.
(Exhibit No. 2 was marked for identification and attached to the deposition transcript.)
BY MR. HABER:
Q I've just marked as van de Vijver Exhibit 2 an e-mail string, the last of which is from Mr. Van de Vijver to John Darley and Frank Coopman. It's dated December 29, 2003. The Bates number is V00010584 through V00010587.
Mr. Van de Vijver, have you seen this document before today?
A Yes.
Q Before I ask you the question about this
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document, I just wanted to go back to your understanding of the use of the word "recategorization." Did you have an understanding after learning from Ms. Jacobi why the term "recategorization" was chosen?
A My understanding, it meant that therefore it could not be interpreted just as

either a revision or a restatement. It was something --
THE REPORTER: As either a what or a restatement?
THE WITNESS: A revision or a restatement.
BY MR. HABER:
Q Did Ms. Jacobi say anything about the impact on the market that the term "recategorization" would have?
A No.
MR. TUTTLE: Objection to form.
THE WITNESS: No.
BY MR. HABER:
Q Did Ms. Jacobi say anything to the effect that a recategorization would be received by the market better than a restatement?

MR. TUTTLE: Objection to form; foundation.
THE WITNESS: No.
BY MR. HABER:
Q Now, looking at this document, you -- the last e-mail is from you to John Darley and Frank Coopman. Who is John Darley?
A John Darley is -- was reporting to me. He was the head of Technology, and he was my Designated Focal Point in Project Rockford.
Q And when you say your "Designated Focal Point," is that for EP?
A Yes.
Q And was there more than EP involved in Project Rockford?
A Well, there was -- an organizational structure was set up for Rockford, which clarified who were the focal points for the various organizations whilst we were working through this process, and I felt strongly that John Darley was the best candidate from the E&P side.
Curtis Frazier was my, my, was my legal counsel for E&P; was also closely involved, on the technical side, John Darley was leading the effort

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and coordinating the activity.

THE VIDEOGRAPHER: If you could just adjust your microphone really quick. It's about to fall off your tie.

THE WITNESS: All right.

THE VIDEOGRAPHER: Thanks.

BY MR. HABER:

Q What other organizations were part of Project Rockford?

A Public Affairs, IR, Legal, the finance organization from, from Judy Boynton, obviously. There was an organizational structure defined in that time.

Q Who was the Focal Point for Investor Relations?

A Simon Henry.

Q And who was Simon Henry?

A He was head of Investor Relations and reported in to Judy Boynton.

Q And who is the Focal Point for Public Affairs?

A That was Mary Jo Jacobi.

Q Okay, and in the organization, all of these little separate organizations, did they

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report to one person or persons at the top?

A Yes. Ultimately they all reported in to Phil Watts.

Q Do you know at the time that, at the time that Rockford was started, if anyone was urging an independent review of the reserves issues?

A So you mean independent outside the company, or --

Q Well, let's take within the company.

A Within the company?

Q Other than being headed by Phil Watts.

MR. TUTTLE: Objection to form; foundation, characterization.

THE WITNESS: Project Rockford was

launched by Phil Watts on that first CMD meeting the 9th of December.
BY MR. HABER:
Q Okay. Now, let's take externally. Did anyone advocate an independent review of the reserves?
A Yeah, but I was not involved in those discussions. They took place separately with the Group, Group Audit Committee and the Group
0092
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Conference.
Q Going back, if we can look at Exhibit 2 for a moment, do you recall why you sent this e-mail to Mr. Darley and Mr. Coopman?
A Well, this was part of our internal debate, and I think there are a couple of more e-mails at the time where I -- and I mean I clearly was not an expert in this issue. I was trying to get an understanding based on the rules as they were, and that's why I asked originally Judy Boynton the question about how this is worked and got this feedback from Tim Morrison. And ultimately from my interpretation of his notes, I concluded it had to be a restatement.
Q And that's reflected in the note that you wrote to them that says, "Looks that we are more in hindsight mode number 2"?
A Yeah, but there were some separate other notes as well to that effect.
Q Right, okay. Just so you know, throughout these proceedings, we'll be coming back and forth to this letter, so --
A Okay.
Q -- I just want to let you know to keep
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it handy.
Other than Ms. Boynton and Mr. Watts, was there anyone else you felt should have been terminated as a result of their role in the reserves recategorization?
MR. MORSE: Objection to form;

mischaracterizes prior testimony.
BY MR. HABER:
Q You can answer.
A No.
Q I'd like to -- just so you know where we're going to go, I'm going to take you now to when you first started as head of EP, CEO of EP.
When did you first learn that you were appointed or selected to become the head of EP?
A I think that there was a two-step process. I was -- in December 2000 I was asked to become a member of the Committee of Managing Directors, but it was not until February 2001 somewhere -- I don't know the exact date -- where I was advised what my role would be.
Q Let's take the December 2000. Who asked you to become a member of the Committee of Managing Directors?
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A Mark Moody-Stuart.
Q And did he explain to you why you were being invited to join the CMD?
A I, I don't exactly recall the, the conversation. My head was spinning a little bit at that time. I had not expected it to happen at that time.
Q And at this time you were still at SEPCo, correct?
A Yes.
Q I got it right this time.
A It was after -- it was after a, a -- what do you call it? In a regular meeting, I think, of the, of Conference where I had been presenting a project.
Q So you were advised during a presentation?
A No, after, after, after the meeting.
Q I apologize.
Did Mr. Moody-Stuart say anything to you about becoming a candidate for the position of head of EP?
A No. I think at that time he merely said

that the normal process would be that somewhere
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early in the year there would be discussions about how the portfolio would be distributed.
Q Did you request to be considered as a candidate for the position as head of EP?
A At that time?
Q Yes.
A No.
Q So if you didn't request, someone nominated you?
MR. TUTTLE: Objection to form.
BY MR. HABER:
Q Do you know if someone nominated you?
A I'm -- I don't know how that process ultimately works. I was not privileged to it. I think I'm -- I may have made the remark somewhere early in 2001 to Mark Moody-Stuart that I would be very interested in the E&P business.
Q But at that time did you mention that what you meant was to be the head of the business?
A Yeah, yeah. No. Clearly. Sure, but I don't --
Q I'm sorry.
A He didn't give me any indication one way or another.
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(Discussion was held off the record.)
BY MR. HABER:
Q Do you recall having discussions with anyone other than Mr. Moody-Stuart about an interest you had in becoming the head of EP?
A No, I do not recall.
Q Do you recall having any discussions with Phil Watts about becoming, you know, becoming the head of EP?
MR. TUTTLE: Same time period?
MR. HABER: Yes.
THE WITNESS: I do not recall.
BY MR. HABER:
Q Now, you said that it was not until

February of 2001 or so where you were advised of what your role would be. What did you mean by that?
A In the CMD the various portfolios in terms of the businesses -- gas and power, chemicals, exploration and production and oil products -- are distributed amongst the various members of the Committee of Managing Directors, plus allocation of some of the staff functions, plus some of the regional responsibilities. And
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when there is a change in the committee, then there is a change in the allocation of roles.
Q And what role were you assigned?
A I was given the role of CEO of the exploration and production business, and I was given the regional role for Latin America and Africa.
Q And within that region, Latin America and Africa, did you have any responsibilities for monitoring the activities of the operating units within that region -- those regions?
A Yeah, but very much on a light touch basis. I mean the businesses are directly responsible for running the business, ensuring the performance of the business. As Regional Managing Director, you care more about the reputation of the business, relationships with key stakeholders -- for instance, the government -- and relationships with the country chairpersons in that country, to make sure that they feel able to do their job and have the right sort of check and balances in place.
Q What is a country chairperson?
A A country chairperson is the most --
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appointed most senior Shell person in a particular country.
Q And was there a chairperson for Nigeria?
A Yes.
Q Who was the chairperson at the time that

we're talking about, February of 2001?
A Ron van den Bergh.
Q Did Mr. van den Bergh remain the country chair throughout your tenure as head of EP?
A No. He moved -- somewhere during my tenure he actually moved to become one of my Regional Business Directors on the EP ExCom, somewhere around the summer 2003, if I recollect, when he took over from Din Megat, who then retired.
Q And who succeeded Mr. van den Bergh as chairperson for Nigeria?
A That was Chris Finlayson.
Q Do you know where Mr. Finlayson had come from prior to succeeding Mr. van den Bergh?
A Yes. He was the Managing Director for Shell in Brunei and also country chair.
Q Now, is there a difference between a Managing Director and a Regional Business
0099

Director?
A A Regional Business Director has responsibility for -- are you talking about now my EP ExCom, or are you talking about a Group Regional Director?
Q I was referring to the Regional Business Director that is a member of the ExCom.
A Okay. So the Regional -- the Regional Business Director has responsibility for a particular region, and someone sitting in a country only has responsibility for the country where he is located. And job titles, yeah, were not always totally consistent, some clerical, sometimes chief executive, some managing directors, whatever was sort of the, sort of local custom.
Q So a managing director in some operating units could be the Regional Business Director?
A No. Well, that's, that's, that's what -- that was one of the changes I made at the, at the end of 2003, and we had the transition in 2003 when we actually created an organization

where we wanted to get more hands-on to the operation, and some of the Regional Business
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Directors would actually physically sit in a location. So my Regional Business Director then for Africa actually sat in Nigeria, for instance, for the Middle East ended up sitting in Dubai.
Q So prior to this change in the organization, the Regional Business Directors sat where?
A Regional Business Directors sat in The Hague.
Q In the Center?
A In the Center.
Q Do you know if there was anyone else who was a candidate for the position of head of EP?
A No. I, I don't know, but I can guess there were others, and when it comes to the, to the Committee of Managing Directors, another choice with respect to a history and experience would have been Harry Roels, who also came from -- most of his career was spent in the E&P business.
Q And at the time you joined the CMD, who was the chairman of the CMD?
A Phil Watts.
Q Do you know if Mr. Watts had any input into your appointment?
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A I don't personally I don't know, but . . .
Q Did anyone ever tell you that he did?
A No.
Q Was Mr. Watts scheduled to retire at some point, if you know?
A Well, when I was still within Shell, there was a mandatory retirement age of 60, so I think on that basis -- I can't be sure. I think Phil Watts would retire in the middle of 2005.
Q Did Shell have a succession planned for Mr. Watts?
A I'm not the one to be able to answer

that.
Q Were you interested in succeeding Mr. Watts as chair of the CMD?
A Yes.
Q Do you have an understanding that being head of EP was a footstone for becoming chair of the CMD?
A I well understood that my two predecessors had gone through the same route, so yes.
Q Do you know who a Mr. Loudon is?
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A Yes.
Q And who is that?
A He is one of the board members of Royal Dutch/Shell, so he sat at Conference.
Q Do you recall having any discussions with Mr. Loudon about becoming the head of EP?
A Becoming the head of EP? No.
MR. HABER: This is a good time to break.
MR. DOWD: Good.
THE VIDEOGRAPHER: We are going off the record. The time is 12:26 p.m.
(Whereupon, the lunch recess was taken.)
THE VIDEOGRAPHER: We are back on the record. The time is 1:20 p.m.
BY MR. HABER:
Q Good afternoon, Mr. Van de Vijver. I'd like to talk to you now about what had happened when you became the head of EP, so my first question to you is: Was there a transition period between you and Mr. Watts?
A There was no real transition period. I had a, a couple of, of meetings with him, and the sort of formal handover happened at a group
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leadership meeting in Houston in the end of May in 2001, and then I became the CEO of E&P in The Hague in June. Somewhere in early June I moved my family to come across with us.

Q Why is it the handover, the formal handover occurred in Houston?
MR. FERRARA: Objection as to form; foundation, calling for lay opinion.
THE WITNESS: That was pure --
BY MR. HABER:
Q You can answer.
A -- coincidence, because there was an annual group leadership meeting taking place in Houston which incorporated a meeting with all the senior E&P people as well.
Q Was the handover planned for this group leadership meeting?
A It was intentioned that that was the last meeting for the E&P leadership forum where Phil would have the forum and that I would take it on from there onwards.
Q Did Mr. Watts make an announcement that you were succeeding him at the meeting?
A Yes, and he handed over part of the
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agenda to me.
Q What is a group leadership meeting?
A A group leadership meeting is an event that started many, many years before my time, where the senior persons in the group would get together twice a year to basically discuss the state of the group and whatever group initiatives were, were happening at that stage. So that could vary from the top 700 to the top 500 of the company.
Q Do you know if any external participants are invited to these group leadership meetings?
A Generally no, but sometimes some external parties would be invited to make a presentation.
Q What type of external party would be invited?
A I remember at one occasion there was a presentation from someone from an investment bank that would make a presentation about sort of their perception of Shell, and I think we also sometimes

had a CEO of another company to make a presentation.
Q Do you recall at the group leadership
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meeting where the formal handover occurred, if there were any external participants?
A No.
Q Do you have an understanding as to why the meeting was held in Houston?
A I, I think it sort of has grown historically. I mean I think the most important part was that there was an extremely good facility there, a very large facility there in Woodland, I think it is called, in Houston that was used when Shell Oil for many, many years for training, and it has a very large accommodation to it, so just a convenient area. And it also -- as part of the whole globalization effort, it is also part of saying rather than people, the senior people, which are many in the U.S., always traveling to the other part of the world, once a year we would have it in Houston. The other meeting would always be somewhere else.
Q When you say "the other meeting" --
A These meetings occurred twice per year, so one would be held in Houston, another one would be held in Maastricht or in Paris or in London or the Netherlands.
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Q Just to be clear, I think you referred to the facility as "Woodland." Is it Woodcreek?
A No. Woodcreek is the name of an office. No, Woodland is sort of out of town. I think it is called the Woodlands, yeah.
Q Okay.
A Not an office.
Q Okay.
A It is a pure training and convention center type of facility.
Q Earlier you mentioned that there was an investment banker that attended one of these

meetings?
A Yeah.
Q Do you recall which meeting that was?
A No, I cannot, not be sure. I know who it was, but I would not be able to recall whether -- what location it was.
Q And who do you recall the investment banker was?
A It was Chang Su Yun. He was from Goldman Sachs.
Q And do you know where he was based?
A In New York.
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Q And you don't recall the date of this meeting?
A No. As I said, I've been to so many of these meetings, I really -- I cannot be sure.
Q Do you recall if this meeting where the investment banker attended occurred during your tenure as head of EP?
A No. I think it was before then.
Q You think it was while you were head of SEPCo?
A Yeah, or even earlier, when I was CEO of Gas and Power. I'm sorry. I can't really recollect that one.
MR. DOWD: That's all right.
BY MR. HABER:
Q Now, going back to the handover period, did you have any meetings with Mr. Watts about what you could expect as head of EP?
A I had -- I think, as I said, I recall two meetings with Watts where he would sort of do a tour of the globe and give me a general impression of what activity was ongoing, very much focused around new business development activities.
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Q During these meetings did he mention any past bookings?
A No.

Q Did he mention any operating units that may have issues that you should draw your attention to?
A No, but I do think he, he thought it would be a good idea if I would, sort of early on, would visit Nigeria, because that was clearly an area that he had worked in the past, and he considered very important, and I personally had never worked there, so . . .
Q Did he give any other explanation as to why he thought you ought to consider visiting Nigeria?
A No, just a general familiarization with the business.
Q And in discussing Nigeria, did he identify a particular operating unit within Nigeria that you should visit?
A No. It was more in a general sense, knowing there were two operating units there, SPDC and SNEPCO.
Q But he didn't say which one you should
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visit?
A (Shakes head.)
THE REPORTER: Was that a no?
THE WITNESS: That was a no. Sorry.
BY MR. HABER:
Q Did he mention Gorgon at all?
A No.
Q At that -- prior to that time had you ever heard of Gorgon?
A Yes.
Q And how is it that you heard about Gorgon?
A I heard about Gorgon for the first time when I was CEO of Gas and Power.
Q And when did you -- when is this first time that you have this recollection?
A Well, I don't know the exact time, but as part of my handover for my job as CEO of Gas and Power, I visited Australia fairly early on when I was in, in that new job, because there were

two important parts. Australia also had the vast majority of the coal business of Shell, so I remember spending a whole week in, in Australia visiting every single Shell mine that Shell had,

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and probably also visited the Northwest Shelf facilities.

Q And where is the Gorgon reserve located?

A Offshore, the Northwest Shelf. I don't know what exact -- is it called Western Australia? I guess it's Western Australia, yeah.

Q Well, during your visit to the Northwest Shelf, do you recall visiting the Gorgon field?

A No, no. I didn't go offshore at all. I visited the LNG facilities of the Northwest Shelf.

Q And where --

A Karata, I think it's called.

Q Did you visit with anyone at SDA, which is Shell's operating unit in Australia?

A I can't recollect. I mean we're talking ten years ago. I recollect spending a week with Roland Williams, who was then the CEO and Chairman of Shell Australia, but I can't quite recollect who I all met or not met during that, that time.

Q Do you recall having any discussions about the Gorgon fields at all?

A I'm sure it was, was mentioned during that time, but I, I don't have any direct recollection of what type of discussions.

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Q Do you recall any discussions about the market for the gas that Shell intended to sell at that time?

A No, I don't have direct recollection of, of those discussions.

Q Do you recall any discussion about the Asian market collapse during your visit?

A No. That would have not have occurred in, uh, in '97, because that collapse, I don't know exactly when it was. I think it was later.

Q So you recall this being around 1997?

A Well, that's when I became CEO of Gas and Power, and I know, because of my portfolio, that Australia must have been one of the first -- together with Japan, must have been one of my first visits that I, I did.
Q You mentioned that you had two meetings with Mr. Watts. Do you recall over the time period in which these meetings occurred?
A I think I had one dinner with him somewhere early in May, and then the actual breakfast meeting in, in Houston during this group leadership meeting.
Q And again when was this group leadership
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meeting?
A Somewhere in the second half of May 2001.
Q Other than these two meetings, can you think of any other communications that you had with Mr. Watts concerning the transition into the CEO position of EP?
A No, but he would -- as we got closer to the date, he would copy me on, on some trip reports that he had, and he would -- he sent me the, the staff reports, I call it, the staff appraisals of his people at EP ExCom.
Q Do you recall what trip reports he had copied you on?
A If you can find something, then I'm happy, but I wouldn't be able to recollect that.
Q Okay.
A But it's -- I did not get any beyond what I mentioned on some of these e-mails and on, uh, on the staff appraisals as part of the closeout. I did not receive any other handover documents.
Q Did you request any documents from Mr. Watts?
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A No.
Q Did you review any files during this

transition period?
A No, I -- when I came to the Hague, I arrived in an empty office, and I spent time with the people around me to give me a briefing and get me up to date on the state of the business.
(Exhibit No. 3 was marked for identification and attached to the deposition transcript.)
BY MR. HABER:
Q We've marked as van de Vijver Exhibit 3 an e-mail from John Darley to Lorin Brass, among other people. It's dated August 5, 2001, unless you can correct me, if it's the other way, May 8, 2001. There's no Bates number on this. This was produced in the native drive. It has a document identification number in the upper left-hand corner that says number "100214396: First meeting with Walter."
Have you seen this document before today?
A No.
Q Now, I recognize that your name is not
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on this e-mail, but I asked, because perhaps you might have seen it during your tenure.
A No.
Q The reference in this document is a first meeting with you --
A Uh-huh.
Q -- with it looks like a number of people, including Lorin Brass, John Bell, Fons Claessen, Aidan McKay, Serge Leijten and Mark Leonard.
Do you recall meeting with these people?
A I recall having a few meetings early on, sort of the central strategy and planning people in Lorin Brass' organization to get a feel for, for the overall business.
Q Who is Lorin Brass?
A Lorin Brass was my director, responsible for new business development strategy and planning.

Q How would you describe the relationship you had with Mr. Brass?
A Very good.
Q And just so the record is clear, the date -- is this May 8, 2001, or is this August 5,

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2001? Don't know?
A Well, I can't be sure, but if I think it's the first meeting, then it probably must have been in May, because if it was the first, I have to assume it is May.
Q Well, I'd like you to -- I'd like you to -- also, before we do that, who is John Bell?
A John Bell reported directly to Lorin Brass and was the head of Planning and Strategy.
Q Now, I'd like you to take a look at -- I'm going to call them bullet points. They're actually dashes, but if you take a look at the third bullet point, the one that reads, "he picked up on the aggressive targets for production in BP00, commenting particularly about the significant early contribution from strategic options." Do you see that?
A Uh-huh.
Q Do you recall the discussion that surrounded this statement?
A No, not directly, but if I, if I read the terminology, "strategic options" must be related to production linked to new business development.

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Q What are strategic options?
A These are -- it's a combination of, of activities that staff would be working to create new business, from opening a business in a new country or bringing an additional project into the portfolio.
Q And with regard to the earlier part of the statement about "aggressive targets for production," do you recall any discussion about that?

A This is a team that sort of came back when we started building the business plan for the following year, and here I guess they were giving, giving me, giving me an overall update in terms of the business, to get me up to speed.
Q And do you remember any discussion about production targets?
A Well, if they showed me the business plan, they must have talked about production targets.
Q Are production targets included in the business plan?
A Yes.
Q And do you recall any discussion about
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those targets being aggressive?
MR. FERRARA: Asked and answered.
BY MR. HABER:
Q You can answer.
A Not particular recollection from this particular meeting, but I remember having many follow-up discussions as we prepared the business plan for the next year.
Q And in those follow-up discussions do you recall any discussions concerning production targets being aggressive?
A Yes, and that ultimately led to whether the process we went up with all the learning we had later in the year to lower our production growth target.
Q And what was the production growth target that was reduced?
A I don't, I don't recall the exact definition, but there was a growth production target, there was a sort of window around it of five percent, and I, I reduced that production growth target -- based on all the learning we had over the following months, as part of my due diligence I reduced the growth target to three
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percent.

Q We'll cover the events that relate to that in a few moments.
The -- if you jump down to the bullet point that says, "He showed concern at the trends around reserves replacement," do you recall a discussion around Shell's Reserves Replacement Ratio?
MR. TUTTLE: Objection; characterization of the document.
THE WITNESS: I do not directly recall this particular discussion, but I assume that they showed me some graph to show reserve replacement over, over the years.
BY MR. HABER:
Q And what do you understand "reserve replacement" to mean?
A Normally when we talk about reserve replacement, we talk about the proved reserves replacement or the percentage of reserve you replace relative to the annual production in that year.
Q And is that reflected in a percentage that's referred to as the "RRR" or "Reserves
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Replacement Ratio"?
A Yes.
Q And periodically throughout these proceedings I may refer to it as "RRR."
Now, if you go down to the next bullet point, it says, "He showed some concerns at our lack of focus." Do you recall any discussions on this issue?
A No. I don't have any direct recollection of this discussion. I want to help, so . . .
Q It's okay.
If you turn the page, the next sentence says, "My feeling was that he recognizes a need to prepare for 'spinning the problem away' at the right moment (December analyst briefing?) and would be prepared for a '3-month hit" on our reputation/stock price (a la BP and their climb

down on production targets)."
Do you recall any discussion on the issue I just read into the record?
A No, but I think the general part of -- this is my first sort of due diligence visit on E&P, and I like to professionally deal with the
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facts, whatever the facts tell me.
Q During meetings with your staff, did you require your staff members to take notes?
A I didn't, no.
Q When you started meeting with your staff, do you recall if any members of your staff were taking notes of the meetings?
A No, no.
Q Did you take notes of meetings that you attended?
A Yes, often I did, because, as you can see later, that's what I had, and for Visit Reports and so on, used to write those notes.
Q If you look at the last paragraph, the one that begins "overall," and look to the second sentence, which says, "My biggest takeaway was his view (almost the first thing he said) of the "lack of) realism in the current plan."
Do you recall any discussion about that?
A Well, no, I don't recall it, but I'm referring to the earlier statement that was in Matthias note. When it talks about "strategic options," you have to make clear that the options are happening if you put them in your production
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forecast.
Q And did you find that these options were being put in the forecast when they were not happening?
MR. TUTTLE: Objection to form; characterization.
THE WITNESS: No. I think -- I mean I remember discussions later in July and August when we really went deeply into that whole production

forecasting, that I noted that there had been optimistic assumptions on when some of these strategic options would occur.
BY MR. HABER:
Q And who did you have these discussions with in July and August?
A A lot of those discussions are with Lorin Brass and John, John Bell and others that are part of the annual planning process.
Q And were these discussions a part of the discussions that related to the production of the production growth target you mentioned a few moments ago?
A Yes.
Q Now, earlier you testified that you had
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visited Oman in June of 2001, correct?
A Yes.
MR. HABER: I'm going to show you a document which I believe is your Trip Report, but I'd like you to identify it.
(Exhibit No. 4 was marked for identification and attached to the deposition transcript.)
BY MR. HABER:
Q We've marked -- and Mr. van de Vijver, if you could just review it while I'm identifying the document for the record.
We've marked as van de Vijver Exhibit 4 an e-mail string, the last of which is from Jeroen van der Veer, dated June 25, 2001, to Mr. Van de Vijver, with a CC to Phil Watts. The subject line reads "Visit to PDO." There are two Bates ranges. The first one is V00230057 through V00230059. The other one is Vijver 0057 through Vijver 0059.
Now, Mr. Van de Vijver, have you seen these e-mails before today?
A Yes.
Q And is this -- "this" being the e-mail from you, dated June 21, 2001, to Zaharuddin
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Megat, with a CC to a number of people which I'll ask you about in a few moments.
A Yes.
Q Since we're on the CC, who are the members -- withdrawn. The people identified as being copied on your e-mail of June 21, are these -- are all of these people at the time members of the EP ExCom?
A Yes.
Q And I think we talked about the ExCom without identifying it earlier. Can you identify what is the EP ExCom.
A That's the Senior Executive Team of the E&P business.
Q Now, earlier you identified Bob Sprague. Who is Tim Warren?
A Tim -- Tim Warren at that time had regional responsibility for the Far East. That's the EPA reference.
Q And Carol Dubnicki?
A The HR, Human Resource Director.
Q And she was on the ExCom?
A Yeah.
Q Okay. Lorin Brass you've identified.
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John Darley?
A He was head of the technology organization.
Q Now, is John Darley someone you had a good relationship with?
A Yes.
Q Is he someone you could talk to openly and candidly?
A Yes. I still do.
Q How about with regard to Lorin Brass; was he someone you could talk to openly and candidly?
A Yes.
Q Heinz Rothermund; who is Mr. Rothermund?
A Heinz Rothermund was responsible for the Africa region. I'm sorry. Africa and Latin America.

Q And that would be the reference indicator "EPG"?
A Yes.
Q And the next person, Dominique Gardy?
A He was my Finance Director.
Q And the final person, Linda Cook?
A Linda Cook was the CEO of Gas and Power,

and there was sort of an overall sort of arrangement in place that she would be copied on relevant information, including all the material that went to the EP ExCom.
Q So Ms. Cook was not a member of the ExCom?
A She was not a formal member of the ExCom. She had her own Gas and Power ExCom.
Q Did she attend the EP ExCom meetings?
A Sometimes. She was invited. Sort of an open invitation to attend.
Q So did she need a formal invitation to attend, or she could just show up?
A She could just show up if it fit with her schedule.
Q And the minutes of the -- withdrawn. Were there minutes taken of the ExCom meetings?
A Yes, yes.
Q So the minutes of the ExCom meeting would reflect who was in attendance?
A Yes.
Q Now, did you have a practice with regard to recording your trips or memorializing what you had seen or observed during your trips? As you

say, did you "make reports"?
A I did make reports.
Q Was that your practice to make reports of your trips that you had taken?
A Yes.
Q And is Exhibit 4 reflective of that practice?
A Yes.

Q Did you have a distribution -- a --
withdrawn. Were there certain people who you always included in the distribution of your trip reports?
MR. TUTTLE: Objection to form.
THE WITNESS: I tried as a general practice to, on my visit reports, to at least copy relevant CMD members, but most importantly the relevant staff in my own organization.
BY MR. HABER:
Q How would you decide with regard to relevant CMD members who to distribute a trip report to?
A It depended on what their role was in terms of regional responsibility or business responsibility.
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Q So this particular trip report you distributed to Mr. Van der Veer and Mr. Watts?
A Yes.
Q Is there anyone else that's not listed here who you recall you may have distributed Exhibit 4 to?
A I don't know.
Q If you look at your e-mail of the June 22, which is the second one on Page 1, to Mr. Watts and Mr. Van der Veer, you wrote, "FYI, the overall health of the company was below my expectation."
Did you get any feedback other than an e-mail that was sent in response three days later from Mr. Van der Veer?
A Not that I recall.
Q Do you recall having any verbal communications with Mr. Van der Veer about your trip to Oman?
A Not that I recall.
Q With regard to Mr. Watts, did you receive any response to your trip report from Mr. Watts?
A Not that I recall.
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Q Now, if you look down at the e-mail dated June 21, 2001, which is the third one on the first page, I want to direct your attention to the paragraph that comes under Number 1, "Company Health." Feel free to read that whole paragraph that begins, "Overall, Shell's financial take from Oman." I'm interested in the sentence that begins, "Not meeting the production target," so if you could just take a look at that for a moment.
If you -- I want you to take a look at the sentence that begins "Not meeting the production target from 1997-2000 and being behind the 850,000 b/d target year to date." Do you see that?
A Yes.
Q Who set the 850,000-barrel-per-day target?
A I don't know.
Q Do you know if that was a representation that was made by Mr. Moody-Stuart and van der Veer when they visited Oman a couple of weeks before you?
MR. TUTTLE: Objection to form; characterization of the testimony.
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THE WITNESS: Yeah, I understood that during that visit, the achievability of 850,000 barrels a day was confirmed to the Sultan.
BY MR. HABER:
Q And this report reflects that PDO Oman was behind achieving that target, correct?
A Yes.
Q The rest of the sentence says, "is an extremely sensitive issue for Shell's and MOG's reputation in the country." What does "MOG" stand for?
A Ministry of Oil and Gas.
Q What did you understand that this was a sensitive issue for Shell and the Ministry of Oil and Gas?
A As I explained to you earlier, the total

country is usually dependent on the revenue coming from the oil production in PDO, and their whole budget, their country budget is based on, to a large extent, by the revenue being generated by this business.
Q Now, if you turn to the next page, under -- it's the very top of the second page. It says, "worrying issues." You see that? And then

there's four dashes.
A Yes.
Q What does "Omanisation progress at senior levels" refer to?
A "Omanisation" is a term that was used for getting local staff to climb up in the organization, the hierarchy of the company, and the whole process of getting more local staff to look after the business and reduce the level of dependence on expatriate staff. That was called "Omanisation."
Q And was Omanisation something that the Minister of Oil and Gas was interested in?
A The whole -- not only the Minister of Oil and Gas, but the whole country, when it comes to local employment of their staff and development of their staff, consider Omanisation a very important issue for the country.
Q And at the time is it fair to say that, that there was not a lot of progress of Omanisation at senior levels?
A Yeah. My perspective was to say that the people I saw at senior level in the company, as Omanis, were the same people I'm remembering

from seeing there, in my first assignment there in '87-'91.
Q So you didn't see any new blood?
A I didn't see the sort of new blood and progression I was hoping to see.
Q If you look at the next one underneath it, it says, "Core business performance," and then

in parenthesis, "production, drilling, unit costs, unit costs, new opportunities."

We touched upon it about production a little bit, but if you could be a little more specific, what concerned you about production other than not meeting this 850,000-barrel-per-day target?

MR. TUTTLE: Objection.

THE WITNESS: It was the general feel that I had. I mean this is just a couple of days visit when I sort of talked to people in the organization, that I felt that the company overall was not really at grips with the overall performance of the business, as I explained a little bit lower with some of the clarification you see lower down in the e-mail.

BY MR. HABER:

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Q And who did you talk with?

A In Oman?

Q Yeah.

A With the management team and with a variety of people in the organization, sort of generally, sort of going through the office and meeting with, with people.

Q Are there any people who come to mind now that you recall meeting with?

A Well, the management, the management team of, of the company.

Q Well, who would that be? I'm sorry.

A Well, the boss at that stage was Steve Ollerearnshaw, Managing Director. Other members of the team at that stage included Abdulla Lamki. He was the Deputy Managing Director. There was a Linda Armstrong. She was the Exploration Director. I really have to rack my brains to try to remember all those, all those names. There was Jeroen Peters. He was one of the regional bosses. And there was a Saif in Oman, but I don't know his surname. S-A-I-F.

Q Okay. You also identify in the parenthetical under "worrying issues" drilling.

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What was it about drilling that worried you?
A My worry about drilling is that the company was still overly focused on drilling additional wells and making sure the rigs were busy drilling additional wells, because that would generate additional production, but I, I didn't get the confidence that people actually were really, in detail, working field development planning that should go before deciding where to drill your wells.
Q And the next item in that parenthetical under "worrying issues" is "unit costs." What is it about unit costs that worried you?
A The Unit Technical Cost in Oman was gradually increasing, so Unit Technical Cost is a ratio of, of cost per additional volume that is being generated, so the overall cost of producing incremental barrels was on the increase.
Q So if I understand that correctly, the, the unit cost is how much it costs to produce volume --
A Incremental, sort of how the, very much how to -- how the economics of individual project activities were presented and how successful they
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were as a project on a Unit Technical Cost basis.
Q And the next and last in that parenthetical of worrying issues is "new opportunities." What is it about new opportunities that worried you?
A That some of the new business opportunities that were out there were very complex, and therefore they needed a lot of technical work in order to, to mature successfully.
Q At the time that you had visited Oman, had you observed, through either your own viewing or discussions with people at PDO, issues concerning mature fields and not being able to produce out of these mature fields?

A I think -- didn't I read in here that there were some -- let me go back and read this note.
I see a reference in the, in the note to Yibal as one of the fields becoming "old and tired," the very last sentence.
Q And I'm sorry. Where are you pointing to?
A The very last sentence of my note.
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Q That's on Page 3?
A Yes.
Q Okay. Now, other than the people who are identified on Exhibit 4, who within your organization did you provide your trip report to?
A I cannot recollect anyone beyond this distribution.
Q But do you recall having any discussions with Lorin Brass? And I recognize he's listed on here. I just want to know if you had any conversations with Lorin Brass.
A I don't recall.
Q Do you recall having any discussions with John Darley about your trip report?
A No.
Q How about with John Bell?
A No.
Q Okay.
A I think most of the sort of follow-up discussions were with Din Megat, because it was his -- it was in his region.
Q Okay. Did you talk to Din Megat about what you had observed?
A Yes.
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Q And when do you recall having that discussion?
A On a very frequent basis, because, you know, there's a lot of follow-up activity on, on Oman, because what came out of here was the, a strong desire from my side to strengthen the

organization in Oman and to provide more support for activity within Oman.
Q During your discussion with Mr. Megat did he indicate that he was aware of these problems that you identified in your trip report?
MR. TUTTLE: Objection to form; characterization of the document.
THE WITNESS: He recognized that there were problems.
BY MR. HABER:
Q In particular, did he recognize any of the worrying issues that you identified as problems?
A Yes, and he shared with me during this month a sort of other review that had taken place on the overall health of Oman.
Q What did he say about this review?
A That it was -- that it indeed was
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recognized that Oman was going to need a lot of support to improve its performance.
Q When do you recall having this discussion with him?
A In between here and, and September when I had my next visit to, to Oman.
Q Do you -- did he say when this review took place?
A If I recollect correctly, it's somewhere in the June/July time frame.
Q So the review occurred after your trip?
A Well, or it was already started. I'm, I'm not so sure.
Q Do you know if the ExCom was aware of this review?
A I cannot be sure. I don't know.
Q Do you know if that would be reflected in minutes of the ExCom?
A I, I cannot be sure. One thing that was common practice, that with every ExCom meeting, people from the various regions and departments would include, in the pre-reading material, highlights of their particular regions.

Q Did reviews such as the one you just
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testified about, did they have to be approved by the ExCom before they were conducted?
A No.
Q So such a review would be at the discretion of the Regional Business Director?
A Yeah, but I think also at the discretion of the board of PDO. If it would involve shareholder activity, the board of PDO also needed to approve that.
Q So other than you, do you know if Mister -- if Mr. Megat had said he shared the fact that this review, if it was being conducted with anyone else on the ExCom?
A I can't recollect.
Q Okay. Did he ever say he shared the fact that this review was being conducted with anyone on the CMD, again other than you?
A I don't know.
Q Now, also -- you can put this document aside.
Also, when we were earlier talking about the disagreement with the Omani government, you talked about a fee; am I correct?
A Yes.
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MR. HABER: I'm going to mark as van de Vijver Exhibit 5 a document which I believe discusses this disagreement that you had mentioned, but again I'll ask you to identify it.
(Exhibit No. 5 was marked for identification and attached to the deposition transcript.)
BY MR. HABER:
Q Actually, you know what, before we get to this document, I just want to ask one follow-up question about Exhibit 4. I'm sorry. With regard to the issues that you identified as "worrying," did you take any steps to try to address those issues that you identified?

A Oh, tremendously. I mean Oman became one of the priority areas for me early on in my tenure, to do as much as possible to support the, the company to get back to its former glory.

I think one of the first people I actually personally assigned to the organization was a guy called Steve Ollerearnshaw, who I considered the best petroleum engineer in the company, and asked him to please go to Oman and help to get grips on what I considered the key

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core of the organization, to, to get the petroleum engineer in the department up in quality. It became a priority for our resourcing people.

Over the next year or so, I moved in more than a hundred people into the organization. We created study teams in many locations to do field development activity. We started up an actual study, a study center in Oman as well, which had good local contact and credibility of creating a center of action there, so changing the people, I didn't like the management team, ultimately moved out of MD, so a whole variety of things that we, that we worked to get a better grips on the overall quality of the organization and address the concerns that I had about, about what I found.

Q You said that -- one of the things you said is you created study teams?
A Yeah.
Q Did any of these teams come out of a service organization called SepTAR?
A Yes.
Q And do you recall if any of the teams from SepTAR were located in the United States?

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A They were. I mean the SepTAR organization was, was a global organization which had staff working in Houston as well as in Rijswijk and The Hague and later also in Aberdeen, and they were all the technical professionals that

would provide support to things that needed to be done in Oman. Some of them were very complex, and the local skills were not available on the location, particularly not initially, to deal with the complexity of a lot of these studies that needed to be done.
Q Now, I just showed you what's been marked as van de Vijver Exhibit 5. Can you identify what this document is.
A This is a letter from the Minister of Oil and Gas in Oman to myself.
Q And do you have an understanding as to why the Minister of Oil and Gas had written this letter to you?
A Well, it's a follow-up to a letter that I wrote to him, so that's the first thing I see.
Q Okay.
A And this was -- I think this -- my letter was related to the, to the reserves fee.
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MR. HABER: We're going to mark the next exhibit, but while we mark it, why don't we take a break?
THE VIDEOGRAPHER: This marks the end of Tape 2 in the deposition of Mr. van de Vijver. We are going off the record. The time is 2:21 p.m.
(Whereupon, a short recess was taken.)
THE VIDEOGRAPHER: This marks the beginning of Tape 3 in the deposition of Mr. Van de Vijver. We are back on the record. The time is 2:43 p.m.
(Exhibit No. 6 was marked for identification and attached to the deposition transcript.)
BY MR. HABER:
Q Mr. Van de Vijver, right before the break I handed you a document that we marked as van de Vijver Exhibit 6. It's a three-page letter on Shell letterhead from you to two people, and I'm not going to try to pronounce their names, but it's the Minister of Finance and National Economy, from the Sultanate of Oman, and to the Minister of

Oil and Gas, also from the Sultanate of Oman. The letter is dated October 1, 2001, and the Bates
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number is HAG00010179 through HAG00010181.
Do you recall drafting this letter?
A Yes, with support from my staff.
Q And in your prior answer you said that Exhibit 5 was in response to a letter that you had written dated October 1st. Is this that letter?
A Yes.
Q Now, who assisted you from your staff in this letter, in drafting this letter?
A That would have mainly been John Crocker, who was the Shell representative in Oman at that time, and that's the senior Shell person, the Shell representative office, and he had quite a good personal relationship with the Minister.
Q Did Mr. Crocker accompany you when you had visited Oman?
A Yes.
Q Generally speaking, do you recall why you wrote this letter?
A This was as a follow-up to, to the second visit I had to Oman I believe somewhere in the end of September, where I also met with, with these ministers.
Q Did you make a trip report of that
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second visit to Oman?
A Well, I cannot recollect it, but mostly I did, so . . .
Q Had you -- do you recall if the issues that you termed "worrying issues" had improved between June and September of '01?
A I think at that stage not a lot had improved. I clearly had put a lot of -- personally put a lot of action in motion to get improvements done, but these things take time.
Q Now, do you recall what you had discussed with the two ministers during your visit in September?

A It was about overall performance of PDO and what PDO and Shell should be doing about it, and as you see in the letter, there was also the discussion on repayment of, of that, that bonus.
Q And that discussion, does that appear on Page 3 of the letter?
A Yes.
Q And that's the top paragraph?
A Yes.
Q If you look at that paragraph, the first sentence says, "The conclusion I draw from what I
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saw is that the original reserves bookings were reasonable on the basis of the best information available at the time, but that it is now clear there will be some de-booking at the conclusion of the present studies."
What studies were you referring to?
A Petroleum engineering studies.
Q Were those the studies that you just testified about that Mr. Megat had initiated?
A I'm talking about -- no, no. I referred to Megat in terms of overall review of the company.
Q I see.
A I'm talking here about specific field studies on Yibal and on Marmul Haima.
Q And what kind of field studies were being conducted?
A Petroleum engineering reviews of the performance of original plans that were made on those particular reservoirs.
Q Have you heard of a STOIIP review?
A Yes.
Q What is a STOIIP review?
A A STOIIP review is Stock Tank Oil
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Initially In Place. As occurred later, as you know, at the end of 2002, we concluded that we wanted to do a bottoms-up review of all the assets involved in STOIIP and ultimate recovery during

2003 for Oman, to get a bottoms-up understanding of all the assets.

Q So these petroleum engineering reviews were not a STOIIP review?

A Those particular studies, no. They were performance reviews.

Q Who was conducting those performance reviews?

A These particular ones were done in PDO.

Q By whom?

A By PDO staff.

Q Okay. Do you know if there were any hit teams that were assembled to do reviews in PDO?

MR. TUTTLE: Objection; foundation.

BY MR. HABER:

Q Do you know what a hit team is?

A Yes. I know what a hit team is or a hit squad. That's -- that started when I put in the Technical & Operations Excellence group in The Hague, created that somewhere around

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September/October 2001 to recreate the Technical Core of Excellence in E&P, and staff from that organization would go out to specific locations and assist people understanding their, their asset base.

Q So is it fair to say that there were no hit teams or hit squads assembled for the purpose of performing these petroleum engineering reviews that you just talked about?

A Not for these particular cases relating to the $30 million repayment of the fee; was linked to work that PDO themselves had done, because actually when I visited -- I don't recall whether it was the first or the second visit of Oman. I actually sat with the staff in the organization to tell me about these, these reviews and the status of these things, to get myself a hands-on feel for what actually had happened and what needed to be done.

Q Now, if you look at the sentence I just read, there's a reference in there about -- it says, "It is now clear there will be some de-booking at the conclusion of the present studies." What, what basis did you have for

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saying that?

A In the Haima -- I recollect that the Haima development plan was actually stopped halfway. As, when they started drilling development wells, they performed below expectation, further development was actually halted, indicating clearly that they were not performing up to expectation.

Q And so if I understand this letter correctly, you were making a connection between the probable de-booking and the payment of the $30 million; is that correct?

A Yes.

Q Why is there that connection?

A That's because of the system that's in place in Oman where part of the compensation for Shell is in the form of, a of a fee that relates to two elements. One is in success in finding -- with exploration -- new reserves, and the other one is related to maturing reserves on existing fields. All of these are related. When I talk about a fee related to, uh, to existing fields, it is linked to expectation reserves.

Q I see. Now, in your experience, was a

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payment back to a government, such as in Oman, a practice that had occurred in Shell prior to your tenure?

A I don't know.

Q I'm sorry?

A I don't know.

Q Did you discuss the payment with anyone prior to making the representation in the letter?

A Other than with my staff around me, no.

Q Did you discuss it with Phil Watts?

A Not that I recall.

Q Do you recall discussing it with any

member of the ExCom?
A Definitely with Din Megat as the Regional Director.
Q Did you need approval from the CMD to make the payment?
A No. That would be within my own authority.
Q Was there a certain dollar threshold within your authority that you could make payments such as this one?
A My authority was to up to $60 million.
Q And was that included in the business
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budget of Shell, like a discretionary amount of money you could spend?
A I'm not sure.
Q I just want to go back to the first part, the first page of the letter for a moment. I'm looking at the middle paragraph and the sentence that begins, "The company's world-leading reputation was earned." Do you see that?
A Yeah.
Q It goes on to say, "I hate to see it" -- referring to the reputation -- "called into question by recurrent failures to deliver and by unexpected shortfalls."
What were you referring to with regard to recurrent failures?
A That we hadn't met our production performance, and the forecast, and that there were clearly problems in the organization.
Q When you had met with them, did either Minister convey frustration to you about Shell's performance?
A Oh, very clearly, yes.
Q And what did they say?
A They were both very unhappy with, with
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the performance of Shell in the country.
Q Did they communicate to you that they were upset with anyone in particular at Shell?

A No.
Q Did they communicate to you the -- withdrawn. Did they say to you that they had communicated their unhappiness that Mark Moody-Stuart and Jeroen van der Veer when they had visited Oman?
A Not that I know.
Q If you turn to the second page for a moment and look at the third full paragraph, you see in the letter there's a reference to 815,000 barrels per day "on a capex budget of $975 million." Do you see that?
A Yes.
Q Do you recall discussions about that production target, or if you read the next sentence, the one about a previously stated target of 830,000 barrels per day? Do you recall discussions with the Ministers on that issue?
A Yes.
Q And what do you recall?
A From the Oman perspective, they, they
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clearly were still hoping that as quickly as possible we would return to the 850,000 barrels a day, because that was the formal story that had gone through to the Sultan. And I had at that stage, seeing what I was seeing at that stage, thought it was a difficult-to-achieve target, but at the same time I had just gotten in there trying to get an understanding of what was happening, so a lot of work needed to, to happen to get a better comfort and understanding about where production would really end up.
Q And so the reference here to the "best estimate" for the 2002 production was 815,000 barrels, correct?
A Yeah.
Q Now, it says that you are not willing to, at that point, to give up on a target of 830,000 barrels. Was that 830,000 barrels per day communicated during your trip in June of 2001?
A I think that's -- the 830,000 was the

formal business plan from PDO at that point in time.
Q So that was already less than what had been previously represented by Moody-Stuart and
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van der Veer, correct?
A Yeah, but there may have been -- I don't recollect the details. There may have been sort of an incline up again to 850,000 maybe a year later.
Q But in terms of what their representation was and where you were at now, it was different than what had been represented, correct?
MR. TUTTLE: Objection to form; calls for speculation.
MR. MORSE: Objection.
THE WITNESS: I don't know the specific year. It was working towards a trend, long-term trend of 850, but there may have been specific years where that was not achievable.
BY MR. HABER:
Q Do you know when, looking at this letter, the current best estimate for 2002 became 815,000 barrels per day?
A No, I don't.
Q By the way, in the upper right-hand corner there is some handwriting. Is that your -- do you recognize that as your handwriting?
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A Yes.
Q I'm looking at still Exhibit 6, your October 1st letter.
A The "Copy Megat, Mann"?
Q Yeah.
A No, that is my secretary.
Q And who is your secretary?
A Marian van der Laan. We can do the spelling later.
Q And the Mann; is that Paul Mann?
A Paul Mann, yes.

Q Who is Paul Mann?
A He was the Regional Business Advisor for Oman, reporting in to Din Megat.
Q Now, looking at Exhibit 5, do you recognize the handwriting on this document?
A Yes.
Q And whose handwriting is that?
A Paul -- on top that's my secretary again, and on the bottom is my handwriting.
Q On the bottom you're talking about --
A Copy John Crocker, Din Megat, Paul Mann. "It is a pity," that's my handwriting.
Q And what does that say?

A "It is a pity that he wrote this letter. Please recommend the appropriate response."
Q And what did you mean by that?
A Well, I was hoping at this stage, particularly after my visit and our letter, that he, he was convinced that I was doing everything possible and starting so many initiatives to get, get hold of the business and do all the right things, that I hadn't expected that I would get a letter back at that stage.
Q If you look at the middle of the first page, the paragraph that begins "there were a number of issues," towards the bottom of the paragraph -- I believe this is Dr. Al Rumhy?
A Yes.
Q -- writes, "Many of us strongly believe that the following factors are either responsible or contributed to the production 'crisis,'" and then he identifies five factors.
I want to address your attention to Number 2, "Reserve Booking Methodology." Do you have an understanding of what Dr. Al Rumhy was referring to?
A Yeah, he referred to a, to a discussion

we had during the previous visit, that he believed that, that reserve bookings which ultimately

linked up to expectation reserves for the company had to be based on completed field development plans on particular fields, where at in the past it had been the custom that it was based on the note for files that petroleum engineers prepared that reflected their latest perspective on a particular field rather than being a total separate complete bottoms-up field development plan that sometimes can take years to, to, to prepare.
Q So Dr. Al Rumhy was advocating the field development plan as opposed to these notes for file?
A Yes.
Q What was Shell's practice with regard to booking of proved reserves? Were field development plans required?
MR. TUTTLE: Objection; foundation.
THE WITNESS: This had nothing to do with proved reserves.
BY MR. HABER:
Q I understand.
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THE REPORTER: I'm sorry. I didn't get the answer.
MR. HABER: He said it had nothing to do with proved reserves.
BY MR. HABER:
Q I'm just asking separately if Shell required field development plans to be in place before reserves could be booked as proved?
A I would not be able to, to know yes or no on that, that question.
Q Okay. Going back again to Exhibit 5, the third item that he -- that Dr. Al Rumhy identifies as "scorecard," do you recall a discussion on scorecard?
A No, I don't.
Q Do you have an understanding of what he's referring to?
A Yes. The board of PDO had a scorecard to evaluate the performance of PDO as a company.

Q And was this scorecard a Shell scorecard?
A No. It was a PDO scorecard, but Shell introduced the system of scorecards to PDO. As you know, PDO is a joint venture company, so they
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have their own board.
Q So did you understand that Dr. Al Rumhy was indicating that scorecard was a factor that contributed to, as he puts it, the production "crisis"?
A Yes.
Q Do you have an understanding if Shell had anything to do with the PDO scorecard?
A Through the board of PDO where there would be Shell representatives, the decision would be made on the content of the scorecards.
Q And do you know in particular what it was in the scorecard that Dr. Al Rumhy was referring to?
A No, but maybe I need to read the letter. One of the items on the scorecard was production.
Q Okay. Now, when you made the $30 million payment to the Omani government, did you report the payment to the ExCom in a Note For Information or a Note For Discussion?
A I do not know.
Q Do you recall if you advised the CMD of the payment through a Note For Information or a Note For Discussion?
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A I do not recollect.
Q You could put this aside.
I'd like you to go back to Exhibit 1 for a moment, your letter of March 22, 2004, if you could just take a look at it, and in particular under the heading "Efforts to Examine the Reserves Issue," it's on Page 1. You wrote, "Soon after coming to office as head of E&P in June 2001, I observed that the health of the E&P business was not as robust as the Company-determined

performance targets set under the former E&P CEO."
What did you mean by that?
A What I meant earlier, explained earlier, that I found a lot of things in E&P that, that concerned me, and one of those areas that concerned me was the production growth target that was out there, and after studying that in detail and reviewing it, we went out to the markets I think in August 2001 and lowered our production target.
Q And I think I asked you earlier: What was the externally communicated production target?
A Five percent growth.
Q Do you know how long that five percent
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growth had been the external promise?
MR. TUTTLE: Objection to form; characterization.
THE WITNESS: I don't know.
BY MR. HABER:
Q Over what time frame does that growth, that five percent, cover?
A Typically it is a planning period of four to five years.
Q Is there a reason why four or five years is used as a planning period?
A Normally within the Shell Company the basic horizon for making business plans is five years out.
Q Okay. Did there come a time when you determined that this five percent target was no longer achievable?
A Yes, that was during the planning stage for next year's business plan, which starts in June and it's all the way in December. During that process of looking at a draft business plan for the following year, I discovered that there was a problem with the five percent.
Q What were some of the factors that
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caused you to conclude there was a problem with

the five percent target?
A It was a reflection of, of places like the United Kingdom, Oman, and some of the timing of new projects that would get on stream.
Q What new projects are you referring to?
A New business-related activity around when some of the, the new fields would get on stream, or there was also, I recall, an expectation that very early on in the process, based on assumptions at the time, that we would commence major gas activities in Saudi Arabia, which didn't materialize in the end.
Q Were there any other opportunities other than the gas activities in Saudi Arabia?
A I mentioned the United Kingdom. The production forecast turned out to have been too optimistic. There was the situation of Oman. I don't know at that stage what the situation of Nigeria is. We have to look at information.
Q Had you visited Nigeria at the time that you reached the conclusion that the five percent target was no longer achievable?
A Yeah. Yes, I visited Nigeria. It was
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the first visit I did in May 2001.
Q So you went to Nigeria before you were formally in the position as head of EP?
A Yes, I took the opportunity to find space to, as I recollect Phil Watts saying Nigeria is one of the first countries you need to visit, that I went already in May to visit Nigeria.
Q When did Phil Watts say to you that Nigeria is one of the places you ought to visit?
A That was during the first handover meeting we had.
Q Did he communicate any concerns about Nigeria that you should address your attention to?
MR. TUTTLE: Objection; asked and answered.
BY MR. HABER:
Q You can answer.
A No, only in the general sense that

Nigeria was very important, and given the fact that I never worked there, it would be good to familiarize myself with Nigeria.
Q Did he say why Nigeria was very important?
A Nigeria was very important for the
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group. It is one of our larger operations in the group.
Q Now, when you say "larger operations," are you referring to people? Are you talking about production? What do you mean?
A Basically all of that. I think there were -- overall there were 6,000 staff in Nigeria. It was one of the, the big producing areas for the country, one of the areas with big reserves, and a lot of expenditure because of the, the LNG projects and everything that needed to be done to get gas on stream and get deep water on stream.
Q When you went to Nigeria, did anyone accompany you?
A Yes. I went together with Frits Eulderink, someone I later sent to Oman to be Technical Director. He was the Regional Business Advisor for Nigeria.
Q Did anyone else accompany you?
A Not that I recollect.
Q Do you recall -- do you recall what, what you had observed with regard to the operations in Nigeria?
A No, not in detail. I was quite
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overwhelmed by the scale of operations. I actually visited the camps and I visited some of the actual fields in the interior, so that was my first ever time I went there.
Q Whether you say "the fields in the interior," is that in SPDC?
A Yes, that's in the swamps in the delta.
Q I'm sorry. Did you visit SNEPCO?
A Yes, I also visited SNEPCO offices.

Q Were the SPDC and SNEPCO offices geographically separate?
A Yes.
Q And where was SPDC's offices?
A SPDC had an office in Lagos, it had an office in Abuja, it had an office in Port Harcourt, and it had an office in Warri. And SNEPCO had an office in Lagos.
Q Did SPDC and SNEPCO share offices in Lagos?
A No. I think they were separate, because one was a joint venture structure and the other is a hundred percent Shell entity.
Q Well, you testified that there were a number of things that you learned when you first
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got into your position that contributed to your conclusion that the five percent growth production target wasn't achievable. What was it about Nigeria that contributed to that conclusion?
MR. TUTTLE: Objection; characterization of testimony.
BY MR. HABER:
Q You can answer.
A I do not recollect whether the change from five percent to three percent was also directly linked to, to Nigeria.
Q Okay. When you, when you were in Nigeria, did you look at Nigeria at both -- withdrawn. Let me break it down.
When you were in SPDC did you look at SPDC's business plan?
A Well, as far as I recollect, I must have had a presentation on their business plan.
Q Do you recall such a presentation occurring?
A I recall I was getting presentations. I don't remember the details.
Q Do you recall who made the presentations?
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A A large part of the presentations were
done by Steve Ratcliffe.
Q And who was Mr. Ratcliffe?
A He was one of the members in the
management team of Ron van den Berg.
Q Do you recall the substance of the
presentation?
A Excuse me?
Q Do you recall the substance of the
presentation?
A No.
Q Do you recall forming any opinions about
SPDC's business plan while you were visiting them?
A No, not in any detail. I think I, I
left -- I mean I left with a bit overwhelmed about
the enormity of the company and the complexity of
what they had to deal with in a very difficult
operating environment.
Q Do you recall looking at any historical
documents -- withdrawn. Do you recall looking at
any historical data concerning SPDC's production
performance?
A No.
Q When you had concluded that the five
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percent target was no longer achievable, did you
question how that figure was calculated?
A Yes, I recall going through many
sessions, wanting to understand what had changed.
Q And who did you have those sessions
with?
A A lot with the same people we mentioned
before, Lorin Brass and John Bell, the sort of
central planning and strategy group.
Q And what did you learn from these
various sessions?
A That things had clearly changed.
Q Do you recall what had changed?
A That some of the, the outlooks in terms
of production were not realistic anymore.
Q And do you recall the reasons why they
were no longer realistic?

A Because the data we now had on updated production forecast and updated phasing of activities was different from those a year earlier.
Q And where were you getting this data from?
A From the Central Group in The Hague of
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Planning and Strategy that collected their information from, from operating units.
Q And did that include information obtained from the operating units in connection with the ARPR?
A No. This is part of the planning process, the business planning process --
Q Okay.
A -- which starts somewhere in May every year.
Q And that occurs right after the ARPR process concludes?
A Well, I mean it's sort of an ongoing cycle. The business plan for the next year, given the complexity of our organization, takes all the way from May until ultimately December when it gets approved at, at Conference, the business plan.
Q Do you know when the five percent production growth target was first externally made?
A Sorry. Can you repeat.
Q Sure. Do you know when the five percent production growth target was first externally
0169
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made?
A No.
Q Do you recall having any discussions with Mr. Watts concerning the five percent production growth rate and your conclusion that that rate was no longer achievable?
A Several.
Q And when do you recall the first time

you had this communication with Mr. Watts?
A In the month of July.
MR. FERRARA: And the year?
MR. HABER: 2001.
BY MR. HABER:
Q Did you approach him?
A Yes. There were a variety of, of discussions at that time, because this was a sensitive subject if we would go out to the market to, to lower our production growth target based on the, the early information we had, but I felt very strongly that based on the information we had, that the five percent was not, not achievable anymore.
Q Now, you said in your answer that "this was a sensitive subject if we would go out to the
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market." Why was this a sensitive issue for the market?
A A five percent growth target was amongst the external messages that were given by the company to the market about expected production growth, production performance.
Q And is it your understanding that the market would react negatively to a reduction in that growth target?
A Yes.
Q Now, in this conversation with Mr. Watts, do you recall what he had said to you in response?
A He was surprised about the reduction, and he asked many questions to justify the reduction in the, in the growth percentage.
Q Do you recall the questions that he asked?
A He wanted to see many comparisons with what it was now versus in the previous business plan for him to fully understand what had changed and thereby be able to come to a conclusion.
Q When you approached him with your conclusion, how did he react?
0171

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A I mean all of us would like to have the answer that the production growth number was still valid, and having to go to your boss and say I don't see that production growth as realistic anymore, that raises a lot of questions. And we went through several cycles and also not only went to CMD but also went to, to the Conference to get to the final conclusion, and then the external message was, was given, coinciding with the announcement of our second quarter results in early August 2001.
Q Now, you said that this was the first discussion you had with him. Was this a face-to-face meeting?
A We had a few face-to-face meetings on that as well, yeah.
Q And so the one that you just testified to, was that a face-to-face meeting, the very first time that you approached Mr. Watts?
A I recall that we -- on the production growth target, I remember having a face-to-face meeting with Watts in London on that subject.
Q Was Mr. Watts' office in London?
A Yes.
0172
WALTER VAN DE VIJVER, January 31, 2007
Q Was this a scheduled meeting?
A No. It was specifically on the subject of production growth.
Q Now, subsequent to that meeting, did you have further conversations with Mr. Watts about the production growth target?
A I, I do not recollect the detail, but it did come up, as you said, several times at CMD and ultimately at Conference as well.
Q Now, when you say it came up several times in the CMD, can you be a little more specific what you're referring to.
A To the production growth targets about what we had found and where the updated perspective was.
Q Was this a discussion at the CMD?

A Yes.
Q Do you recall any particular meeting where the production target was discussed?
A That must have been in the July time frame, right before the announcement of our, of our second quarter results in early August.
Q And again so July time frame, you're referring to July 2001?
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A Yes.
Q When you first raised the production target issue with Mr. Watts, did you recommend reducing the target?
A Yes.
Q And what percentage did you initially recommend?
A I do not recollect. Maybe two to three percent.
Q Was Mr. Watts, throughout the discussions, an advocate of keeping the five percent target?
A Initially, but thereafter he, he accepted the new facts.
(Exhibit No. 7 was marked for identification and attached to the deposition transcript.)
BY MR. HABER:
Q For the record, I've just handed the witness a document that we've just marked as van de Vijver Exhibit 7. It's a string of e-mails, the last of which is from Pauline Ewart on behalf of Phil Watts. It's dated August 22, 2001. It's to Mr. Van de Vijver. The subject reads
0174
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"Production." The Bates number -- and there's two of them -- is V00020050 through V00020051, and the other one is DB00815 to DB00816.
Mr. Van de Vijver, have you seen this e-mail correspondence before today?
A Yes, and I think I have to make a little recollection in terms of my memory, because I did

now remember that on the 2nd of August, when Shell went out to the market, we said that we were having difficulty with our production growth target, that we didn't actually communicate to the outside market yet what the new number was going to be. That was going to happen in an analyst presentation in September '01, so the debate on the number was still ongoing beyond July, and that's, that's where this e-mail, now in terms of refreshing my exact time, it was not July, but August.

Q What was the -- if you have an understanding of the reason why you went to the market on August 2nd with the information that the target would be reduced without giving the number.

A Because that there was the, the judgment made at that time that we clearly had to flag to

0175

the market that the five percent was not achievable anymore, but work was ongoing to land on what the new number should be, and that opportunity would then be taken in, in September when there was a planned analyst presentation.

Q Now, if you --

A Because I remember, because it's -- I think in here in the e-mail it refers to "numbers that I shared on Monday," so I must have had a meeting with them just before this e-mail.

Q If you look at the e-mail from -- the top e-mail from Mr. Watts to you, dated August 22, 2001, he writes, "You will have to put your Group hat on and ask whether the hard two percent is better than saying two to three percent (which includes two) for the sake of not having to precipitate a change that could be very damaging for the Group."

What did you understand Mr. Watts to mean by this statement?

A He would rather have the number to be two to three percent than two percent.

Q Well, what did you understand him to mean by "putting your Group hat on"?

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A Looking at it from the perspective of a Group Managing Director rather than the CEO of the E&P business.

Q Did you feel that he was trying to steer your decision in that particular way?

A Yes.

Q Did you respond to this e-mail?

A I do not recall.

Q And the latter part of the sentence that says that "a change that could be very damaging for the Group," do you see that portion of the sentence?

A Uh-huh.

Q Do you have an understanding of what he meant there?

A Damaging for the Group's reputation.

Q Do you think he was also referring to the price of the company stock?

A Yes.

MR. FERRARA: Objection as to form, foundation, calling for a lay opinion.

MR. HABER: He answered.

BY MR. HABER:

Q Now I'd like to direct your attention to

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your e-mail to Mr. Watts, which comes right underneath it, and that's dated also August 22, 2001, and I'd like you to focus on the bottom middle of the paragraph, the sentence that begins "we can obviously," and then in quotes, "over-engineer."

A Uh-huh.

Q The sentence goes on to say "all of this, and we need to find the external story that cannot be translated into technical incompetence, (e.g., environment related and capital discipline related)." What did you mean by "over-engineer"?

A We had by that time gone into cycles and recycles, discussing what the best expectations were on, on some of the production forecast, some

of these new projects which would come to a maturation and on stream.
MR. TUTTLE: I think, Jeff, in reading the text from the document, although it speaks for itself, you left out the word "business" before "environment."
MR. HABER: I apologize. Thank you.
BY MR. HABER:
Q Why did you need -- why did you need to
0178
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find an "external story"?
A Well, in the end of the day, if we could go out with the story that our production growth target would be reduced, based on the understanding we had at that point in time, we obviously would have to give an explanation why the production growth target was being reduced.
Q Was there someone that you would have to work with in order to formulate that story?
A That's the IR Department under -- at that time reporting to Steve Hodge.
Q And who was Steve Hodge?
A He was the Group CFO at that time.
Q Now, if you go to the next sentence, hopefully I don't leave anything out -- it says, "Interesting to note is also that I believe that we are experiencing 'pay-back time' for our past successes."
What did you mean by that?
A Well, that it is -- apologies for getting a little bit technical, but it has to do with, with our advance in technologies and capabilities on mature fields. New technologies were being implemented, and I named a few that I
0179
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recall: Drill The Limit, Realize The Limit, different completions under Valencia, Nubia. All of these things were very successful, but what they often may have actually led to, and rather than sort of increase the ultimate recovery for a field, they sometimes may merely just increase

production and then are rapidly thereafter accelerate a decline.
So economically they are extremely valuable, because you will get your revenue earlier, but it may mean in terms of -- you may get a false impression if you don't study it carefully, that it's all leading to incremental recovery where sometimes it may just be accelerated recovery.
Q Were you -- other than what you testified to, had you been learning about whether production had been accelerated in prior years to reach growth targets?
A No, I think generally the whole organization for many years went through a whole variety of initiatives, was doing everything possible to what we call "sweat the assets," to develop your assets in the most economic manner,
0180
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and what we were, were learning in places like the North Sea, which is one of our mature areas, for instance, that yes, that led to early successes, but later we learned it also led to more accelerated declines.
Q And then therefore that was having a negative impact on production growth?
A Yeah, yeah.
Q Now, if you go down and look at the next e-mail, there is correspondence between Phil Watts and you, also dated on the 22nd, and there is a reference to a discussion that Phil Watts had with Steve Hodge. Did Mr. Watts ever tell you what he and Mr. Hodge had discussed?
A Well, I don't know more than what's in the e-mail.
Q Did you have any discussions with Steve Hodge about your conclusion that the production target ought to be reduced?
A I remember during that time there were lots of discussions about this issue. I also remember that during that time I also received a phone call from Steve Hodge during the weekend,

because it was all very -- quite a tense period of
0181
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activity.
Q Do you recall what the sum and substance of that phone discussion was?
A It was at that time still hoping that the answer was, was going to be a minimal reduction in our production growth target.
Q Do you recall Mr. Hodge saying to you during that conversation that "heads will roll" when the growth production target hits the market?
MR. TUTTLE: Objection; foundation.
THE WITNESS: I vaguely recall something like that, but not exactly. Maybe . . .
BY MR. HABER:
Q Does your recollection -- withdrawn. Do you recall that during that telephone conversation or at another time?
A I wouldn't know exactly anymore.
Q But you have a vague recollection that there was such a discussion?
A In that period somewhere there.
Q And just so --
A There was a lot of tension, yeah, a lot of pressure.
Q Do you believe Mr. Hodge was putting
0182
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pressure on you to reach a certain production targeted figure?
A I believe that, uh, that Hodge was, was hoping that the reduction could be minimized.
Q Did you believe that he was trying to steer you to a particular figure?
A Yes, to as high as possible figure.
Q But not the two to three percent that you were talking about; is that correct?
A I, I think we had a lot of discussion around whether it was going to two or three percent or three percent in that whole period.
Q What did you conclude the number should be?

A I think the final conclusion was three percent over a certain time window.
Q I'm asking what, what number you believed, with all the data that you had reviewed, was the correct number?
A It was a -- at that time the judgment call -- because I did a little bit of judgment because of uncertainty around numbers. I think at that time we were -- the judgment was very much in the two to three percent range.
0183
WALTER VAN DE VIJVER, January 31, 2007
Q But it wasn't at three percent?
A Well, two to three percent. Then you have to go to the final discussion at CMD and Conference on the subject.
Q I'm just trying to get an understanding of what you -- what your judgment was based upon the data that you were provided by your staff.
A At this time it was still, still in that, in that range, two to three percent, so . . .
Q Was the three percent figure a compromise figure for you?
MR. TUTTLE: Objection; foundation.
THE WITNESS: Yes.
BY MR. HABER:
Q Now, if you look at Exhibit 7 for a moment, there's a reference in the e-mail from Mr. Watts to you -- and it's at the bottom -- to a CMD meeting on August 28, 2001. Do you recall attending the meeting in August, August 28, 2001, where the production growth target was discussed?
A Not directly, but as it was a CMD meeting, I would be there.
Q Do you recall at that point, by the end
0184
WALTER VAN DE VIJVER, January 31, 2007
of August, if the three percent number had been the number that was presented for external promise?
A No, no. Not yet. I said my presentation to analysts was somewhere around the

middle of September 2001, so a little bit later.
Q I think earlier you said that the Conference had to approve the reduction; is that correct?
A Yeah.
Q Did you make a presentation to the Conference concerning the reduction?
A Yes, yes.
Q And when, when was this meeting held?
A Somewhere in the period between the 28th of August and 17th of September when I did the, did the presentation.
Q Was there any reaction to the presentation that you made?
A Yes, yes, there was a discussion at Conference about ultimately what, what the external promise would be.
Q And what do you recall about that discussion?
0185
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A I did the presentation around that, moving away from the five percent and shared where we were and our best possible projections around production growth and the way that was normally presented to the market, and as the outcome of that debate, that Conference, the conclusion was to externally portray three percent.
Q Was there any resistance to the reduction by any member of the Conference?
A Resistance to the reduction in growth?
Q Yeah, in effect, did anyone oppose it?
A No, but there was a healthy debate on what the number should be.
Q Do you recall anyone in particular who was most vocal?
A No.
Q Did Mr. Watts attend that meeting?
A He chaired the meeting.
Q Do you recall if Mr. Watts had anything to say after your presentation?
A I, I do not know.
Q Let me take it during the discussion.

When was this discussion occurring in the meeting where you made the presentation?
0186
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A Well, as part of the normal agenda -- sorry.
Q I'm sorry. Let me ask -- I'm sorry. I asked a bad question. I'm sorry. Let me rephrase it.
Was there a discussion during the presentation or after the presentation?
A After the presentation.
Q And you say Mr. Watts chaired the meeting?
A That he chaired every meeting of Conference.
MR. HOTZ: Mr. Haber, when you get to a convenient point, if you wouldn't mind, could we take a break? We're just getting toward 4:00.
MR. HABER: Absolutely.
MR. HOTZ: Great. Thank you.
MR. HABER: You're welcome.
BY MR. HABER:
Q Do you recall what Mr. Watts' position was at the time of this Conference meeting?
A No.
Q You under -- do you understand that he was supporting three percent at that point?
0187
WALTER VAN DE VIJVER, January 31, 2007
A Yes, he supported three percent.
Q And when you made the presentation that you made, did you include a discussion of some of the production issues that we talked about in Oman, for instance?
A Yes, I would have given, had the reasons for why it was not anymore five percent, so I will have given, as part of the presentation, some insights in what had changed.
Q And some of those insights included a discussion about Oman?
A Oman was one of the countries where production had reduced.

Q Were there any countries that you remember discussing?
A The United Kingdom, because it was quite a big one. The United Kingdom was a hundred thousand barrels a day in gross production, so that was quite a big number in that, in that overall number.
Q Were there any other countries?
A Not that I can recollect.
MR. HABER: This is probably a good time to break.
0188
WALTER VAN DE VIJVER, January 31, 2007
THE VIDEOGRAPHER: We are going off the record. The time is 3:55 p.m.
(Whereupon, a short recess was taken.)
THE VIDEOGRAPHER: We are back on the record. The time is 4:12 p.m.
BY MR. HABER:
Q Mr. Van de Vijver, I'm going to put you back into that meeting at the Conference where you made the presentation about the three percent or the reduction of the five percent target. Did you prepare any materials for distribution to the Conference in connection with your presentation?
A I do not recollect, no.
Q When you went to the Conference to make the presentation, did you -- withdrawn. Were you concerned, at the time you made the presentation to the Conference, that the Conference would not support the reduction in growth target, the production growth target?
A No.
Q Did anyone else make a presentation to the Conference with regard to reducing the production growth target?
A I do not recollect, no.
0189
WALTER VAN DE VIJVER, January 31, 2007
Q Did anyone accompany you?
A I do not recollect. It should be visible in the minutes of the Conference.
Q Do you recall if all the members of the

Conference were present at the time you gave this presentation?

A Yes.

Q Was Jeroen van de Veer a member of the Conference?

A Yes.

Q Was Malcolm Brinded a member of the Conference?

A Yes. He was there in his role as head of Group Planning, not as a CMD member, because he joined the CMD formally in the middle of 2002 if I'm correct, if I can remember correctly.

Q Was Maarten van den Bergh a member of the Conference?

A Yes.

Q Was Aad Jakob a member of the Conference?

A Yes.

Q And again just so we're clear, at the time you made the presentation.

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A Yes.

Q Was a gentleman by the name of Henny de Ruiter a member of the Conference?

A Yes.

Q Who is Henny de Ruiter?

A Henny de Ruiter is a former Group Managing Director, and after he retired as Group Managing Director he became a member of the Supervisory Board of Royal Dutch/Shell.

Q In August of 2001 did you feel that you had external promises that you had to meet because of the actions of your predecessors?

A Production growth was clearly one of those things, yes.

Q Are there any others?

A There was ROACE -- well, the typical parameters of, of the business that were in the business plan, where it was related to cost, capital investment, ROACE, production and reserve replacement.

Q What is ROACE?

A Return On Average Capital Employed.
Q And what is it in layman's terms?
A That's an indication of the efficiency

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of the business, in terms of the investments you made, what sort of return you get on your investment, but given all the depreciation factors around the business, it's based on net income after tax, but it is in the capital employed, which incorporate the accounting basis for calculating your capital employed at that particular point in time.
Q In simple terms, it's a measure of the performance of the company?
MR. TUTTLE: Objection to form.
THE WITNESS: It's one of the indicators on the efficiency of the business; that is, the capital efficiency measure of the business overall.
BY MR. HABER:
Q Okay. Now, you said you met with analysts in September of 2001; is that correct?
A Yes.
Q And it was during this, this conference with analysts that you gave the actual production growth target?
A Yes.
Q Was this during a Conference call with

0192

analysts?
A No. This was actually a presentation, a live presentation first in, in Europe. I wouldn't be able to directly recollect whether The Hague or London, and then the day thereafter it would be a repeated in New York.
Q Did you go to New York to do the repeat of the presentation?
A Yeah, exactly the same presentation.
Q Did anyone from Investor Relations accompany you?
A Oh, yes.

Q Who?
A Several people.
Q Do you recall having any discussions with people from Investor Relations on your trip over to New York about what the U.S. market was expecting?
A No, not that I recollect. The presentations in itself were the same.
Q Now, the presentation that was conducted in Europe; was that broadcast over the Internet?
A Yes.
Q And therefore there would be worldwide
0193
WALTER VAN DE VIJVER, January 31, 2007
access, correct?
A Yes.
Q Do you recall what the reaction of the analysts were to the reduction in the growth -- in the production growth target?
A The market was disappointed by the lowering of the production growth target and the new number.
Q And when you say "the market," are you referring to analysts?
A Yes.
Q Do you know if there was any impact on the price of the stock after the presentation?
A I, I do not recollect.
(Exhibit No. 8 was marked for identification and attached to the deposition transcript.)
BY MR. HABER:
Q I've just handed the witness what we've marked as van de Vijver Exhibit 8. It's a one-page e-mail from Mr. Van de Vijver to Philip Watts, dated September 11, 2001. The subject line is "Presentation." The second page is handwritten notes. The Bates number for this exhibit is
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HAG00020430 through HAG00020431.
Mr. Van de Vijver, I'd just ask you to take a look at this.

A Yeah.
Q Mr. Van de Vijver, have you seen this e-mail before today?
A Yes.
Q And if you look at the second page --
MR. DOWD: Give him a chance to read it.
MR. HABER: Oh, sure. I'm sorry. I thought he was done. My apologies.
BY MR. HABER:
Q Are you through?
A Yes.
Q Okay. Can I ask you, have you seen the e-mail today -- before today?
A Yes.
Q And the second page, which is handwritten notes, do you recognize the handwriting?
A This is my handwriting.
Q This appears to be part of a larger handwritten note. Looking at this document now, do you have any recollection as to what this was a
0195
WALTER VAN DE VIJVER, January 31, 2007
part of?
A It looks to be the basis of a presentation, but I don't recollect.
Q If you look at the e-mail now, the second paragraph and the sentence that begins "I have been struggling" -- are you with me?
A Yes.
Q It says, "I have been struggling with my principles and integrity over the last couple of months whilst going through the due diligence of EP and the new business plan as it came together."
What was causing you to struggle with your principles and integrity?
A This also is ongoing discussion around what the best perspective of the business was at this point in time. Still learning about why certain things had happened and why certain things were what they were.
Q There's a reference here to "due diligence." What due diligence were you referring

to?
A That's my due diligence, since I arrived in EP, to understand the business and get hold of the issues and dealing with issues.

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Q Now --
MR. DOWD: Excuse me. Is this the way this document was produced?
MR. HABER: I can only tell you that, as you see, it's Bates numbered sequentially, and that's the way we have it.
MR. DOWD: Okay.
MR. HOTZ: It looks like a second page begins with Number 6. That's why we're asking.
MR. HABER: I can only tell you the Bates numbers. This is the way we have it.
MR. HOTZ: And it was produced stapled like this together?
MR. HABER: Electronically that's the way it comes, so I can't tell you any more than that.
BY MR. HABER:
Q Again looking at this sentence, the sentence -- the part of the sentence saying that you're struggling with your principles and integrity, did you feel, when you wrote this, that you were under pressure from Phil Watts or Steve Hodge?
A I was under pressure, yes.

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Q And how were you under pressure?
A Under pressure to deliver the highest growth target for the business.
Q Do you have an understanding as to why they were exerting this pressure to achieve the highest growth target for the business?
MR. TUTTLE: Objection to form; calls for speculation.
BY MR. HABER:
Q You can answer.
MR. DOWD: If you know.

THE WITNESS: No, not directly.
BY MR. HABER:
Q Now, the next part of the sentence -- of the paragraph, rather, the next sentence reads, "There are several things that should really worry us," and again there are a number of items. I'll call them bullet points. They're marked off by dashes.
A Uh-huh.
Q The first one is "core business issues in places such as Exploration, PDO, ExPro and Australia." What were the issues that you're referring to?
0198
WALTER VAN DE VIJVER, January 31, 2007
A Exploration, I was not happy with the way it was structured, and that is one of the first things I changed to globalize the Exploration business. PDO we talked about. ExPro we talked about.
Q Okay.
A And also during the time I actually visited ExPro to get a hands-on feeling for the performance in ExPro. And Australia, because there we, we had some disappointing performance on a new field there.
Q Does this reference to Australia have anything to do with Gorgon?
A No, no, no, no.
Q Now, the third bullet point says "lack of ownership and accountability topdown in EP."
A Yeah.
Q What did you mean by that?
A I felt that, that the structure in E&P was not the best it could be in getting direct hierarchy, hard-wiring of accountability in the organization, and this had to do with having a very strong operating units with very powerful CEOs at that level and not the ability to bring
0199
WALTER VAN DE VIJVER, January 31, 2007
that sort of seamlessly together as it's reported up to the EP ExCom. You see as part of that

follow-up that's one of the things that changed during my tenure in E&P to improve that, uh, that organization and hard-wiring the accountability and the ownership.
Q Okay. The next bullet point I would like to direct your attention to says, "Increased competition also w-r-t," which is "with respect to growth targets and with respect to earning a P/E premium." What were you referring to there?
A That's external competition to Shell, so that's other companies who are delivering and succeeding. So Shell was not as strong as maybe internally the company perceived themselves to be, relative to the competition.
Q Now, the handwriting underneath the one I just read to you, is that your handwriting?
A Yeah.
Q Can you make out what that says.
A "No oil to gas shift."
Q What did you mean by that?
A That it was the aspiration of the Group, over time, to make its portfolio more gassy, so in
0200
WALTER VAN DE VIJVER, January 31, 2007
terms of the split between oil and gas production, to gradually get more gas production in there in the company.
Q By the way, when you sent this e-mail, had you already made a presentation to the analysts?
A No.
Q Did Shell issue a press release in connection with the reduction of the growth target?
A Yes.
Q Did you review the press release before it was disseminated?
A Yes, but final control is within the London organization.
THE REPORTER: Within the what organization?
THE WITNESS: London organization.
BY MR. HABER:

Q And who are you referring to?
A That's investor relationship, investor relations that report to the CFO that ultimately reports in to the chairman.
Q So do you know if the press release was
0201
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approved by Philip Watts?
A Oh, definitely it will have been approved by Phil Watts.
Q And underneath Philip Watts, Judy Boynton?
A Yes.
Q And underneath that --
A Well, sorry. That's probably still Steve Hodge during the transition period.
Q You're correct. I'm sorry. Steve Hodge? It was approved by Steve Hodge?
A Well, it was during the handover. I don't recall exactly when that happened.
Q And was Simon Henry the head of Investor Relations at this time?
A Yes.
Q And so he would have been part of that approval process?
A Yes.
Q If you look at the bottom of the page, the paragraph that begins, "We will tell a confident story to the analysts," then it says, "At EP ExCom today there was significant discomfort with the three percent growth target
0202
WALTER VAN DE VIJVER, January 31, 2007
and with the 15 percent ROACE promise."
Do you recall attending the ExCom meeting that's referred to in this e-mail?
A Yes, but I don't recollect the type of discussion that took place.
Q Do you recall who at ExCom voiced discomfort with the three percent growth target?
A No.
Q What was the issue with regard to "15 percent ROACE promise"?

A As I said earlier, one of the targets that the business has was a ROACE target. ROACE target was always as a certain reference oil price to take out the sensitivity to oil price, because at that time it was $14 a barrel in terms of the reference price.
Q If you look at the next sentence, it says, "This is, as you know, because our current plan does not achieve these targets whilst you normally want to have some 'headroom' between internal plans and external promises."
Was this statement meant to ascribe a reason for the discomfort that was voiced during the ExCom meeting?
0203

MR. TUTTLE: Objection to form; calls for speculation.
THE WITNESS: If I read my own sentence correctly, it is linked to the sentence above.
BY MR. HABER:
Q Okay, you can put this document away.
A little bit earlier this morning you had mentioned the Technical & Operations Excellence, the T&OE, I believe.
A Yes.
Q What is the T&OE?
A This was a recreation of a group of, we call them "gurus," we call them "senior professionals" in their particular area of expertise, that would help in the oversight and support of technical work across the group in the various operating units, and that is something that I initiated, because I felt it was very important to the core of the business as doing good technical work, to make sure that the profile and visibility of the technical work and the senior specialists were well recognized within E&P.
Q Why did you initiate the T&OE?
0204

A It, it was partly because of the

concerns that I found in my visits in the various places I visited, but also partly linked to my own historical recollection of E&P about the roles and positions that existed many years before when I, I worked in, in the head office in The Hague as a young engineer.
Q Did you need approval for the creation of the T&OE?
A No, I don't think so. I did need approval for some of the organizational changes that I made to the EP ExCom around the September/October time in that year.
Q And why did you make organizational changes to the ExCom?
A As I just explained from the previous e-mail, one of the things I felt uncomfortable with was the way Exploration was structured in the Group, where it was very fragmented, and I wanted to create one central core of excellence and accountability for Exploration in the Group. So that was one of the first changes I made, together with establishing a formal department on project execution where we would create a project
0205
WALTER VAN DE VIJVER, January 31, 2007
organization within the Center of the Hague that would have global responsibility for quality of project execution across the globe. And there may have been a few other things. I can't recollect them all.
Q Did the organizational change in the ExCom include personnel change?
A Yes. As part of that, I appointed Matthias Bichsel as head of Exploration, and I appointed Brian Ward to be my Regional Director for Africa as well as leading the Technical & Operations Excellence, Excellent process, and I think those were the initial stages. Briefly thereafter -- okay, that was a bit later when I appointed -- no, that was in 2002 when I appointed Frank Coopman to be CFO of E&P and moved Dominique Gardy to the Far East and then Tim Warren to Australia. That was a bit later in the process.

Q Why did you select Brian Ward to be a Regional Director for Africa?
A I had worked with him before. He used to be my boss in Aberdeen, so I knew him very well. I had a lot of respect for him, and he was a very sort of goal-getting type of individual,
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and I felt he was the right person to, to appoint for those particular activities, and that -- I remember it took me a lot of convincing for him to take the job, because he didn't particularly want to come to the head office, but I did, I did get him to take those jobs.
Q Now, was this position considered a promotion?
A Yes.
Q Now, you also mentioned Frank Coopman to be the CFO of E&P. Why did you, why did you ask Mr. Coopman to join E&P in that position?
A I had known Frank Coopman from, also from Aberdeen where he was CFO of, of ExPro, and he had a strong reputation when it comes to control of, of the business. Reasonably soon after I got my job in, in EP in The Hague, he came to me basically volunteering himself to come and work for me, and then as part of sort of the normal process, he then came on board in EP.
Q Was there a reason or reasons why you wanted Mr. Coopman to replace Mr. Gardy?
A I wanted to improve the overall effort on business controls in E&P.
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Q And had you concluded, by the time you asked Mr. Coopman to join E&P, that the business controls were weak at E&P?
A I felt as part of my overall concerns in terms of hard-wiring the E&P business and getting everyone better collected and getting more better disciplined information and making sure we get better quality monthly reports, et cetera, that Frank would be a great addition to the team.

Q Now, with regard to the business controls, do you know if Mr. Coopman also -- if you envisioned Mr. Coopman to be implementing controls with regard to reserves reporting?
A Yes, everything that's related to results of E&P, so that included reserves reporting.
Q And so you asked Mr. Coopman to join in or about 2002?
A Yeah. I can't recollect exactly what month, but it was somewhere April/May time in 2002, or we can check. I don't know the exact date.
Q So this is roughly about eight or nine months or so after you took over the job?
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A Yes.
Q So by that time you were able to get a good handle on the business controls of E&P?
A Well, by the time I had a pretty good feeling about what all needs to be done, huh? And these things don't happen overnight. This is a huge complex organization with many entities, and there was a lot, a lot to be done.
Q And you felt that Mr. Coopman would be able to strengthen the business controls?
A Yes.
Q You mentioned Tim Warren, that you sent Mr. Warren to Australia?
A Yes.
Q Why did you send him to Australia?
A I felt that, that for running the EP ExCom and the team that we had, I felt more comfortable putting Dominique Gardy in that position than maintaining Tim Warren in that position.
Q I'm sorry. I think I might be a little confused. You said after Mr. Coopman came --
A Yeah.
Q -- Dominique Gardy then went
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to Australia?
A No, no. Dominique Gardy moved, as he evolved, from E&P to the Far East region on EP that until the time had been occupied by Tim Warren, who then became Country Chair in Australia.
Q And the move with Tim Warren, was that in connection with the initial changes that you talked about in 2001?
A I don't recollect. I think it was sort of a two-stage rocket to some of the early change -- sorry. Two-stage rocket. I think some of the early changes that were creating the Exploration Department and creating a Technical Operational Excellence and getting Brian Ward in, that was the first move, and then the second move was the move with the chain of Coopman, Gardy and Warren.
Q When you created the T&OE, did you form an opinion that Shell's "technical excellence," for lack of a better word, was waning, was no longer what it was?
A Yes.
Q And how did you reach that opinion?
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A From my, my gut feel going through the various areas and seeing the quality of work that was being done, and being concerned that with all changes in the company, that trying to become more entrepreneurial, et cetera, that the pure recognition of technical skills and technical professionalism had sort of taken a back seat in the overall profile of E&P business.
Q Do you know if any of your predecessors had implemented any programs such as the T&OE to address the technical competence issue?
A No. There were a lot of initiatives coming out of the Technology Group, the Service Group in the, in the EPT and then the SepTAR bit of that, but it was very much done from a service perspective rather than getting sort of up front the technical professionalism more owned and

upgraded.

Linked to that is just the whole issue with -- a lot of it has to do with people. There was a system in the organization in place at that time when I arrived what was called "open resourcing," which essentially meant that people themselves within the Shell system had to look for

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the next assignments and the next job, which in itself is encouraging, because they could find their own market value and so on, but what it stopped doing was that there were some of the professional gurus who actually had a direct input and a direct responsibility for their technical professionalism as their career progressed and also being able to assess where some of these people were most needed in the organization.

So it coincided with me sort of introducing the concept of what I called "managed open resourcing," where open resourcing was still there, but it was overlain by a business perspective and a technical perspective, where our best people should actually go in the interest of the company rather than just the interest of themselves.

Sorry for the lengthy answer.

Q That's okay. I think, though, my question was if any of your predecessors had initiated any initiatives to address the technical professionalism competence excellence that you've just described.

A One of the things that was -- the answer

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is yes. One of the things that was implemented was the process of Value Assurance Reviews, VARs, which was a review that was very much linked to the whole process of, of maturing investments where there would be a process where, as projects would mature, that there would be dedicated milestones, there would be reviews on whether the project would be ready to move to the next stage.

Q And when did --
A That was done before my time.
Q Okay. Do you know when the Value Assurance Review was implemented?
A I don't know the exact time, but somewhere around the year 2000, '99/2000.
Q Okay. Do you know if the Value Assurance Review was incorporated into Shell's guidelines?
A I remember that in April 2002 we included the VAR 3 milestone in the Shell reserve guidelines.
Q And was that the first time that the VAR 3 milestone had been disseminated to the Shell reserves people company-wide?
A Yes.
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WALTER VAN DE VIJVER, January 31, 2007
MR. HABER: I'm told we have five minutes left on the videotape, and since we're approaching the 5:00 hour, we might as well conclude for the day.
THE VIDEOGRAPHER: This marks the end of Volume 1 in the deposition of Mr. Van de Vijver. The total number of tapes used today is three. We are going off the record. The time is 4:52 p.m.
(Signature having not been waived, Volume I of the video deposition of WALTER VAN DE VIJVER was concluded at 4:52 p.m.)
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ACKNOWLEDGEMENT OF WITNESS

I, Walter van de Vijver, do hereby acknowledge that I have read and examined the foregoing testimony, and the same is a true, correct and complete transcription of the testimony given by me, and any corrections appear on the attached Errata sheet signed by me.

_____________________ ____________________________________

(DATE) (SIGNATURE)

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E R R A T A S H E E T

IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

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0216

WALTER VAN DE VIJVER, January 31, 2007

E R R A T A S H E E T

IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

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WALTER VAN DE VIJVER, January 31, 2007

CERTIFICATE OF SHORTHAND REPORTER -- NOTARY PUBLIC

I, Laurie Bangart-Smith, Registered Professional Reporter, the officer before whom the foregoing deposition was taken, do hereby certify that the foregoing transcript is a true and correct record of the testimony given; that said testimony was taken by me stenographically and thereafter reduced to typewriting under my supervision; and that I am neither counsel for, related to, nor employed by any of the parties to this case and have no interest, financial or otherwise, in its outcome.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 31st day of January, 2007.

My commission expires: March 14th, 2011

____

LAURIE BANGART-SMITH
NOTARY PUBLIC IN AND FOR
THE DISTRICT OF COLUMBIA

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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY
Civ. No. 04-3749 (JAP)
(Consolidated Cases)
Hon. Joel A. Pisano

- - - - - - - - - - - - - - - +
IN RE ROYAL DUTCH/SHELL
TRANSPORT SECURITIES
LITIGATION
- - - - - - - - - - - - - - - +

Volume II
Videotaped Deposition of Walter Van De Vijver
Washington, D.C.
Thursday, February 1st, 2007
9:37 a.m.

Job No. 22-94163
Pages 218 - 454, Volume II
Reported by: Paula G. Satkin

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Videotaped Deposition of
Walter Van De Vijver

Held at the offices of:
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Suite 1200
Washington, D.C. 20009
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Taken pursuant to notice, before Paula G. Satkin, Registered Professional Reporter And Notary Public in and for the District of Columbia.

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EXAMINATION INDEX

E X H I B I T S

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P R O C E E D I N G S

THE VIDEOGRAPHER: Here begins Tape Number 1, Volume II, in the deposition of

Walter Van De Vijver, in the matter of Royal Dutch/Shell Transport Securities Litigation.
Today's date is February 1, 2007. The time is 9:37 a.m.
I would like to remind the witness he is still sworn in from yesterday.
Whereupon--

Walter Van De Vijver
a witness, called for examination, having been previously first duly sworn, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR LEAD PLAINTIFF

BY MR. HABER:
Q. Good morning, Mr. Van De Vijver.
A. Good morning.
Q. I would like to start off this morning by looking at your letter which we've
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marked as Exhibit 1.
MR. DOWD: Get the exhibits back.
BY MR. HABER:
Q. If you would please turn to page 2. The first full paragraph of that page that begins with "closeout of 2001." Do you see that?
A. Yes.
Q. Okay. For the record, it says, "by closeout of 2001 reserves in February 2002, we had identified a number of exposures regarding the company's proved reserves (both outlook and historical exposures) and we advised CMD."
What do you recall about that time period, the closeout of the reserves and what was advised?
A. I received the annual audit report from the group reserves auditor, Anton Barendregt, so that was a completed report that was distributed to me.

I don't have any involvement in that process itself. I mean clearly people from my organization are involved, external auditors

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and group finance report, but I received that report as a conclusion.

And based on what I saw in that report a note was prepared for the CMD in February 2002.

Q. Do you recall if there was a presentation to the ExCom that preceded the note to the CMD?

A. I'm not sure. It may very well be.

MR. HABER: We're going to mark three separate documents. They will start off as Van De Vijver 9, 10, and 11.

The first exhibit is Exhibit 9, which is EP ExCom meeting note dated February 4, 2002.

And I'll let you do the sticker and we can get it moving.

(Van De Vijver Exhibit Number 9 was marked for identification.)

MR. HABER: The second in this series, which is Van De Vijver Exhibit 10 is a presentation from a meeting of the ExCom dated February 4, 2002.

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(Van De Vijver Exhibit Number 10 was marked for identification.)

MR. HABER: And the third, which is marked as Van De Vijver 11, is an e-mail from Lorin Brass dated, February 20, 2002, to Dominique Gardy and a number of other people.

The subject reads note for information reserves CMD, February 2002. And the attachment is a note for information to the CMD, dated February 11, 2002.

(Van De Vijver Exhibit Number 11 was marked for identification.)

MR. HABER: And I will just now give the Bates numbers while Mr. Van De Vijver has a chance to look at these documents. For the record I will just identify the Bates numbers.

Exhibit 9, which is the EP ExCom meeting note with the attachment, is Bates numbered RJW00321823 through RJW00321837.

Exhibit 10, the presentation, is Bates numbered and just for the record it says reserves presentation and in the upper right-hand corner it says 4th February 2002.

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The Bates number is V00010188 through V00010211.

And Exhibit 11, which is the e-mail from Lorin Brass to Dominique Gardy and others, which attaches the note for information CMD, February 11, 2002, EP hydrocarbon resources update 1/2/2002.

There are two Bates ranges. The first is V00120473 through V000120485. And the second range is DB07636 through DB07648.

BY MR. HABER:

Q. Mr. Van De Vijver, have you had an opportunity to look at the three documents that we've just marked?

A. Yes.

Q. Starting with Exhibit 9, have you seen this document before today?

A. I've seen it before, but I don't know when.

Q. Okay. And if you look at the second page or the third page of the document that's the attachment to the note there's a note from Anton Barendregt dated January 30, 2002. It's titled review of group and 2001 proved oil

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and gas reserves summary preparation.

Is this the report you were referring to a moment ago?

A. Yes.
Q. And if you notice on the note there's handwriting. Do you recognize that handwriting?
A. I'm not sure. If I see the word appraisal it sort of looks like my handwriting, but I don't think I ever write note that is there, so I can't be sure.
Q. If you look at the paragraph Mr. Barendregt is referring to the use of scorecards. Do you see that? It says the widespread use of reserves targets scorecards?
MR. DOWD: Hang on a second. Let him read the paragraph.
THE WITNESS: Yes. I've read it.
BY MR. HABER:
Q. You see at the end it says, however, the shift -- I'm in that same paragraph. However, a shift in scorecard emphasis from reserves booking to successfully meeting project milestones is recommended.
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In the right margin there's a handwritten note from you saying no.
Why did you say that?
A. Well, I think, as I mentioned before, I'm not sure whether this is my handwriting.
I'm happy to comment on it, but I cannot be sure that this is my handwriting.
Q. What was your reaction to that recommendation?
A. The scorecards for EP had a mixture of a variety of targets for the business and I did feel it appropriate that reserve replacement was one of the items on that scorecard.
I also believed that items like milestones on project or what I call strategic activities were important, as well, and they were incorporated in the scorecard, so it's ultimately about the balance you get on things

that reflect the overall health of the business.
This is, by the way, a discussion that ended up every year at conference where the scorecards for the business was agreed.

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Q. Do you recall attending a meeting of the conference where discussion of the scorecards was conducted?
A. Oh, yes, several. Yes.
Q. Was there such a discussion in 2001?
A. I don't recollect. I know for certain there was a discussion on that in 2002 and I think also in 2003, because at those times there was not only a discussion about what the target should be, but also a discussion about what percentage of the scorecard should be linked to reserve replacement.
Q. And with regard to 2002, what is your recollection of the conclusion reached by the conference?
A. We would have to look. I don't particularly recollect all the details, but I think there were two occasions during my tenure that the actual weighting on the scorecards on reserve replacements were actually increased as a result of the meetings with conference.
Q. When you're saying the actual weighting on scorecards you're referring now to

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reserves additions?
A. Reserves replacements, yes. Sorry.
Q. And in 2002 the chair of the conference was Phil Watts?
A. The chairman of conference was Phil Watts, but of course that's with all the nonexecutives being there as well.
Q. Do you recall what Phil Watts' position was on scorecards at that time, 2002?
A. No.

Q. Do you recall what his position was in 2003?
A. I only know what the end result was. I don't recollect any particular details how that process went.
Q. Do you recall any discussion at the conference about Barendregt's -- Mr. Barendregt's criticism of the scorecard system?
A. No.
Q. Did you ever talk to Mr. Barendregt about his criticism of the scorecards?
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A. I had nothing personally to do with Barendregt.
The first time I met Mr. Barendregt was in December '03.
The answer is no. Sorry. The answer is no and clarification I did not meet Barendregt until the first time December 2003.
Q. What was the reason you met Mr. Barendregt in December 2003?
A. Because then I personally attended a few meetings where we were going through the detail about the numbers of Oman and Nigeria and how they should be restated and I wanted to get at that stage a hands-on feeling about how these discussions were also happening.
That was also at the time I had called in Rod Sidle, who I remembered working and being involved with reserve reporting in the United States to help us in that process.
Q. Do you recall at the conference any discussion about the impact reserves additions had on the scorecard, like a percentage?
A. I don't understand your question.
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Q. Did anyone try to attach a percentage of importance, if you will, to

reserves additions in the scorecard?
A. Yes. That's what I answered earlier, yes. That's when I think twice the weighting on the reserve replacement on the scorecard for E&P got increased.
Q. When I say percentage you're talking about the weighting?
A. Yes.
MR. DOWD: W-E-I-G-H.
MR. HABER: Right.
BY MR. HABER:
Q. Do you recall -- bringing it two levels down to the ExCom level, do you recall if the ExCom took any action on Mr. Barendregt's recommendation concerning scorecards?
A. I do not recollect. I can only recollect that this then triggered getting a note to the CMD.
Q. If you look at the note, the first page of Exhibit 9, you'll see on the chart on the very top under achievements there's a chart concerning the RRR. And I would like you to
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take a look at the number under the total BOE, 8 CCC-RRR, and then underneath it it says excluding A&D, which I understand is acquisitions and divestments. You see the number is 52 percent. Do you recall any discussion at the ExCom about the RRR?
A. No. I do not recollect. The number is what it is.
Q. Do you know who prepared this note?
A. At the time in my organization Dominique Gardy and Lorin Brass were responsible persons in the ExCom for reserve reporting, so in between the two of them that note must have been prepared.
Q. Now, if you look under issues. You see under the first bullet point, and this time it truly is a bullet, it says SPD PDO in Abudhabi representing 18 percent of EP's

production. Cannot book reserves for the foreseeable future as it is doubtful that the already booked reserves can be produced within the remaining license period. The reserves exposure in these OUs is over 1 billion barrels
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and sensitive to OPEC constraints.
Do you recall discussion about this issue?
A. No. I don't recollect that.
Q. With your trips to PDO did it surprise you that PDO was identified as an issue on this note?
A. No.
Q. With your trip to SPDC did it surprise you that SPDC was on this note?
A. No. Those were two very important areas where clearly by this stage I had identified that there were operational issues.
Q. Now, looking at Mr. Barendregt's note again. If you can turn the page I would like you to take a look at the last full paragraph of the first page, the paragraph beginning, "the overall finding from the audit visits." Are you with me?
A. Yes.
Q. Okay. And in particular I would like you to focus on the second sentence that says, "there's a possibility of a minor overstatement of group proved reserves in some
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fields where historically booked reserves are not in line with recent SEC guidance."
What was your reaction when you read that?
A. Well, I didn't have a reaction to that. I mean I accepted that the experts had come to the conclusion that they came on the overall state of the reserves. They were the experts, they were giving the numbers.
Q. Your take from the note -- the

note to ExCom and the note from Mr. Barendregt
was that there were flags being raised about
certain operating units within the portfolio?
MR. TUTTLE: Objection to form,
characterization of the testimony.
Q. You can answer.
A. Yes. In the context of what I
then submitted to the CMD and the overall
actions that were in place to improve the
technical rigor and quality in the overall
health of the business.
That has been my ongoing drive
from the time I was in the business to do
everything possible to make those improvements.
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At the end of the day this was not
an issue about noncompliance or not, this was an
issue about believing the experts about their
opinions and taking it from my side to improve
the business.
Q. Do you recall any discussion about
the SEC's guidance in the ExCom?
A. No.
Q. I would just like to now have you
look at Exhibit 10. That's the presentation
materials.
Do you recall seeing this
presentation during the ExCom meeting?
A. I do not recollect that particular
time when the presentation was made. I've seen
this presentation over the last couple of years.
Q. Okay. I would like you to take a
look for a moment. It's in the backup portion
of this presentation. I would like you to take
a look at page V00010208.
MR. DOWD: 208?
MR. HABER: Yes.
BY MR. HABER:
Q. Before I ask you a question about
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WALTER VAN DE VIJVER
this slide, do you know if a PowerPoint slide

presentation such as this exhibit were included
as prereading for ExCom meetings and CMD
meetings?
A. Generally not. If there was a
note that was it and if there was a general slot
for a particular item obviously people would
come in with presentation material.
Q. And the presentation material
would then be handed out at the meeting?
A. Not necessarily.
Q. Do you recall if this was handed
out, this being this exhibit?
A. No.
Q. I would like you now to focus on
page 208. You'll see there's a bullet points of
five operating units and it's under the heading
new fields - reserves at risk. The first one
identified is Australia (SDA-Gorgon). Then it
says 550 million BOE.
Do you recall a discussion at this
ExCom meeting about Gorgon being at risk?
A. No.
Q. When was the first time that you
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learned that the reserves that had been booked
at Gorgon were at risk?
A. When we started making the
exposure list in E&P.
Q. And do you recall when the
exposure list was first circulated?
A. It matured over time. Obviously,
we had some reference in that CMD note in
February. Then we had the July note in that
same year, 2002 to CMD. And I think then with
the ongoing activities what I asked Frank
Coopman to do, I think, I formalized a standard
format around October 2002, so it's sort of
evolving over 2002, but you may want to look at
documents. That's my best recollection.
Q. That's okay. Why don't we take a
look at Exhibit 11. And if you could identify
where -- where the exposures or the beginnings

of the exposure list are?
A. On the first time mentioning is on the bottom of page 2 of that note; right?
Q. So that would be on page 474?
A. Yes.
Q. Did you prepare this note?
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A. Not personally.
Q. Did you instruct someone on your staff to prepare it?
A. Yeah, Lorin Brass.
Q. Did you review it before it was sponsored?
A. I do not recollect.
Q. Did you sponsor the note?
A. Yes. That's the standard procedure at CMD, that a business that submits a note to CMD is the sponsor.
Q. Do you recall any discussion at -- withdrawn.
Was there a meeting at the CMD on February 11th, if you recall?
A. I have to assume that there was a meeting at the CMD, all right. The answer is, yes, there was a meeting.
Q. Do you recall discussing the exposures that are identified on page 474?
A. No.
Q. So it's your understanding that this note was distributed to every member in attendance at the CMD meeting?
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MR. TUTTLE: Objection to form and characterization of the testimony.
THE WITNESS: Any note that is issued to the CMD people get it in their prereading material the Thursday or Friday before the meeting the next Tuesday and/or Wednesday.
BY MR. HABER:
Q. That would mean they would get it

in prereading material even if they were not in physical attendance at the meeting?
A. Yes.
Q. Was that a standard practice?
A. Throughout, yes.
Q. When you say throughout, throughout your tenure at EP?
A. At CMD, yeah.
Q. At CMD. Okay.
Do you recall in just looking -- you can go back if you will to flip to Exhibit 9 for a moment, looking at Mr. Barendregt's report. And if you can turn to page 827?
A. Yes.
Q. Do you recall any discussion at
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the ExCom about Angola block 18?
A. No.
Q. Do you recall having any reaction when you read item 4, which is about Angola block 18?
A. No. And I have to admit there I'm not sure whether I read the total note. I mean I was getting a lot of material. I normally stick to reading the summary.
Q. In terms of the production license constraints. After you had received Mr. Barendregt's note did you initiate any action to try to resolve the license constraint issue?
A. I think that that issue on license extension came later that year.
Q. That year being 2002?
A. Yes.
Q. And what is your recollection of how it came about?
A. For me for both areas the license extension came about because in both areas we were planning massive investments in terms of activities in the countries and we wanted to get
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comfort that ultimately we would be able to get the rewards of that beyond what was then seen as the end of license.
Q. When you say both areas?
A. I'm talking Oman and Nigeria, sorry.
Q. Okay. Let's take Nigeria.
In particular what steps did you take to address the license expiry or constraint issue?
A. In terms of my personal action I remember raising it with the President of Nigeria.
Q. And when was that?
A. Somewhere in 2002. You would have to look at minutes of meetings to be able to see it.
Q. Do you recall if that trip was taken in March of 2002?
A. I cannot be sure.
Q. Did anyone accompany you on that trip?
A. If I would go on a trip there would always be someone accompanying me. We
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would have to look at the records.
Q. Do you recall if Lord Oxburgh came with you?
A. I had one trip indeed I do recollect there was one trip where Lord Oxburgh indeed joined me as part of his role in conference, I think it's called social responsibilities committees or something similar, and he wanted to get a firsthand feel about the relationships with local communities.
Q. When he went to Nigeria with you do you recall if he also visited SPDC?
A. Yes. Yes.
Q. Do you recall if he was provided with any data about SPDC's production?
A. I don't know. I was not with him the whole time. I mean we had separate

programs.
Q. Do you recall when the two of you were together if you were provided information about SPDC's production?
A. I really -- I really don't remember.
Q. Going back to what started all of
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this, you said you met with the President of Nigeria?
A. I met with the President of Nigeria on a frequent basis as part of my regional job. As I explained yesterday as managing director I tried to maintain relationships with people like the President of Nigeria.
Q. On the issue of license constraints do you recall what you had discussed with the President?
A. I recall raising that once given the massive investments that were ongoing in the gas infrastructure in SPDC.
Q. Do you recall what he said to you?
A. I think it was a typical set of nonconclusive meeting.
Q. What was the relationship like between Shell and Nigeria?
A. I think the relationship between Shell and Nigeria was, I think, generally seemed to be pretty good. Of course, the major person who was looking after that relationship was the country chairman in Nigeria.
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Of course, relationships in Nigeria are always relative given the complexity of the country. You may have a good relationship with the president. It doesn't mean you don't have a lot of other enemies in the countries and local communities because there are about a hundred different tribes in Nigeria, particularly where there are

operations. There are always a lot of community issues. I think my assessment that the relationship with the President was pretty good.
Q. On a level below the President what was Shell's relationship like with the local communities?
A. Always mixed.
Q. How so?
A. Well, there was in Nigeria, given the different states that were out in the delta and the local leaderships in the delta there was -- on a frequent basis there were disagreements. A lot related to the central government in terms of how revenue from the oil and gas industry was distributed to the local states and therefore the local communities.
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Q. Do you recall Shell encountering civil unrest during your tenure at EP?
A. I think civil unrest is a big word, but there certainly were on a frequent basis there were -- there was sabotage facilities.
Q. And as a consequence that would delay production?
A. That obviously had an impact on production levels, yes.
Q. Other than civil unrest, sabotage and the like, were there any other factors that was -- that were affecting production levels at SPDC?
A. I mean there were always a variety of factors in Nigeria. One of the things in Nigeria was that we worked there in joint venture with the government being a partner in the joint venture. So there was on a yearly basis a lot of discussion on what would be allocated and funds that would be available to not only pay for the cost that had taken place over the past period, but also in terms of taking their share of future investments.
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Q. Do you recall there being a problem with maintaining technically competent senior people?
A. Yes. I think as I mentioned to you yesterday, Nigeria became one of my resourcing priorities and, as you can imagine, Nigeria was not always a very nice place to work. And, therefore, getting ex-patriots to accept to go to Nigeria was never easy, particularly as I mentioned in the constraints of an open resourcing system people would not really readily volunteer to go to Nigeria. So I implemented a dedicated drive to bring more competent experts into the organization.
All these things take time, but that was part of my initiative.
Q. Other than through a formal note like the ones we just looked at in Exhibits 9 and 11 did you communicate these issues that you were finding in Nigeria to your colleagues on the CMD?
MR. TUTTLE: Objection to characterization of the documents.
MR. MORSE: Same objection.
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BY MR. HABER:
Q. Who did you communicate these issues to?
A. I had the normal habit of visits that I would have to operating areas to provide a brief summary to my colleagues at CMD, aside from to my own staff.
Q. Do you recall communicating these various issues affecting production with Phil Watts?
MR. MORSE: Objection to form, characterization.
THE WITNESS: These notes would go to the CMD and that includes Phil Watts.
BY MR. HABER:
Q. When you say "notes" are you

referring to formal notes?
A. No, no. Both.
On a regular update there would be formal CMD notes on Nigeria and on Oman to the CMD, but in between activities if I would travel and make visits and would have visit reports they would separately, out of the formal route would be copied to my CMD colleagues as well.
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Q. Going back again to the issue of license constraints, after meeting with the President of Nigeria were there other steps that you initiated or took yourself to address the issue?
A. I did not personally, but my staff did.
Q. And what did your staff do?
A. I think we're jumping a little bit forward in time, but I do recall that we did get a formal opinion from outside law firm, Cravath, I think it was.
Q. Cravath?
A. Cravath, which basically sort of shorthand said that Shell would have a right for extension on the license of SPDC.
Q. And do you know from within Shell who was principally responsible for spearheading the communications between Shell and Cravath?
A. I know that Frank Coopman, my CFO, was involved in that, but I don't know the rest around him.
Q. Do you know a Guus Klusener? A Guus, G-U-U-S Klusener?
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A. Guus? That sounds Dutch.
Q. Yes. Pardon my Dutch pronunciation.
A. No. That name doesn't immediately ring a bell.
Q. How about a Peter Folmer?
A. Yes. Peter Folmer, that's a

well-known name. He was the group head of the legal department or whatever you call it, the top legal guy within Shell.
Q. Do you know if Mr. Folmer had any involvement in liaisoning between Cravath and Shell?
A. I don't know.
Q. Do you know who at Cravath was principally responsible for doing the work on Shell's behalf?
A. No. I did not have any involvement in that.
Q. Have you heard of a person by the name of Rory Millson?
A. No. Sorry, I can't help you on that.
Q. Do you know a person by the name

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of William Rogers? He also goes by the name Bud Rogers?
A. Bud. That name I recall because I met him during project Rockford.
Q. Okay.
A. I met the other one, but it's only the Bud that recollects.
Q. When you were in Nigeria did you ever take a look at SPDC's business plans?
A. I don't really know how to answer that question. I've been given overviews of the state of the business and lots of presentations, but I don't recollect the real detail and whether there was a formal business plan or not, but I certainly had a lot of presentations.
Q. Do you recall presentations on SPDC's growth and production targets?
A. No, but I do recollect that both in 2002 and in 2003 Nigeria was actually achieving some production records.
Q. Do you know if they were meeting production targets?
A. That, I wouldn't be able to answer.

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I only know both 2002 and 2003 were pretty good performances of Nigeria. Part of that was because they started their first offshore fields EA and I guess part of it in terms of the activity that was taking place.
Q. Is EA a gas or an oil field?
A. An oil field. It is a Shell offshore oil field.
Q. Yesterday you mentioned there were approximately 6,000 employees in Nigeria?
A. Yeah. Yeah.
Q. Do you know if there was a secondment program where these employees also worked in the United States?
A. Broader than that there was a program where these Nigerians, as part of their training would move to all different operating units in the world. They often -- they had some favorite locations. They would like to go in the Far East and so on because it was a bit more Muslim environment but, no, generally there was an active program to ensure Nigerians would get their development and training in other areas of the world, including the United States.
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Q. Do you know if any of the employees at SPDC or SNEPCO maintained offices in the United States?
MR. TUTTLE: Objection to form.
THE WITNESS: I would not know.
BY MR. HABER:
Q. You say you don't know for both SPDC and SNEPCO? I just want to make sure the record is clear?
A. Why I'm hesitating to answer is that in the SDS organization in Houston and New Orleans where they provided support for projects for Nigeria, that there were Nigerians in those teams, as well, but I don't know whether they worked on their label I'm SNEPCO or whether they

were temporarily assigned to SDS. I wouldn't be able to answer that.
Q. But they worked in the United States; correct?
A. Yes. There were certainly people that were in those teams.
(Van De Vijver Exhibit Number 12 was marked for identification.)
MR. HABER: We're marking as
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Exhibit 12 --
MR. DOWD: Are you through with 9, 10, 11?
MR. HABER: Yes.
THE WITNESS: Let's keep them in sequence.
MR. DOWD: I will. That's what I'm here for.
MR. HABER: We are marking as Exhibit 12 a trip report.
And while I identify it for the record, Mr. Van De Vijver, if you could just take a look at it.
The document says Oman visit 8-11 May 2002. Its Bates number is HAG 00110562 through HAG 00110567.
BY MR. HABER:
Q. Have you had an opportunity to look at it?
A. Yes.
Q. Do you recognize this document?
A. Yes.
Q. What is this document?
A. This is a -- I must admit,
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chauffeur driven visit report from my visit to Oman.
Q. For what reason did you visit Oman in May of 2002?
A. As I said, this was, as it said, my continuous strong passion about Oman and

wanted to make sure that we were making progress on the concerns that I identified during previous visits.
Q. Do you recall distributing this trip report to your colleagues on the CMD?
A. I wish you had the distribution list attached. I don't exactly recall who it went to.
Q. Other than any particular person do you recall distributing it to any member of the CMD?
MR. MORSE: Objection, asked and answered.
BY MR. HABER:
Q. You can answer.
A. I would prefer to see it. As I said, the normal practice for me was to distribute it to all CMD members and the people
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in my organization but I cannot be sure, particularly because this time I guess I had my secretary to prepare this report.
Q. But as a matter of normal practice you would distribute trip reports?
A. Sure.
Q. In the second paragraph under introduction there's a reference to sessions with Omani officials, the Minister of Oil and Gas, the Minister of National Economy, the chairman of PDO/Undersecretary of MOG.
Did you meet with each one of these ministers separately?
A. We have to look further in the minutes. The way it is written it looks like I had separate meetings with the three ministers, but I would always be accompanied by John Crocker.
MR. DOWD: I think the witness is looking at page HAG001110565; correct?
THE WITNESS: Yeah.
BY MR. HABER:
Q. Thank you.

After meeting with the various
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officials from the Omani government how would you at that time describe Shell's relationship with the Omani government?
MR. TUTTLE: Objection to form.
THE WITNESS: Still difficult.
BY MR. HABER:
Q. Still difficult?
A. Yes.
Q. Why is that?
A. Because we hadn't quite delivered the improvements in overall performance. I think that's what the whole tenure of the note is about what was happening and what was not happening at that stage.
Q. I just would like to direct your attention under the summary. Again, these are dashes and plus signs. By the way, is there a distinction between the dash and the plus?
A. Yes. That's my shorthand for low light is a negative and a highlight is a positive.
Q. Okay. So under the second low light, "production continues to slide (now some 770 thousand barrels per day)." It goes on to
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say the totally unreliable monthly short-term forecasts.
What do you recall about that?
A. What I recall about that was production was still sliding and the organization didn't really have a good grip on their overall production because they would forecast a month that they would produce X but then they would produce something different so the quality of the whole operation and the ability to forecast our production was at that point in time not there.
Q. Now, going down to the last negative before you get to the first positive it

says continued pressure on downward revision of reserves. What did you mean by that?

A. Well, that was the whole story about trying to get an understanding about the total position of our reserves, and just for clarity, everything I'm talking about is expectation reserves. This is at the time I had brought in Stuart Evans, the petroleum engineering, for better word, guru, that I called at that time that would start to get a

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handle on the total portfolio and the, at that stage he gave sort of overview where he was where there were clearly concerns about overall state of the business. At least the positive as I said on the second to bottom, plus that the whole review of the asset portfolio had at least finally started.

Q. If we could just look at the summary for a moment. You write, "overall my patience had been tested too long with PDO and its management progress over the last year (is not just about delivered production!) has been underlined, less than expected, again underlined, less than promised and again underlined, less than could have been possible.

What did you mean by that?

A. I think you can't write it any clearer than I did.

Q. I get the part that your patience?

A. I'm normally a bit of an impatient person and clearly the difficulty you have when you deal with the PDO than when you would deal with a normal Shell organization this is not a Shell company. You cannot forget that PDO is

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not a Shell company, it's a company with a majority shareholder, the government. It has its own Board structure and that's normally it's through the Board that a company like that gets governed. Here I'm coming in from the side all the time saying you guys get your act together, go and do things and it is -- it was very frustrating there was a long period of denial in the management of PDO in terms of getting to grips what was really happening. They were doing things but it was not really getting the tracks I wanted and I was starting to lose my patience and it all meant that I was accelerating through whatever mechanism I had to bring in better people and to get tracks on the things that needed to be done to get a grip on their portfolio. And ultimately, of course, the key thing I decided is I think there is -- isn't there -- sorry this may be -- there's an appraisal in the back what I think about some of the people.

Q. Right.

A. It's part of my sort of analysis where I basically say things will have to change

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and the end of the day I decided that, yes, I brought in some new people like this. Eulderink that's on the last page.

MR. DOWD: E-U-L-D-E-R-I-N-K.

BY MR. HABER:

Q. You're looking at page 566 and page 567?

A. Yes. The last page I remember saying very encouraging start, changed director, excellent people skills, right approach, right man, right place, in the right time. He was meant to be a catalyst for change in the management team, but as you will then of course see a couple of months later I decided to make changes and put in a new managing director because my patience had gone.

MR. FERRARA: We've been on for about an hour. At a convenient point do you want to give us a chance to stretch.

THE VIDEOGRAPHER: We're going off the record the time is 10:38 a.m.

(A brief recess was taken.)

THE VIDEOGRAPHER: We are back on the record. The time is 10:55 a.m.
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BY MR. HABER:
Q. Mr. Van De Vijver I want to mark another document as Van De Vijver Exhibit 13?
(Van De Vijver Exhibit Number 13 was marked for identification.)
BY MR. HABER:
Q. And while I identify it for the record if you could just take a look at it. It's a one-page document with two e-mails on it is last of which is from Mr. Van De Vijver it's dated May 29, 2002. It's to Philip Watts subject line reads reserve replacements.
The Bates numbers and there's two is V 00110934. The other one is NI 000933.
Have you looked at both e-mails?
A. Yes.
Q. Do you recall seeing these e-mails before today?
A. Yes.
Q. Before we start talking about the specifics of the e-mails do you recall the context in which these e-mails were written?
A. Only as far as I know I was going to bring the issue of our reserve position back
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to CMD in the middle of the year and I get a question from Phil on reserve replacement.
Q. When you say reserve position are you referring to the entire portfolio?
A. Yeah.
Q. Were you also intending to include a discussion of the reserves exposures?
A. An overall update with where we were with all our actions and plans on getting a better understanding of our portfolio.
Q. Prior to the e-mail Mr. Watts had sent to you had you spoken with Mr. Watts about this presentation to the CMD?

A. Not as I recollect.
Q. Now, if you look at his e-mail to you he says -- before I get into that -- it refers as you said presentation to the CMD. Do you recall when this meeting was to occur?
A. Middle of the year. I think it was July.
Q. July of 2002?
A. Yes.
Q. Now in Mr. Watts' e-mail to you he says in the second line I do hope that this
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review will include consideration of all ways and means of achieving more than 100 percent in 2002 -- the mix metaphors . . . .considering the whole spectrum of possibilities and leaving no stone unturned.
Do you see that?
A. Yes.
Q. When he says achieving more than 100 percent in 2002 is he referring to the reserves replacement ratio?
A. Yes.
Q. Do you know if he was referring to organic reserves replacement?
MR. TUTTLE: Objection, calls for speculation.
MR. MORSE: Same objection.
BY MR. HABER:
Q. Do you have an understanding whether he was referring to organic reserves replacement?
MR. TUTTLE: Same objection.
THE WITNESS: I don't know. I cannot be sure.
BY MR. HABER:
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Q. The rest of the sentence, to mix metaphors considering the whole spectrum of possibilities and leaving no stone unturned.
How did you react to that

statement?
A. He was clearly putting his expectation forward that he hoped he would get a high reserve replacement for 2002 and that I would consider all possibilities to do so.
Q. Did you feel that he was placing pressure on you to do so?
A. Yes.
Q. Have you -- at that time had you spoken with your staff about where Shell's reserves replacement ratio stood?
A. Not that I recollect, but I don't think our business plan for that year indicated that we would achieve 100 percent.
Q. If you look at the last sentence Mr. Watts says I am -- also I am -- let me start over again.
Also, I'm wondering what Enterprise does to reserves life replacement ratio and finding development cost. What is
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Enterprise?
A. Enterprise was an acquisition of an oil company that we were just in the middle of or just had completed requiring.
Q. At this time had any analysis been done with regard to the impact Enterprise would have on Shell's reserves replacement ratio?
A. Well, as part of the acquisition we would have known what -- as part of the write-up and justification we would have known what reserves associated with that acquisition were.
Q. Were you involved in the Enterprise acquisition?
A. Yes.
Q. By involvement can you explain what your involvement was?
A. It was an acquisition by my business, E&P business. Phil Watts was closely involved in terms of the relationship of the chairman of the company. I was dealing with the

CEO of the company and I had Lorin Brass was the focal point in my organization on the whole acquisition because as part of his organization
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new business development that fitted in his portfolio.
Q. Was a due diligence performed prior to the Enterprise acquisition?
A. As good as you can because you should not forget this was not a friendly acquisition, this was a hostile acquisition, so all the information we could gather from Enterprise was based on publicly available data, filings, et cetera. When we went into the company and made our offer it -- they were in principle not for sale so it took some convincing to get them to agree to sell to us.
Q. So after the deal had been agreed upon did Shell perform a due diligence?
A. Yes. Part of the overall integration effort clearly we didn't get a much fuller perspective on the business.
Q. Did you learn during that due diligence there were certain reserves fields that were not compliant with Shells guidelines?
MR. TUTTLE: Objection to form, foundation.
THE WITNESS: I do recollect
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particularly in portfolio we acquired from them in Russia called KMOC that we didn't like the portfolio and I think there was also an issue with their estimated reserves this was one of these assets we quickly decided it didn't fit our portfolio, anyway.
BY MR. HABER:
Q. Were there any other fields that you recall that were not compliant with Shell's guidelines?
MR. TUTTLE: Objection to form.
THE WITNESS: Not that I

recollect.
BY MR. HABER:
Q. Have you heard of a field Tempa Rossa, in Italy?
A. Yes, I do know about Tempa Rossa. I actually visited the field somewhere after acquisition because they had quite an interesting portfolio in Italy so I actually paid the field a visit after acquisition.
Q. Did you -- during that visit did you receive any presentations about the reserves at Tempa Rossa?
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A. No it was more on the development plan. It was still clearly with the Enterprise people we had taken over at that place. We didn't have any Shell staff in the organization at that time.
Q. Do you know if reserves had already been booked in Tempa Rossa?
A. I would not know.
Q. At the time you were there the field development plan was still being worked on; is that correct?
MR. TUTTLE: Object to form.
THE WITNESS: There were a couple of fields there. I remember a field called Val D'Algri something like that. There were a cluster of fields there I wouldn't be able to recollect the details but some of those wells were being drilled and fields were being planned.
BY MR. HABER:
Q. Do you know if any of the reserves from Tempa Rossa were restated Bichsel?
A. Could possibly be. I'm not involved in that process so what it is it will
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be; right.
Q. Do you recall during Rockford any review of the Tempa Rossa fields?

A. I think I took time off Rockford apart from the US where I had been I think it was globally so I don't think any country at that time apart from the US escaped in terms of the recategorization process.
Q. Okay.
Mr. Watts also refers to reserves life. What is that?
A. Well, if you increase your reserve base then assume you keep the same production you then increase your reserve life. Am I clear or not?
Q. Is it -- is reserve life measured in years?
A. Yes.
Q. Is there a certain threshold number that Shell looks at to gauge whether its reserve life is healthy or not?
MR. MORSE: Objection to form.
THE WITNESS: No. I wouldn't know an exact number. Of course, the higher the
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number is the better it is.
BY MR. HABER:
Q. Okay. Now, you responded to Mr. Watts the following day and you put a number of items that you say have your high yes, sir attention and I would like to discuss on him of them?
A. Sure.
Q. The first one you say is remaining legacy proved reserves parentheses debooking risks. What were you referring to with regard to legacy improved reserves?
A. These are exactly the same items that were in the February 2002 note to the CMD, so projects like Angola and Ormen Lange and maybe a few others.
Q. Did it include Gorgon, as well?
A. As you just saw, Gorgon was on that list.
Q. And you say debooking risks. Why

did you say that?
A. Well, because they were exposures even though they were considered compliant and the whole idea of that was that there were
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exposures so it implied there could be a risk that later on they could have to be debooked if that's what the experts considered the right thing to do.
Q. The next one, constraints on further appreciation. What are you referring to there?
A. Constraints in terms of looking at ongoing business in the portfolio we had about what based on the business plan what additional reserves were expected to be booked.
Q. Do you recall anyone in your staff advising you if Shell -- if EP was planning to book additional reserves for the coming year?
A. In the business plan there is a number, right, what the expectation is for reserve replacement for that year.
Q. Do you recall if that -- if there was a comparison with prior years, sort of a forward looking against historical to gauge where Shell was?
MR. TUTTLE: Object to form.
THE WITNESS: I don't recollect that specific reference in you.
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BY MR. HABER:
Q. By the way, just going back to the first one, remaining legacy proved reserves?
A. Yes.
Q. The reserves that you just identified, Ormen Lange, Gorgon, let's say Ormen Lange for the moment, was that booked under Mr. Watts' tenure as head of EP?
A. Yes.
Q. And to you know if Gorgon was booked during Mr. Watts' tenure as head of EP?

A. '97. Yes.
Q. And do you know if Angola block 18 was booked under Mr. Watts' tenure?
A. Yes.
Q. So by this reference here you're specifically referring to legacy bookings under his stewardship; correct?
MR. TUTTLE: Objection to form.
THE WITNESS: Well, I'll refer to the list that we have.
BY MR. HABER:
Q. But you were intending to identify bookings under his leadership?
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MR. TUTTLE: Objection to form.
THE WITNESS: Well, this was just a factual representation.
BY MR. HABER:
Q. All I'm trying to get is just to be clear all of these legacy bookings were done under his leadership when he was head of EP?
MR. TUTTLE: Objection, asked and answered, characterization of the testimony.
BY MR. HABER:
Q. Correct?
A. Yes.
Q. The third item negative impact of Oman and Nigeria, growth absence paren losing volume to post license expiry dates?
A. Yes.
Q. Are these the issues that we've been talking about previously?
A. Yes.
Q. Is there anything else that you didn't mention previously that you meant to include here?
A. No. It's the same issue.
Q. Okay. The next one hit squads to
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find other growth opportunities on bookings. What did you mean by --

A. This is what I think I flagged in an earlier note that I started the technical operation excellence group in The Hague and these people would go out to operating units to sort of look at the technical quality of the work being done there sort of visit mode and then come back and that's sort of the hit squad mode to see whether we were anything missing in our overall portfolio for growth.

Q. Were these hit squads under the auspices of the T&OE?

A. Yes.

Q. The last one says impact of FIDs. What did you mean there?

A. That's the timing when the final investment decisions on projects would be made.

Q. What impact were you referring to?

A. That was still with my operational hat on thinking that clearly if you would make investment decisions on projects that would imply you would develop additional reserves which then obviously would reflect in your

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reserve replacement.

Q. Had you found at this point in time that there were reserves -- proved reserves bookings that were made before FID had been reached?

A. Yes. Those are the projects we mentioned earlier.

Q. Just so the record is clear, which projects?

A. The project like Angola, like Ormen Lange, which were clearly in different development phases but final FID had not taken place.

Q. To you know if Gorgon had reached FID when it was booked?

A. No, no. But to be clear again, if we talk about proved reserves FID is not a requirement as we sort of learned later for booking proved reserves. In my operational

thinking FID is a major milestone in terms of developing new reserves.
Q. I just want to go back to your last answer on Gorgon just to make sure the record is clear. Had FID been reached at the
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time the Gorgon booking was made?
A. No.
Q. Okay. If you could turn to Exhibit 1 again, still on the second page. At this time if you could look at the bottom my communications throughout the process to CMD and others?
A. Yes.
Q. The paragraph that begins then in July 2002, with my approval, E&P submitted to CMD a catalog of reserves related exposures in paren the exposures catalog.
Does this refer to the CMD meeting that you just testified a moment ago about?
A. Yes.
Q. Do you know who was responsible for formalizing the exposures catalog?
A. That came from the Lorin Brass and at that time Frank Coopman, perhaps arrived. It's between the new business development director, Lorin Brass and whoever was the CFO at that time, but I think Frank Coopman had arrived at that time.
Q. Do you know if John Pay had any
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involvement in the preparation of the catalog?
A. Could well be. Those were his staff that were in that organization.
Q. Who is John Pay?
A. John Pay was the groups reserve coordinator he working in Lorin Brass organization.
Q. If you look at the rest of the paragraph, and I want to direct your attention for a moment to the last -- second to last

sentence that begins, in its July 2002 meeting the CMD discussed reserves booking in light of tightening SEC requirements.
Do you recall what was discussed?
A. What was discussed at the C M D was the notes, maybe we'll get to that which will incorporate uncertainties and exposures that were there at that point in time and was coupled by a presentation by Lorin Brass.
(Van De Vijver Exhibit Number 14 was marked for identification.)
MR. HABER: I'm handing you what we just marked as Exhibit 14 and while I identify it if you could take a look at it.
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The document is titled note to CMD. Subject: Reserves outlook. It's dated July 18, 2002. It's from Mr. Van De Vijver to the CMD and Mrs. J.G. Boynton.
The Bates number is LON 01210315 through LON 01210337.
MR. DOWD: Jeff, there seems to be additional pages after the 337.
MR. HABER: Okay: Can we go off the record for one minute.
THE VIDEOGRAPHER: We are going off the record. The time is 11:20 a.m.
(Interruption.)
THE VIDEOGRAPHER: We are back on the record. The time is 11:22 a.m.
BY MR. HABER:
Q. Mr. Van De Vijver have you taken a look at Exhibit 14?
A. Yes. I got page 15 through 37. Yeah?
Q. Uh-huh. Have you seen this document before today?
A. Yes but not with handwriting on it.
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Q. You do not recognize this as your

handwriting?
A. It's definitely not my handwriting. That's all I can say.
Q. Okay. Do you recall sponsoring this note?
A. Yes.
Q. And is this the note that you were referring to in your prior testimony a few moments ago?
A. Yes.
Q. If you look at the first page it says key objectives of this note are and the first one says to provide full transparency on the nature of our resource base.
At the time you wrote this did you feel there was not full transparency on Shell's resource base?
A. I felt that the CMD may not have seen the full resource base. I'm talking resource base that goes beyond proved reserves that's the whole resource base.
Q. But in your discussion you intended to include the entire resources as well
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as the proved reserves?
A. Yes.
Q. And the exposures that you were seeing?
A. Yes.
Q. The second thing you say here is, "to outline the challenges we face in maturing volumes to proved reserves." I realize there is a discussion in the note, but generally what were you intending to convey here?
A. That's again the general projection of where we were in maturing reserves linked to project activities and whatever in the business.
Q. The signature where it says supported by and underneath it has your name. Is that your signature?
A. Yes.

Q. Okay. I would like you to take a look at the executive summary for a moment and in particular the second paragraph.
The last sentence says, "this equates to a shortfall of 2 to 3 billion BOE proved reserves additions."
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A. I'm reading it. I didn't write this document so I just need to read it. Yeah.
Q. Before I ask a question about this paragraph, who did write this note?
A. I cannot answer that question. That's the Shell system somewhere in Lorin Brass organization but I don't know who contributed to writing this document. I get it from Lorin Brass but I don't know who did the staff work for him.
Q. Again when you sailor in Brass' organization are you referring to EPB?
A. Yes.
Q. Now, with regard to this paragraph, the message in the last sentence, is the message that's being conveyed that there will be a shortfall of 2 to 3 billion BOE in new reserves?
MR. TUTTLE: Object to form, calls for speculation.
MR. MORSE: Same objection.
BY MR. HABER:
Q. What do you understand the message being conveyed here as?
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A. I cannot be totally sure. I would have to read the total document, but my best guess is that it implies that there would be a shortfall over that medium term of two to three billion proved reserves in order to get to the full 100 percent replacement.
Q. I see. If you look at the next paragraph there's a reference to cash again declaration of commerciality. Do you see that?

A. Yes.
Q. What is cash again?
A. Cash again is in the oil and gas field in the Caspian Sea, Shell is not the operator but has an equity stake in the project.
Q. In July of 2002 do you know if the cash again project had reached VAR 3?
A. I don't know.
Q. Do you know if it had reached FID?
A. Not yet but somewhere in that period it was getting very close. I remember we had quite frequent notes on cash again at that stage because there was quite a bit of up front expenditure on the project.
Q. Do you know what the declaration
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of commerciality is?
A. Declaration of commerciality was a former milestone in the agreement with the government as part of the contract that the Kazakhstan government there was a milestone if you would reach that would provide the formal commitment to execute the project.
Q. What was Shell's relationship with the government of Kazakhstan?
A. I think general okay. I went there a few times I recollect but the key is to know that Shell was not the operator of this project so Shell was not in the lead. EN I was the operator of this particular project.
Q. Do you know if the Kazakhstan government had issued all of the required approvals for the project to go forward?
A. When?
Q. At this time?
A. I don't know. I only know I later got personally involved in some of the negotiations because there was unhappiness from the government side that the project didn't start-up as quickly as they wanted and there
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were disputes later around penalties because the government was originally hoping the project which is a massive, very complex project would start-up in 2005. It is a project that would take years and years to execute.
Q. Was there any consequence attendant to these disputes with the Kazakhstan government?
MR. TUTTLE: Objection to form.
THE WITNESS: Well, I think you have to be careful you don't mix time zones here. We're talking here about where the project was at this stage. Of course there were later subsequent developments that occurred later.
BY MR. HABER:
Q. Why don't we take those subsequent developments while we're on the project?
A. I think at this stage and later during the year the project was proceeding according to plan and I think before the end of the year that milestone of declaration of commerciality was achieved. What happened thereafter were delays because the government
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was then getting upset with the operators because we then told them the project would not actually given all the engineering work and everything the difficulty procurement et cetera that needed to be done, that the project would not start-up until 2007, 2008 and the government essentially wanted to be compensated for that. So that played all the way to early 2004 where I actually visited Kazakhstan myself and met with both the oil minister and the prime minister at that time, but at this time I had not had any until later part of 2003 so I didn't have any personal involvement in this project.
Q. Do you know if EN I had booked any reserves as proved in the project?
MR. TUTTLE: Time period?
BY MR. HABER:

Q. Let's start at 2002?
A. I do recollect there were discussions on that in 2003 but I don't recollect the details any more.
Q. So in 2002 there was no booking by EN I if you know?
MR. TUTTLE: Objection to form.
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MR. MORSE: Objection to form mischaracterizes the testimony.
BY MR. HABER:
Q. The paragraph that follows says, "accelerating the booking of Kashagan to 2002 weakens the outlook for 2003 to some 70 percent organic RRR -- some 480 million BOE short of full organic proved reserves replacement with further downside in the event that Sakhalin does not go ahead."
Let's just take the first part of that sentence. Do you recall discussions about accelerating the booking of proved reserves in Kashagan at or about the time of this note?
A. No.
Q. Do you know if -- withdrawn.
What is the reference to Sakhalin?
A. Well, Sakhalin is a huge project that was at this time was being worked very hard to get the final approvals from government to proceed.
Q. Where is the Sakhalin field located?
A. Very much at the East Coast of
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Russia. Old Sakhalin island.
Q. Was Shell the operator of the project?
A. Yes.
Q. I would like you to look at page 331, it's attachment 1 G. What is attachment 1 G?
A. It's -- I need the context. Lots

of attachments. Is there a reference in the text to this table? It is sort of an exposure list.

MR. DOWD: Just say what it is. Look at it and tell him what it is.

THE WITNESS: It summarizes a bunch of countries and the summary about the state of some of the challenges that are out there per operating units all the way from talking about Namibia with some scope for recovery issues to issues around progress from project.

BY MR. HABER:

Q. If you just take a look at your Exhibit 1, your letter and look at the attachment 1 G is this the exposure list you

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were referring to in your letter?

A. Yes, but it is a little bit combination with some of the other tables, right? You have to -- this is sort of where the thing was still evolving and how it was presented. There are some of these other tables around constraints within licenses and possible constraints so you have to look at it in totality to get the full prospective of what the challenges were and exposures were.

Q. I would like you to look at Australia for a moment?

A. Yeah.

Q. It says Gorgon stranded gas (560 million BOE proved reserves booked) possible barriers to commercialization of much of the SFR portfolio.

What does stranded gas mean?

A. Stranded gas is gas that has not been developed, produced.

Q. And by what's stated here you meant to convey that 560 BOE of gas had not been developed and produced?

MR. DOWD: Objection to form,

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foundation. He already testified he didn't prepare this document.
MR. HABER: He also sponsored it and signed it.
THE WITNESS: This table makes it clear that 560 million barrels of proved reserves had been booked on Gorgon.
BY MR. HABER:
Q. At this time in July of 2002 do you know if there was any production with the Gorgon gas?
A. No.
Q. Do you know July 2002 if there had been any sales contracts that had been executed between Shell and any buyer for the gas?
A. I would not know for sure but it certainly was not developed yet. Had not reached FID yet.
Q. Do you know if Shell had received all the required regulatory approvals from the Australian government and the time frame I'm talking about at this time?
A. I think the answer is no. My apologies for the way I answer because there are
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things that I learned about Gorgon way back in January 2004 that I didn't know at that stage.
Q. I'll get to that in a moment. I just want to stay at this time in 2002?
A. No, no, sure.
Q. Had you heard of something called Barrow island?
A. Yes.
Q. And where is Barrow island?
A. Somewhere offshore western Australia.
Q. What is the significance of Barrow island to the Gorgon project?
A. I don't know whether I knew it at that stage but I definitely learned over time that that was the on shore facility location for

the Gorgon development.
Q. When you say you learned over time are you referring to in January 2004 or sometime prior to that?
A. It may have been on that specific thing on Barrow island it may be earlier as well.
Q. Do you have any recollection of
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when?
A. No. I cannot be sure.
Q. Did you learn that Barrow island was an environmentally protected island. ^ wear wear objection to form and foundation?
A. Yes. The thing I can't answer is when I learned that.
Q. As an environmentally protected island was Shell required to get approvals from the Australian government?
MR. TUTTLE: Objection to form, foundation.
THE WITNESS: I think I can only give the general answer that for any type of development of this nature there would have been governmental approvals need to be achieved.
BY MR. HABER:
Q. Now you said that you learned other facts about Gorgon in January of 2004. What other facts are you referring to?
A. There are a couple. I learned in January '04 that there actually had been a request from the operating unit to debook Gorgon and that subsequently Anton Barendregt did an
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audit in Australia and recommended that Gorgon could still remain on the books.
I also learned that Gorgon was being used as an important element of the acquisition of Woodside during that time period 2000 I think it was and I learned in January 2004 originally it was not booked as a

new discovery but as a revision.
Q. Let's take the last fact that you learned that Gorgon was not booked as a new discovery but a revision. How did you learn that?
A. That was actually a bit in an awkward manner when after Shell made an announcement on the reserve recategorization one of the analysts from Lehman Brothers, I can't particularly remember the name, came to Simon Henry and said that he had looked at Shell's 20 F for 1997 and couldn't find the Gorgon booking and clearly that got me panicking a little bit thinking we had our numbers wrong but then it turned out that we discovered that it was booked as a revision rather than as a new discovery. Normally you would expect a first time booking
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it would happen as a discovery rather than as a revision of something that already was there in the past.
Q. Did you ever try to inquire as to the reasons why Gorgon was reported as a revision?
A. I think in the context of finding the information I just mentioned to you it was actually I was desperate in the project Rockford to get data ammunition on the original booking of Gorgon.
And I actually, we sent staff out to Australia to find an audit on the booking, and they came back with empty ends and the only thing I got in the end of January was from notes from John Darley, who was my technical director, with the information I just mentioned to you earlier.
Q. When you say empty ends, what do you mean?
A. They couldn't find an audit trail, visiting Australia they couldn't find documentations referring to the original booking of Gorgon.

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Q. Do you know who was responsible in the discussion of the 20(F) about Gorgon as a revision?
MR. TUTTLE: Objection. To make clear, you're talking about in the 1997 20(F).
THE WITNESS: I don't know, I'm not involved in that process. That's down to the group finance line reporting is done. I can't give you any more detail than that.
BY MR. HABER:
Q. Do you recall reviewing any documents in or about January of 2004 that explained why Gorgon was reported as a revision?
A. I think I got verbal information that it was probably an error at the time that it had been booked for the first time as an expectation reserve Bichsel Australia the year before. And when they categorized it as a proved reserve they called it a revision.
Q. How did you learn that?
A. Through the same -- through the same information. Through the organization, whether it was John Darley, but somewhere in the central organization.
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Q. Did you ever inquire as to the reasons why Shell never corrected the reporting of Gorgon as a revision in its 20(F)?
MR. TUTTLE: Objection to form, foundation.
THE WITNESS: No. I mean clearly I was -- I was shocked to find out in January '04 about some of the history, particularly this sort of recommendation from an operating unit to debook and then ultimately it didn't debook. That was a big surprise for me.
MR. HABER: I'm told we have to change the videotape, so why don't we take a short break.
THE VIDEOGRAPHER: This marks the

end of tape one, Volume II, in the deposition of Mr. Van De Vijver. We're going off the record. The time is 11:50 a.m.

(Videotape change.)

THE VIDEOGRAPHER: This marks the beginning of tape two, Volume II. This the deposition of Mr. Van De Vijver. We're back on the record. The time is 11:55 a.m.

BY MR. HABER:

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Q. Mr. Van De Vijver, going back to your earlier answer when I asked you what facts you had learned in January 2004, the first thing you had said is that there had been a request from the operating unit to debook Gorgon and that subsequently Anton Barendregt did an audit in Australia and recommended that Gorgon could still remain on the books.

Can you describe a little bit more what you had learned in that regard?

A. Well, what I learned from John Darley, I got a couple of e-mails from staff, from Shell development organization, and then I also got a copy of the audit report that Anton Barendregt did after he visited with his recommendation that it was okay to keep Gorgon as a proved reserve.

Q. What was your reaction when you had learned that the operating unit was requesting a debooking of Gorgon?

A. Well, I was -- I was surprised that even operating unit that has the most up-to-date knowledge about their assets and understanding that if they would recommend

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debooking that someone from the group reserve auditor who ultimately has the skills and expertise, I'm not denying that, came with the recommendation to keep it on the book.

Q. Did that make you come to question Mr. Barendregt's judgment?

A. Yes, a little bit, but I already had that a month earlier after the report and his recommendation on Oman, his audit report on Oman.
Q. Why don't you explain that.
A. Yes. We're drifting a little bit.
But when I received the audit report on Oman, a copy of that, and put it in the context of I had just visited Oman a couple days before, I was very surprised at his conclusion from his audit report was that it was okay to keep the Oman reserves at least another year on the books as further studies were taking place. And not being the expert, I just was surprised by his judgment and his recommendation to do so.
Q. Do you recall what his report had said about Oman, that is whether it was a
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satisfactory report or an unsatisfactory report?
A. Unsatisfactory report.
Q. Do you recall receiving this note in or about the end of November, early December of 2003?
A. I think it was around the 17th of November in 2003.
Q. Did you ever talk -- going back to Gorgon now, did you ever talk to the people from SDA who were -- who had requested a debooking of Gordon?
A. No.
MR. TUTTLE: Objection to form, foundation.
BY MR. HABER:
Q. Do you know who at SDA had been requesting that Gorgon be debooked?
A. Sorry.
Q. Do you know who at SDA was requesting?
A. No. I don't recollect the name. There are documents. I don't recollect it at this point in time.

Q. Do you know who Sheila Graham is?
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A. No.
Q. Do you know who Sarah Bell is?
A. No.
Q. Do you know a Helge Hammer?
A. No.
Q. Going back to your prior answer, the other fact that you identified you had learned in January '04 about Gorgon, was that Gorgon was being used as an important element of the acquisition of Woodside?
A. Yes.
Q. During the time period of 2000?
A. Yes.
Q. Can you explain?
A. I think it was 2000.
Q. Can you explain what you had learned?
A. This was all before my time, but I had gotten -- as part of my January note I got an extract from an offering memorandum that was used during the process of an attempted acquisition -- acquisition/merger of Woodside where there had been a reference through the value of Gorgon as an asset as one of the swaps,
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trading chips, to acquire the majority in Woodside.
Q. At the time was Shell trying to acquire Woodside?
A. As I said, there was an attempt. I don't know the exact date. I think it was 2000 or early 2001, there was an attempt to get full control of Woodside where Shell already had a stake of 34 percent in it, but they wanted to get a full control.
Q. Did Shell succeed in its attempt to acquire all of Woodside?
A. No, it didn't. That acquisition did not succeed.

Q. Since we're still on Woodside -- I mean Gorgon, do you recall ever visiting SDA during your tenure as head of EP?
A. I visited Australia once in September 2002.
Q. Did anyone accompany you?
A. I was there for part of the visit together with Malcolm Brinded.
Q. Who is Malcolm Brinded?
A. He was a colleague of mine at the
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CMD and he had regional responsibility for the Far East and responsibility for the gas and power business.
Q. Do you have an understanding as to why Mr. Brinded accompanied you?
A. I think the timing as such was sort of coincident. I mean this was one of his regular visits to that region to maintain relationships. I think it was just convenient that we learned that we were sort of both going at the same time to allow to sort of jointly get a briefing from the Shell Development Australia Organization, SDA, on activities in the country and then we went our own separate ways.
Q. Do you recall getting a briefing from SDA about Gorgon?
A. I do recall that we got a briefing on all particular activities in Australia, so that would have included Gorgon.
Q. Did Mr. Brinded attend that briefing?
A. We were together.
MR. HABER: I would like to mark as Exhibit 15.
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MR. DOWD: Are you through with 14?
MR. HABER: Not yet.
MR. DOWD: Okay.
MR. HABER: A document that I will

identify for the record and while I'm identifying it I will give Mr. Van De Vijver an opportunity to look at it.

(Van De Vijver Exhibit Number 15 was marked for identification.)

MR. HABER: For the record, what we just marked as Exhibit 15 is a series of E-mails, the last of which is from Jim Mair, dated September 23, 2002 to Mr. Van De Vijver with a cc to Lorin Brass and Frank Coopman, subject line is Re: Australia visit.

The Bates number is HAG 00084944 through HAG 00084946.

BY MR. HABER:

Q. Mr. Van De Vijver, have you seen Exhibit 15 before?

A. Yes.

Q. Is this a report of your visit to Australia that you just testified about?

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A. Yes.

Q. Who is Jim Mayer?

A. Jim Mayer is an individual that works in Lorin Brass' organization responsible for acquisitions and divestments.

Q. Do you know if Mr. Brinded had prepared a trip report?

A. I don't know.

Q. I would like you to look at the second page, which is your e-mail of September 22, 2002, to Philip Watts, Jeroen Van Der Veer, Paul Skinner, Malcolm Brinded and a cc to Judith Boynton, Dominique Gardy and yourself.

Before I do that, Paul Skinner, was he a member of the CMD?

A. Yes.

Q. Why did you send Mr. Skinner this trip report?

A. I think, as I explained earlier, I usually had a practice to send my visit report to all my colleagues at the CMD and Judy Boynton, who at that time was not a member of

the CMD, was attending every CMD meeting.
Q. Were Mr. Van Der Veer, Skinner and
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Brinded members of the conference, as well, at this time?
A. Yes.
Q. Now, looking at the second page under some observations. If you look at the bullet point that begins, internal conflicts on what stranded gas reserves should be it says, "out of the block"?
A. Yes.
Q. Next, "Woodside does not have equity in Gordon (the next logical choice partner alignment)."
What did you mean by that?
A. This is the reference around -- at that stage there are quite a few stranded gas reserves off the coast of western Australia that were all vying for the same market, whether it was the Far East or the West Coast of the United States. For Shell the situation was always a bit complex because on the one hand we had an equity in Woodside and wanted to make sure Woodside was successful.
On the other hand, we had our own interest in Shell Development Australia with,
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for instance, to Gorgon project and all the projects had to sort of do their own fighting in the market and the one that is the best will ultimately win, but given the size and the attractiveness of Gorgon, I say here the logical choice from the Shell perspective would be in terms of the stranded gas reserves, the next logical one would be Gorgon.
Q. We can put this aside for the moment.
If we could go back to Exhibit 14. Do you recall if a presentation was made to the CMD about the content that's in this note?

A. Yes. This was a presentation, you can see that on the format of the note. If it is a note to CMD that means it normally gets agenda time in the company for a presentation.
Q. Do you know who made the presentation?
A. Lorin Brass.
Q. Did you discuss the presentation with Mr. Brass before he made it?
A. Not that I recall.
Q. Do you recall if there was any
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discussion during Mr. Brass' presentation about the content of his presentation?
A. Yes. There was some discussion and it should be reflected in the minutes.
Q. Do you recall the discussion that took place?
A. One of the things that took place was a question by Phil Watts to Lorin Brass whether he considered that we had to do any debooking of reserves at that point in time.
Q. And do you recall what Mr. Brass had said?
A. He said no.
Q. Were you satisfied with Mr. Brass' presentation?
A. Yes. As far as I can recollect.
(Van De Vijver Exhibit Number 16 was marked for identification.)
BY MR. HABER:
Q. I'm handing you what has just been marked as Van De Vijver 16. And for the record, Exhibit 16 are, in the upper left-hand corner it says draft. The title is Committee of Managing Directors Minutes of the Meeting Held
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in London on Monday 22 and Tuesday 23 July 2002.
The Bates number is HAG 00083068 through HAG 00083097.
Mr. Van De Vijver, have you seen

Exhibit 6 before today?
A. Yes.
Q. What is Exhibit 16?
A. This is a draft of the minutes of a meeting of the committee of managing directors and a draft that normally at the follow-up meeting will get finalized through discussion and issued.
Q. Do you recall reviewing this draft at some point subsequent to July 22, 23, 2002?
A. Yes, because it has my hand scribbles on it.
Q. If you could turn to page 18 of the document itself with the Bates number 84. Under number 13, reserves outlook.
Are these handwritten notes and comments yours?
A. Yes.
Q. Okay. When you read these minutes were you satisfied with what had been
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transcribed and disseminated for review?
A. No.
Q. Why not?
A. Because I felt that, as you can see from my comment, that the language around debooking was too strongly worded as there were still a lot of things as part of the activities that were ongoing that were being worked. There were still uncertainties and exposures out there and then I made a little bit more brutal comment on the last sentence in that draft.
Q. And what does that comment say?
A. It says, "smart ass bull shit."
Q. Why did you write that?
A. Because I was totally clueless what that sentence was trying to portray.
Q. Do you know who is responsible for writing the minutes?
A. The minutes are being taken by a secretary of CMD that attends the meetings. I don't know before we get it whether they are

being reviewed by anyone. I only know that the process is during those meetings that the chairman runs the meeting and he also runs the
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process of finalizing the minutes.
Q. And the chairman of CMD at the time was Phil Watts?
A. Yes.
Q. Other than what you pointed out within number 13 as being too strongly worded, were you satisfied with the remainder of the content of number 13?
A. No, because I wanted that section that I sort of circled, I wanted the language changed there, as well.
Q. And why did you want that language changed?
A. I wanted it changed because, as I mentioned, I wanted to have a recognition that there were still uncertainties out there.
Q. What does the handwriting on the right margin say where that's circled?
A. That's why I said true? And then I have debooking Nigeria, Oman.
Q. Why did you say debooking Nigeria, Oman?
A. This is ongoing concerns we had around the uncertainties in those two countries
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that we discussed quite a few times today, same.
Q. So other than -- withdrawn.
Do you feel Mr. Brass presented those issues to the CMD satisfactorily?
MR. TUTTLE: Objection, asked and answered.
THE WITNESS: As I said earlier, I did not have a problem with his presentation.
BY MR. HABER:
Q. Other than the handwritten insert at the top of the page, the part where you circled and then the bottom sentence that you

made the comment on, were you satisfied with the remainder of what's left in number 13?
A. Yes.
Q. Just for the record, what does the handwriting say on the top of the page?
A. Finding new material investment opportunities.
Q. Why did you insert that, want that inserted?
A. Because that was one of the challenges of our business. The whole pipeline of projects.
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Q. One more document and then we'll break.
MR. DOWD: That's what you said ten minutes ago.
MR. HABER: I'm sorry.
I'm going to mark as Exhibit 17 a one-page document that says extract from the minutes of a meeting of the committee of managing directors. In the upper left-hand corner of it it says CMD number 2526 22/23 July 2002.
The Bates number is V 00030240.
(Van De Vijver Exhibit Number 17 was marked for identification.)
BY MR. HABER:
Q. Have you seen this document before?
A. Yes.
Q. And what is this?
A. Every time there is a CMD meeting minutes get produced of the final minutes of the meeting, but on top of that extracts are being sent out to the people that attended the particular sessions on a subject and that's what
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the one you see on this agenda item. So this particular thing would then be sent again to myself and, in this case, to Lorin Brass who

attended the meeting.
Q. Do you know if this represents the final version of the minutes on this particular point?
A. The way it looks it's the final, yeah. It has a number, yeah.
Q. Do you know if the final version reflected your comments that we talked about on Exhibit 16?
A. Well, we have to go back at the worst; right? But I'm sure I made sure that things got changed. Yeah. It did.
Q. When you say yeah, you're referring to what?
A. Sorry. I refer to the sentence to flag there are still uncertainties out there on booking and the last sentence got changed, as well.
Q. Do you know if this change was made -- withdrawn.
Did you have to negotiate for this
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change?
A. Yes.
Q. And who did you have to negotiate with?
A. The chairman.
Q. And why is that?
A. Because he controls the process.
Q. What did Mr. Watts want?
A. Mr. Watts was initially happy with the way it was written and I can't remember the exact discussion, but this is the final outcome of the minutes.
Q. Do you recall why he wasn't satisfied?
MR. MORSE: Objection to form, mischaracterizes his prior testimony.
BY MR. HABER:
Q. Did you say he was happy?
A. Yeah.
Q. Okay. I withdraw the question.

MR. DOWD: I did not object. I don't want his objection.

MR. TUTTLE: As long as you don't object to it again.

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BY MR. HABER:

Q. This language reflected in Exhibit 17, is this language that you proposed?

A. I cannot recall whether that was the exact language I proposed. For me the key point was to make sure that minutes reflected, that there were remaining uncertainties and that's it.

Q. Were you satisfied with the way the minutes appeared in their final form?

A. Yes.

MR. HABER: This is a good time to break.

THE VIDEOGRAPHER: We are going off the record. The time is 12:24 p.m.

(Whereupon, at 12:24 p.m., a lunch recess was taken.)

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AFTERNOON SESSION

(1:18 p.m.)

THE VIDEOGRAPHER: We are back on the record. The time is 1:18 p.m.

MR. HABER: Before we get started, I just want to do a housecleaning matter.

It was brought to our attention Exhibit 8 is not one document. Yesterday there was a question about whether the second page of the document was part of the document and after further review Bichsel and the lead plaintiff we concluded that the handwritten note portion of the exhibit is not, in fact, a part of Exhibit 8.

EXAMINATION BY COUNSEL FOR
LEAD PLAINTIFF -- RESUMED

MR. HABER: I would like to mark as Exhibit 18 a multi-page document which refers to Mr. Van De Vijver's testimony earlier and some questions that I had asked him.

(Van De Vijver Exhibit Number 18 was marked for identification.)

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MR. HABER: The document is an e-mail from Marian Van Der Laan on behalf of Mr. Van De Vijver. It's dated May 16, 2002 and it's to Zaharuddin Megat with a cc to Jeroen Van Der Veer and Carol Dubnicki. The subject is Oman visit 8-11 May 2002. Attached to the e-mail is the Oman trip report of May 8, 2002.

The Bates number is HAG 00208193 through HAG 00208199.

Mr. Van De Vijver, you'll notice that the trip report that's attached appears to be the same trip report that we discussed earlier that was marked as Exhibit 12.

THE WITNESS: Yeah. Okay.

BY MR. HABER:

Q. The only difference in this exhibit is the covering e-mail and I had asked you a question, if you recall who it was distributed -- this trip report was distributed to and you said you would have to look at an e-mail. Does this refresh your recollection about if the document was distributed to my member of the CMD?

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A. I guess on evidence of this document that would suggest it only went to

Jeroen Van Der Veer.
Q. Do you have any recollection why it went to Carol Dubnicki?
A. No, but I can assure my secretary carried that on the basis of the attachment which was my assessment of the management team, so as an H.R. director to share it with her.
Q. And you directed Ms. Van Der Laan to send this e-mail and the trip report?
A. I do not recollect why it had this distribution.
MR. DOWD: Listen to the question.
BY MR. HABER:
Q. The question was did you ask her to send this trip report to the people identified on the e-mail?
A. Yes.
Q. Okay. You can put this aside now.
(Van De Vijver Exhibit Number 19 was marked for identification.)
MR. HABER: I'm going to mark as Exhibit 19 a two page document. It's a series
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of e-mails, the last of which is from Judith Boynton, dated August 22, 2002, to Mr. Van Der Vijver. The subject line reads: IR-US field trip.
The Bates range and there are two Bates ranges, the first is V 00020564. The second is -- through V 00020565 and the other range is DB 01327 through DB 01328. Do you recall seeing this e-mail string before today?
THE WITNESS: Yes.
BY MR. HABER:
Q. I would like you to take a look at the e-mail that you sent to Mr. -- I'm sorry, that you sent to Mr. Watts with a cc to Ms. Boynton. That's the middle e-mail dated August 22, 2002.
First of all, in looking at the e-mail do you recall why you sent this e-mail?
A. As a response to an e-mail that I

got from Phil Watts.
Q. Did you understand in the e-mail Mr. Watts asking you for information?
A. His e-mail is indicating about a US fuel trip, something at that stage I didn't
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know anything about and seeing then the e-mail from Phil and given my early reactions to his comments about the EPP looks very light.
Q. Do you know what EPPs he was referring to?
A. I don't know the details, but this fuel trip must have been one of those trips to the US operations where a variety of presentations would be given on old businesses including E&Ps and I would be a piece of E&P in that total material.
Q. Was this part of the business week that you testified about yesterday?
A. No, no, no.
Q. This is separate?
A. This is separate.
Q. Do you recall if there were external auditors who -- I'm sorry. Let me -- withdrawn.
Do you recall if there were any external analysts, market analysts, who attended in the US?
A. This is about an IR so investor relations US field trip, so that would be
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involving a trip that involved analysts and the likes. External presentation.
Q. So it would be an external presentation to market analysts?
A. Yes.
Q. Do you know if any institutional investors were also invited?
A. I don't have that type of detail.
Q. Were field trips to the United States scheduled -- regularly scheduled during

your tenure?
MR. TUTTLE: Object to form.
THE WITNESS: I'm not sure. I know about this particular one and this is -- it's called a field trip because there would sometimes would be the initiative that investor relations people would invite analysts and the financial community to actually go and visit specific locations where we had operations. I recall that there was once one in Egypt, for instance, a couple years earlier. So this was just a way where the analysts would be able to get a more direct exposure to the people in operations in a particular area.
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BY MR. HABER:
Q. Do you recall any discussions in the CMD about investor relations activities in the United States?
A. There was a regular program that was controlled by investors in London that would coffer whatever would happen in terms of global activities on the IR scale.
Q. That would include activities within the United States?
A. Yes.
Q. How would you describe the investor relation activities within the United States?
MR. TUTTLE: Object to form.
THE WITNESS: I don't quite understand your question.
BY MR. HABER:
Q. You say there was a regular program. Did part of this program include scheduled conferences with US based analysts?
MR. WEED: Objection, mischaracterization.
THE WITNESS: There was a program
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that was a global program that included what we

called one to one sessions and formal presentations, conferences and in this particular case, a field contribute to the United States.
BY MR. HABER:
Q. My focus of my questions are -- have to do with the program as it related to activities in the United States.
Do you recall the program including one on one sessions with analysts in the United States?
A. Yes. If the program included conferences, larger conferences, not one on one, but larger conferences with market analysts in the United States. Yes, because I did a few of those sessions, as well.
Q. Were there certain cities that Shell had focused on to make presentations?
MR. TUTTLE: Objection to form, calls for speculation.
THE WITNESS: Not directly. I know that personally I've been involved in New York, Boston and Houston, if I recollect
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correctly, but there were more of those type activities by my colleagues.
BY MR. HABER:
Q. In what year do you recall going to New York and Boston and Houston?
A. I think in 2002 and 2003. I wouldn't recollect the exact dates.
Q. As a general matter, was there a purpose behind meeting with market analysts in the United States?
MR. TUTTLE: Object to form.
THE WITNESS: Clearly, I was not in control of the process. That was run by IR and thereby the organization in London, but it was generally to give an update to the relevant financial people in the financial market about the state of the business.
BY MR. HABER:

Q. In terms of the state of the business, would that also include discussion of Shell's reserves position?
A. Whatever was relevant on the overall state of the business. It would have included numerous in achieved reserves replace.
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Ratio, for instance.
Q. Would it have also included discussion of particular operating units?
A. Yes, and projects as such.
Q. In the trips that you attended within the United States do you recall any discussion about Oman?
A. No, I don't have any specific recollection of that.
Q. Do you recall any discussion about Nigeria?
A. Yes. I think we did talk about the whole project for the on shore gas gathering in Nigeria and related activities and the deepwater projects.
Q. Do you recall any specifics of what was discussed?
A. No, not the detail anymore, no.
Q. A moment ago you mentioned an investor relations program. Was this program something that needed to be approved by the CMD?
A. I don't exactly know how to answer that question. I know it was discussed by Judy and Phil -- Judy Boynton and Phil Watts at CMD.
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Q. Do you recall any discussion -- at these times when Ms. Boynton or Mr. Watts spoke about investor relations, about the importance of the United States market for investor relations?
MR. TUTTLE: Objection, foundation.
MS. SENNETT: Objection to the form of the question.

THE WITNESS: No.
BY MR. HABER:
Q. If you can look at Exhibit 19.
A. Yes.
Q. One more thing. When you came to the United States to make these presentations did anyone accompany you?
A. There would always would be a representative from the IR department with me.
Q. And do you recall who that representative was?
A. No. There were a couple. I wouldn't know particularly which ones. I mean there would be Simon Henry himself, who was head of IR, or would be his US representative that

would be part of it or someone else in his organization if it was in Europe.
Q. Do you know who his US representative was?
A. I think it changed during my tenure. Initially it was David Sexton, Sexton.
Q. Do you know who replaced Mr. Sexton?
A. No. I cannot recollect the name. If you give me a name I say yes or no. I don't know the exact name.
Q. Okay. David Sexton is the only one I know of.
Looking at the exhibit now, 19. In your response and, again, I'm talking about the e-mail that you sent a day later on August 22nd. The second sentence -- third sentence you say, "I feel strongly that we should stop talking to analysts about things we have not delivered yet/or still low POS in terms of implementation. We should learn from FLNG/FONG/sunrise/coup do examples and be cautious about Sakhalin Brazil, et cetera."
Why did you feel that you

should -- you, meaning Shell, should stop talking to analysts?

MR. TUTTLE: Objection to the characterization of the document.

THE WITNESS: What I was trying to portray here was just my overall recurring theme that I wanted to make sure that we would have total realism in terms of our external presentations based on the facts that we had in hand on the state of our business.

BY MR. HABER:

Q. What things had not been delivered yet?

A. Well, I think there are some examples given here; right. All these acronyms. FLNG means floating LNG.

Q. And to what does that refer?

A. That was initial initiative to develop a floating LNG facility where there were at that stage there were two projects earmarked for that. One was Kudu, which was on the West Coast of Africa in Namibia and the other was Sunrise which was a project on the West Coast of Australia. And clearly those projects were

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still very immature, as well was FONG, which was also something floating. Floating -- I have to assume oil and natural gas facilities. It may not be 100 percent correct, but something like that, which, again, was something that was earmarked for the West Coast of Africa, I think, and had not sufficiently matured either.

Q. And at that point in time was anyone at Shell talking about the FLNG and FONG which you described?

A. I think in some earlier presentations we talked quite bullishly, typical engineering optimism on those technologies and the related projects.

Q. When you say we talked, who's the we?

A. Shell.

Q. Is there any person in particular?
A. I wouldn't know.
Q. The next sentence says, "I'm worried that we are going to talk prematurely about SURE, as well." What is SURE?
A. SURE was an acronym again, Shell Unconventional Resources, which was related to
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some pilots and studies that were ongoing on extraction of oil from oil shale. And this was for me still very much in the very early, early, early stage. We also tried to keep it confidential and my perception was we shouldn't be talking about it.
Q. The last item that you write you say, "with aggressive historical proved reserves booking, massive investment in Nigeria with increasing risks, few material discoveries ROACE pressures. We just need to be very careful."
Why did you identify all of these items for Mr. Watts?
A. I just wanted to flag, again, that there were a lot of issues that I was concerned about and was working and in the same context that we had to ensure that we gave out realistic stories to the market.
Q. And when you say aggressive historical proved reserves bookings, what are you referring to?
A. All the same things we have talked about.
Q. And were you referring to bookings
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primarily made under Mr. Watts' tenure?
A. I talked about the reserves we talked about before which coincided with mostly with his tenure, yes.
Q. Did you receive any response to this e-mail from Mr. Watts?
A. I do not recollect.
Q. You'll notice in the top of the

e-mail -- the top of the document is an e-mail from Ms. Boynton to you and in the e-mail the second sentence she says, "could you give me a ring when you have a chance." Do you recall having a discussion with Ms. Boynton on or about October 22, 2002?
A. No, I don't.
Q. Do you recall having a discussion with Ms. Boynton about any of the content of your e-mail you sent to Mr. Watts in which she was cc'd?
A. No.
Q. You can put this aside.
Do you know who Harold Hatchett is?
A. That's the man.
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Q. When you say that's the man?
A. That's the man that replaced David Sexton.
Q. Okay. Before I mark this next document, do you recall having any discussions with Ms. Boynton prior to August of 2002 about aggressive bookings?
A. No.
Q. And, again, my question refers to other than formal CMD meetings?
A. No. That's what I understood.
(Van De Vijver Exhibit Number 20 was marked for identification.)
BY MR. HABER:
Q. I'm handing you what we just marked as Van De Vijver Exhibit 20.
For the record, this is an e-mail with some attachments. The e-mail is from Mr. Van De Vijver. It's dated September 2, 2002. It's to Philip Watts, Jeroen Van Der Veer, Paul Skinner, Malcolm Brinded, and Judith Boynton. The subject line reads EP delivery.
The Bates number for this document is V 00030266 through V 00030272.
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Have you seen this document before today?
A. Yes.
Q. I don't think we've mentioned this person's name before. Who is Paul Skinner?
A. We did mention him earlier. He was one of the group managing directors.
Q. So was Ms. Boynton on the CMD at this time?
A. If I look at the reference indicator it sounds to be childish, no. Otherwise, she would have one of these MGD managing group director indicators. At this time she was still in attendance of all the CMD meetings, but not a group managing director.
Q. So other than Ms. Boynton, the other people on the -- the other recipients of this document were members of the CMD; correct?
A. Yes.
Q. What is -- if you turn to the second page it says EP delivery. What is this document?
A. This is a sort of snapshot perspective of the overall health of the E&P
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business as I saw it at that time when we were in E&P, at least we were already engaged in the development of the business plan for 2003.
Q. Did anyone ask you for this information?
A. No.
Q. You sent this on your initiative?
A. Yes.
Q. Did anyone assist you in preparing this document?
A. No.
Q. You prepared it yourself?
A. Yes.
Q. Now, if you look at the intro you say, "for some time now we have tried to adhere to a bunch of criteria that can only be managed

successfully for so long." And then you identify one, two, three, four items?
A. Yeah.
Q. What are these items?
A. Well, these are four key sort of elements that sort of reflect on the overall health of the business for E&P.
Q. And are these the four elements

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that make up the box?
A. Yes.
Q. And?
A. That's the attachment, right, pictogram where ultimately what you're trying to achieve as your business is create value and that's sort of the center of it. Obviously you have a bunch of metrics around your business that sometimes can actually conflict with each other because if you -- if you want to maximize your ROACE your return efforts, capital employed, you should stop spending money and you can very easily get a very high ROACE, but of course, they are not growing. So it's those type of dilemmas that I was trying to portray in that picture.
Q. Do each of the four metrics sort of conflict with each other or does it work on a north/south plane against a --
MR. TUTTLE: Object to form.
THE WITNESS: They all conflict. I don't know if I explain it well. Optimally if you want to increase your production you spend more money, you increase your capital

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expenditure and your operating costs, but then of course you don't lower your unit operating costs, you will actually lower your ROACE. Through that you may increase your reserve replacement. So it is those type of dilemmas you face when you're trying to work within these key metrics within the business.

BY MR. HABER:
Q. Is this the first time that you put the box in a pictorial format?
A. I think so, yes.
Q. Prior to this exhibit had you at least discussed the caught in the box dilemma with anyone?
A. I think this was the first introduction, but I cannot be sure within E&P that we had some discussions over it within the preceding months, as well.
Q. Who do you recall having discussions with at E&P?
A. Central planning and finance group, the people that are intimately involved in developing the business plans.
Q. Is there anyone in particular?
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A. Frank Coopman and Lorin Brass were sort of the key coordinators of the business plan.
Q. If you can look at the second pictogram. What are you trying to convey by this document?
A. Well, this is trying to show a little bit the sensitivities that I mentioned to you before in terms of some of the action you can take like cutting OPEC's, operating costs, -- the unit cost reduction and your ROACE, but it will have a negative impact on production growth and reserve replacement.
Q. I see. If you can turn back to page 267.
A. Yeah.
Q. You write underneath those items that we just talked about you say, "given the external visibility of our issues (lean organic development portfolio funnel RRR low, F&D unit cost rising) the market can only be 'fooled' if one credibility of the company is high. Two, medium and long-term portfolio refreshment is real and/or, three, positive trends can be shown

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on key indicators."
What were you trying to convey there?
A. What I was trying to convey there is that whatever the business performance is, those are reported and people can see it in the market, right, so they saw things like our reserve replacement ratio was low. They saw that our F&D, which means finding and development costs, were creeping up. So those are the hard realities so important was that in order to change that -- the reality out in the market, you had to improve your business which means that you have to improve the overall credibility of the company, make sure that there are medium and long-term things happening to your portfolio and that you can show positive trends rather than the downward trends we were seeing.
Q. Why did you put the word fooled in quotes?
A. I'm still amazed that this thing came up in February 2000 and before that no one ever talked about it. Fooled is nothing about
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fooling. It's between brackets, first of all. It was the reflection of a discussion I had with Simon Henry, the head of IR, who in sort of a typical British sarcastic fashion said if you want to fool the market you have to actually show the things that can change the perception based on the facts in the market. That's what it was. This is my use of English. I think you will see in a later document that sort of formally came back from my department a few weeks later that that sentence was perfectly constructed and, I mean, what else can I say about it?
Q. Did you ever tell anybody before Rockford that what was -- what your intent was

when you wrote this word?
A. I never had anyone responding to it whatsoever. I think everyone who reads the document and sees it in the flow of the story and what we're trying to say would understand it has nothing to do with fooling or misleading the market. It is about the reality of where you are with the business.
Q. Now, the next part says medium --

underneath what I read says, "medium term development portfolio is indeed rather weak." What were you referring to?
A. Those are as is mentioned in the text here, those are sort of the projects, the new projects that are on the horizon. Discoveries that have been made or new business development that was happening and where we think in terms of our funnel, these things would get realized in the future.
Q. Now, under the next section involving facts you have false optimism on U.K. and Oman field declines and apparent inability to accurately predict those declines.
What do you mean there?
A. I think the Oman thing we already covered in my previous notes, that Oman came to a stage that couldn't actually really accurately predict on a month to month basis what they were going to produce. So they didn't quite have a handle on their business and I had the same understanding. As you recall, I visited in very early on in my tenure, I think July 2001, I visited Shell Expro and also there were major

issues and we had to down grade the production forecast from the U.K. because of optimistic assumptions before that.
Q. If you can turn the page. Under early 2/3/2001?
A. Yes.

Q. It says, "it was realized a combination of 5 percent production growth with 15 percent ROACE at $14 per barrel was not achievable nor sustainable, but it was concluded that:" The first item says, "3 percent production growth was the minimum acceptable by the market (firm plan had 1.5 percent growth mostly from Nigeria, but none of the major competitors had projected growth less than 3 percent projected)."
The 1.5 percent growth, is that group wide or are you specifically referring only to growth in Nigeria?
A. The way I read this sentence it's group wide.
Q. So at the time the 3 percent growth was conveyed to the market the group was planning on 1.5 percent, is that how that reads?
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MR. TUTTLE: Objection to form, it mischaracterizes the document.
THE WITNESS: I'm not sure. I remember I wrote this and didn't have my staff to double-check the numbers. I may not have the math totally correct, but that's how I currently read it.
BY MR. HABER:
Q. If you turn to page 269 under people.
A. Yes.
Q. The second item says, "study/support activity for Oman in Nigeria which will result in near field activity and bottom line deliverables."
What are you referring to there?
A. I referred here to the massive effort that was ongoing that I initiated by bringing extra people into those organizations and providing support from SEPTAR and other organizations to do the quality work on their assets, which ultimately if we get an understanding of these assets allows you to

implement additional activity.
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Q. At this time had any bottoms up review of the Oman fields commenced?
A. No.
Q. And at this time had a bottoms up review of the fields in Nigeria commenced?
A. No.
Q. I think I might have asked this question. Did you receive any response to this e-mail?
A. Not that I recall, but as I mentioned before, very quickly thereafter there was actually an update, a formal submission to the CMD with the presentation.
Q. Do you recall any discussion at the CMD about the caught in the box dilemma?
A. Not directly, but that discussion would go all the way through December '02 when the business plan was finalized.
Q. Do you recall reserves exposures being discussed at this meeting?
A. No.
Q. We just marked as Exhibit 21 a series of e-mails, the last of which is from Mr. Van De Vijver, it's dated October 22, 2002
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to Philip Watts. Subject line reads weekend reflections.
The Bates range and there are two is V 00020620 and DB 01383. If you would take a moment to look at it.
(Van De Vijver Exhibit Number 21 was marked for identification.)
BY MR. HABER:
Q. Mr. Van De Vijver, have you seen this document before today?
A. Yes.
Q. Do you recall the context in which these e-mails were written?
A. This was in the context of the

evolving business plan for 2003 following on from the earlier discussions and events on the caught in the box as we were trying to get to a process to finalize our business plan. And I think, if I recollect correctly, I had taken the initiative to have dinner with Phil to take the opportunity to further discuss the issues that I was facing.

Q. You say you took the initiative. So you invited Mr. Watts out to dinner?

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A. I offered the idea of having a dinner.

Q. Did you -- and I take it from his e-mail you did, in fact, have a dinner?

A. Yes, yes. In the Netherlands, yeah.

Q. And do you recall the sum and substance of the discussion that you had with him?

A. I do not recollect a lot of detail from that discussion.

Q. Do you recall discussing the caught in the box dilemma?

A. Yes.

Q. Do you recall any sum and substance of that discussion?

A. Not on particular numbers. It was more in the context of trying to give me comfort that he was a big fan of the E&P business and wanted the E&P business to grow and look at future opportunities to do so, for instance, in the form of acquisitions.

Q. What was your reaction to what he was saying?

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A. Well, the dinner, the only thing I remember is the dinner didn't leave me with a comfort that a lot of progress was being made.

Q. Why did you get that feeling?

A. Because I didn't have the feeling

that in terms of the dilemmas I had in terms of caught in the box and some of the numbers he was offering any concrete solutions.
Q. Did you get the sense he was sensitive to the dilemmas you were talking about?
A. He certainly understood them.
Q. Do you recall anything else you discussed at this dinner meeting?
A. No. The only thing I recollect is that the meeting started more on a social basis. This was, I think, very briefly after my father had died, so a little bit of that type of discussion.
Q. How would you, if you had to split up the discussion over the dinner between social and business, how much of the dinner was business related?
A. About two-thirds.
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Q. Do you recall expressing any frustration to Mr. Watts about -- in light of the box dilemma the difficulties in doing acquisitions?
MR. TUTTLE: Objection to form.
THE WITNESS: No.
BY MR. HABER:
Q. Now, if you could take a look at your e-mail to Mr. Watts. You say in the second paragraph, "I must admit that I've become sick and tired about arguing about the hard facts and also cannot perform miracles given where we are today."
What were you arguing about? What hard facts?
A. Well, what -- I mean this is clearly a bit of an outlet of frustration.
MR. DOWD: Just answer the question.
THE WITNESS: Sorry.
MR. DOWD: Answer the question.
We don't need the characterization, just answer

the question.
THE WITNESS: Can you repeat the
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question, please.
BY MR. HABER:
Q. What hard facts were you arguing about?
A. The hard facts about the state and the health of the business.
Q. Was he taking a contrary position with regard to the health and state of the business than what you were seeing?
A. Well, it all reflected to his e-mail on the items on the box.
Q. I guess what I'm asking is, other than the items in his e-mail, did this extend beyond just these issues?
A. No. No.
Q. The next sentence says, "if I was interpreting the disclosure requirements literally (Sarbanes-Oxley Act, et cetera) we would have a real problem." Why did you identify the Sarbanes-Oxley Act to him?
A. I was just concerned -- I mean I'm not a Sarbanes-Oxley expert or anything like that. I just was concerned that on a forward going basis that we would give out promises to
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the market that would not reflect the reality of the health of the business and just to sort of let out my frustration that the numbers are what they are and that that's the only thing that in the end of the day is what we have to deal with.
Q. Had you been given any briefing about the Sarbanes-Oxley Act?
A. I recollect that at that time we had had one presentation at CMD on the Sarbanes-Oxley Act and it was during that time it was regularly in the newspapers and just clearly an important reminder that the disclosures to the market should be accurate.

Q. When you say was regularly in the newspapers, what is it that you recall?
A. Just about introduction of it all was -- things happened in Europe, as well, but it was in the Financial Times and all the major newspapers there were quite a few articles about it.
Q. During the CMD meeting when the presentation was made did you get the sense your colleagues took the Sarbanes-Oxley Act seriously?

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MR. TUTTLE: Objection to form.
THE WITNESS: Oh, yes.
BY MR. HABER:
Q. The end of your e-mail you say, "happy to have that debate at CMD." What debate are you referring to now?
A. Still the issue about what ultimately had the targets for the business should be relative to these parameters as the business plan, as I think I mentioned to you earlier, was still evolving and would not be completed all the way to December.
Q. Did you have that debate at the CMD?
A. Quite a few further meetings took place, yes.
Q. Just if you can turn the page going to Mr. Watts' e-mail to you.
A. Yes.
Q. At the end of his e-mail he says, "if you are in Shell Center this week, I would appreciate a brief chat."
Do you recall having such a brief discussion with Mr. Watts?

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A. No, I don't. The only thing I see in the message when I was sending this I was in Oman.
Q. Why were you in Oman?

A. In my ongoing drive to prove the state and the health of the business there.
Q. Now, in your e-mail, if you can look at the top of Exhibit 21, you say, "I am currently in Oman dealing with another legacy problem." What was this problem to which you're referring?
A. The problem I was dealing with in Oman, that happened before my time.
Q. Under whose leadership did these problems occur -- originate?
A. Phil Watts was my predecessor as CEO.
Q. Okay.
A. John, do you want to take a five, ten minute break.
MR. DOWD: Sure.
THE VIDEOGRAPHER: This marks the end of tape two, Volume II, in the deposition of Mr. Van De Vijver. We are going off the

record. The time is 2:13 p.m.
(A brief recess was taken.)
THE VIDEOGRAPHER: This marks the beginning of tape three, Volume II, in the deposition of Mr. Van De Vijver. We are back on the record. The time is 2:30 p.m.
(Van De Vijver Exhibit Number 22 was marked for identification.)
BY MR. HABER:
Q. Mr. Van De Vijver, we marked as Exhibit 22 a note for discussion. The subject reads review of 2002 and 2003 reserves replacement. It's dated November 7, 2002. It's from EPB to EPG -- I'm sorry, it's from EPB, EPG and it's to the ExCom.
The document its Bates range is HAG 00161385 to HAG 00161392. Have you seen this document before today?
A. Yes.
Q. Do you know who prepared this document?

A. It says EPB and EPG. That's Lorin Brass, EPB. And Brian Ward is EPG.
Q. Do you have an understanding as to
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why this note for discussion was prepared?
A. I think this followed out of the process that was started a couple months earlier on a regular basis to bring this to EP ExCom as part of the improved process on transparency and clarity.
Q. When you say bring this to the EP ExCom, that's what you're referring to, the transparency and clarity?
A. Yes.
Q. Do you recall if this note was presented at an ExCom meeting?
A. Yes.
Q. Do you know who made the presentation?
A. No.
Q. If you look at page 390.
THE VIDEOGRAPHER: I'm sorry, the papers are blocking your mic.
BY MR. HABER:
Q. Page 390.
A. Yes.
Q. Which is identified as appendix C, what is appendix C?
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A. That's the well-known exposure catalog in its standard form now.
Q. Do you recall any discussion at the meeting about Oman?
A. No.
Q. Do you recall any discussion about SPDC?
A. No.
Q. Do you recall any discussion about Australia and Gorgon, in particular?
A. No.
Q. Was this note distributed as

prereading?
A. Yes.
Q. Therefore, it's your understanding it would be distributed to each member of the ExCom in advance of the meeting?
A. Yes.
Q. And you received a copy of this as prereading?
A. Yes.
Q. When I say this, I mean Exhibit 22?
A. Yeah.
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Q. Do you recall any discussion at the ExCom meeting around the exposure catalog?
A. No. I do not have a recollection.
I do recollect that we specifically talked about SNEPCO.
Q. What do you recall in particular?
A. That there was a recommendation for debooking in SNEPCO, which then if I'm correct also happened at the end of 2002. A debooking was actually done for SNEPCO.
Q. Do you recall what fields in SNEPCO were debooked?
A. This was related to Bonga and I think Erha, but also here I see Abo. Look at page 391 it refers to three fields Abo, Bonga and Erha.
Q. Do you recognize the handwriting on this document?
A. Yes, it's mine.
Q. Do you recall what was the mood at the ExCom concerning the discussion about debooking these reserves?
MR. WEED: Objection.
THE WITNESS: Fine. I do not
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recollect anything specific.
BY MR. HABER:
Q. Do you recall any opposition to

debooking?
A. No.
Q. At Shell when reserves have to be debooked do they need to be approved by the ExCom?
A. No. That was not the formal process. As I mentioned to you earlier, I had two directors on my ExCom that were responsible for that product and they worked with their staff and then through the finance, group finance line to conclude the annual results for reserves. But at the same time as part of Frank Coopman coming on board it was part of, as I mentioned earlier, to make sure there was the transparency and understanding at ExCom level for important things like this particular item, reserve replacement.
Q. Does the CMD have to approve debookings?
A. No. This was, as I said, not being involved with the actual process of
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closeout I. Don't know who all got involved in the process as part of the annual reserve report that finally was issued by Anton Barendregt. But I know it involved external odd fors and people in group finance.
Q. My question was does the CMD have to approve debookings?
MR. TUTTLE: Objection, asked and answered.
THE WITNESS: No, not that I was aware.
BY MR. HABER:
Q. During this meeting do you recall any discussions about set offs to the debookings that Enterprise could provide?
A. No.
Q. Do you recall, again during this meeting, any discussions of set offs that an acceleration of the cash again booking could provide?

A. No.

MR. TUTTLE: Objection, foundation.

BY MR. HABER:

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Q. If you look at page 387, and I'm looking at your handwriting on the bottom.

A. Yeah.

Q. The firsthand written note, if you could read that for us?

A. "11/11, too many uncertainties?"

Q. Does 11/11 refer to the date?

A. Well, I was just checking because it says 7th of November, the note, but it may have been that the ExCom physically took place on 11th of November. Otherwise, I wouldn't know what 11/11 meant.

Q. What did you mean by too many uncertainties?

A. That it looked like there were still quite a bit of discussion ongoing about bookings and debookings at that point in time being not too far from the end of the year.

Q. The note underneath it appears to be an arrow, a line over the arrow and then an arrow above it and then I think it says balance? Is that correct?

A. Yes.

Q. What did you mean by that?

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A. I don't know.

Q. Now, if you turn to page 389.

A. Yes.

Q. In the left hand margin in the middle it appears to say, "debookings? Gorgon, et cetera," I think, and if I'm wrong please tell me.

A. That's the same that I read, yes.

Q. Okay. Why did you write debookings?

A. Because, as you know, at that

point in time there was still a lot of uncertainties left in terms of our reserve numbers. We still had these exposures and Gorgon was one of those.
Q. And these exposures such as Gorgon could result in debookings?
A. Potential debookings, yes.
Q. If you could turn to page 391.
A. Yes.
Q. I'm not even going to try to read these. If you can read the handwritten note in the circle at the bottom of the page.
A. "Total Nigeria reserves quality?!"
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Q. What did you mean by that?
A. The same old story about the quality of the data from Nigeria. And, of course, this was the time that we decided to start the bottoms up review in Nigeria as one of the big five initiatives.
Q. I just want the record to be clear. When you say the same old story about the quality of the data, what are you referring to?
A. This was the exposure issue around Nigeria, reserve exposure.
Q. And when we say Nigeria, are you referring to SPDC?
A. SPDC.
Q. The handwriting to the right of what you just read into the record, what does that say?
A. 50 million barrels, debooking shift to 2003 between brackets [drilling].
Q. What did you mean by that?
A. I do not recollect. It must have been something that came up during the discussion on this particular subject.
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Q. In your prior answer?
A. Yes.

Q. When you mentioned that you decided to start the bottoms up review in Nigeria, you said as one of the big five initiatives. What were the other four initiatives?
A. They were all linked to Nigeria. This was the drive that Brian Ward started at that time. One was about -- I can't recollect them all. One was about community relationship, relationship with external parties. One was around project execution to make sure there was quality in product execution. I -- I can't recollect. I only know there were five big issues. That's the only thing I recollect.
Q. The initiative about community?
A. One was around reserves and one involved doing the bottoms up review.
Q. Was there someone appointed to lead the bottoms up review in SPDC?
A. Yeah. This was under the control of Brian Ward, so I don't know the particular name. It doesn't come to my head who was the
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man leading that effort.
Q. Do you know a gentleman by the name of David Klusener?
A. Yes. He was indeed a person I remember talking to several times in December 2003 when we were trying to finalize the numbers on Nigeria. He was clearly deeply involved in that exercise.
Q. Do you know if Mr. Klusener was involved in a bottoms up review of SPDC?
A. Yes. That's what I mentioned.
Q. Mr. Klusener is the one who you understood was leading this review?
A. I don't know whether he was leading it. There may have been other people involved, but he was clearly involved.
Q. Do you know if there were multiple phases in this review?
A. I don't know the exact details of

how they would geographically or otherwise would go through the exercise.
Q. Do you recall the review had concluded?
A. Well, the full review didn't
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conclude until well into December.
Q. Of what year?
A. 2003.
Q. Do you recall what the findings of the review were?
A. Well, this is the review that led to me receiving in middle of November a report and I also found out there was an unsatisfactory audit on Nigeria that then subsequently triggered the decision to look at our whole portfolio and subsequently the debookings.
Q. Do you recall if one of the findings in that review was a gap of approximately 900 million BOE?
MR. TUTTLE: Objection, form, foundation.
THE WITNESS: I don't know the exact number anymore, but I know it was a very big number.
BY MR. HABER:
Q. Do you know if a report was issued by the review team?
A. The only thing I saw was the audit report from Anton Barendregt. I did not see any
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other report on Nigeria.
Q. Do you recall attending a briefing where the results of the review team were presented?
A. No. As I mentioned, I recall sitting with Brian Ward, the 14th of November, 2003, I do recall that when the first numbers came out.
Q. And what do you recall about that meeting with Mr. Ward?

A. That basically we now, that we then had confirmed that there was a big problem in Nigeria with respect to proved reserves.
Q. What was your reaction when you had learned all this information during that meeting?
A. I was in shock. I mean this was taken a long time to go through that whole process, but when you then discover with those type of numbers you're off, that clearly is a very material issue.
(Van De Vijver Exhibit Number 23 was marked for identification.)
MR. HABER: We've just marked as
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Van De Vijver Exhibit 23 an e-mail from Marian Van der Laan on behalf of Mr. Van De Vijver. It's dated November 15, 2002, it is to Frank Coopman and Lorin Brass. The subject line reads: Urgent 2003 plan in Q1 IR and there's an attachment that says the same thing, 2003 plan in Q1 IR.
It's two Bates ranges. The first is V 00020743 through V 00020745. The other Bates range is DB 01506 through DB 01508. Mr. Van De Vijver, have you had an opportunity to look at Exhibit 23.
THE WITNESS: Yes.
BY MR. HABER:
Q. Have you seen this document before today?
A. Yes.
Q. And this e-mail reflects that you had instructed your secretary to send this to Mr. Coopman and Mr. Brass?
A. Yes.
Q. Tell me the context in which you wrote this e-mail?
A. This was still in the overall
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process of finalizing the business plan for

2003, which I explained earlier, to finally get finalized a month later at conference and I wanted to give my staff feedback from the last CMD meeting that I attended on that subject.
Q. Do you recall when that meeting was?
A. It must be around the time of writing this e-mail.
Q. Okay. Now, under -- if you turn to page 2 of the document, which is 7440507, under 1, are these items items that are metrics in the box that we talked about?
A. Yes.
Q. Now, underneath those you write, "the reality is, however, that we would not have submitted this plan if we, one, were not trying to protect the group reputation externally (promises made)." What were you trying to convey there?
A. I was trying to portray to my staff that, of course, we were still working a plan that I still was not feeling comfortable about and it still needed further work and in my
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mind the plan was not a 50/50 plan, but was a stretch plan.
Q. What is a stretch plan?
A. A stretch plan is a plan that has less than 50 percent probability to succeed.
Q. That was the plan that you were intending to present to the conference?
A. Yes. Well, the plan was still subject to change during the last month before it would go to conference.
Q. The plan that went to conference, was it a less than 50/50 plan?
A. If I recollect correctly, I specifically when presenting a plan to conference I talked about 50/50 and stretch. I covered them both.
Q. What was the reaction of the conference when you covered those issues?

A. I do not recollect.
Q. Do you recall any -- any discussion over the plan including stretch?
A. No. No. I wouldn't recollect the detail. The minutes should reflect that.
Q. Do you get an opportunity to

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review the minutes of the conference?
A. Review the minutes?
Q. Do you get an opportunity to review the minutes of the conference?
MR. DOWD: When?
BY MR. HABER:
Q. As a general matter?
A. Sorry, I'm not answering because I'm thinking. I'm not so sure whether the answer is yes or no. We talked about the CMD before. I don't know whether at conference -- I'm not sure. I don't know.
Q. In particular, this meeting that you just testified about, do you recall reviewing minutes of the conference meeting?
A. No.
Q. Going back to the Exhibit 1, again, you put in parentheses, promises made. What external promises were made that you believe that you were trying to protect?
MR. TUTTLE: Objection to form, characterization of the document.
THE WITNESS: Well, every year at the beginning of the year, call it promises were

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made to the market, and had an early February meeting of the year which related to sort of forward performance of the company. So whatever at this point in time was out already in the market.
BY MR. HABER:
Q. Would that include ROACE?
A. Yes.
Q. Would that include production

growth?
A. Yes.
Q. Would that include unit finding costs?
A. I don't think we gave specific targets out on the market of unit finding cost.
Q. Okay. What targets -- what cost targets did you convey to the market?
MR. TUTTLE: Time period.
THE WITNESS: Unit operating cost target.
BY MR. HABER:
Q. And would this be in February of 2002?
A. It would happen on an annual
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basis, so I don't know all the direct details of what targets we would be giving out, but on that annual presentation the targets and outlooks for the business would be presented.
Q. Do you recall bringing the draft plan to the CMD for its consideration?
A. In terms of details? I mean I brought it to CMD, of course, frequent basis, but I do not recollect the details of the type of discussion.
Q. Do you recall there being support for the plan as it was finalized for approval by the conference?
A. There was a lot of discussion on the plan and a lot of discussion on the 50/50 versus stretch.
Q. What do you recall about that discussion?
A. Well, I felt it very important that the stretch element of the plan was both portrayed at CMD, but also at conference.
Q. What was the reaction of CMD to the stretch element of the plan? I mean were they supportive?
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A. In the end the plan that gets presented ultimately to conference, yes, is first supported by CMD.
Q. Until you get to that point were there people who expressed little sympathy for the dilemma that you were in?
MR. TUTTLE: Objection to form.
MR. MORSE: Same objection.
MR. DOWD: If you recall.
THE WITNESS: I do not recall the details.
BY MR. HABER:
Q. Okay. Just going back to among the performance indicators that are externally made to the market, is RRR another one?
A. RRR is never portrayed as a yearly target to the market and the reason for that is that obviously reserve replacement is very much related to timing of projects and given uncertainty and the spikiness of this, we would never give yearly reserve replacement targets to the market.
Q. So the market only receives historical information about the reserves

replacement; correct?
A. Historical and perhaps also projected sort of medium term replacement targets, but never annual.
Q. Is the RRR reported in the 20(F)?
A. Yes.
Q. And what's reported in the 20(F), that is historical information?
A. Is all historical information.
Q. Looking at the exhibit again, under number 2 you say, "could have been honest about past failures (business focus W.R.T.," which I understand to be with respect to, "aspired portfolio disconnects with reality, poor performance management, preserves manipulation."
What were you trying to convey

there?
A. All the things I was dealing with to improve the overall health from the business relative to I started with the bit.
Q. Did you have any examples in mind with regard to disconnects with reality?
A. Well, I mean some of that maybe --
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the answer is yes. Some of that may be a little bit of benefit from hindsight. I mentioned to you these things, some of the new technologies, floating LNG in terms of how quickly we would be able to do these things and how clearly some of the work and the quality in terms of grounding in terms of production forecast or whatever, the quality of the work that was -- that had been done as a basis for the plans.
Q. Did you have any examples in mind with regard to reserves manipulation?
A. That's, of course, a typical shorthand. All this is is actually the same subject that we've been dealing with exposure lists in terms of the exposures we had and uncertainties that we had that we were working.
Q. Again, these are the exposures that primarily originated under your predecessor?
A. Yes.
Q. And that would be Phil Watts?
A. Yes.
Q. Now, in the middle you say, "on 19th November EP plan presentation, I want a
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simple chart of 50/50 versus stretch parameters which shows in the second one is watch list items on production, Oman, Nigeria, US."
Why did you want the watch list items included?
A. Watch list items was a new terminology that was included in the group under initiative from Phil Watts to identify items

that were sort of group wide concern in terms of some of the issues in the overall business and Oman was one of them. Nigeria was one and the other was US in terms of exploration performance.
Q. This watch list, was this to be the equivalent the exposure catalog?
A. No. Sorry. This is a separate thing that was sort of thing that was done under the initiative of group planning where on a quarterly basis every business would show the progress that they've had on the sort of key things that were on the radar screen for the group. It was called the watch list item. There was some traffic lighting system around it on a quarterly basis. Separate from the
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exposure list that we talked about just on reserves.
Q. The reference to November 19th plan presentation, to whom was that to be made?
A. I cannot be sure. This may be the next presentation at either EP ExCom or at CMD.
Q. Okay. You can put the exhibit aside.
I'm going to mark as Exhibit 24 a series of e-mails that I will identify for the record as the witness takes a look at it.
The last of the e-mails is from Mr. Van De Vijver, it's dated November 29, 2002. It's to John Pay with a cc to Lorin Brass and Malcolm Harper. The subject line reads group plan questions reserves.
It has two Bates numbers. The first one is V 00082175 through V 00082177 and the other one is BRU 002201 through BRU 002203.
(Van De Vijver Exhibit Number 24 was marked for identification.)
BY MR. HABER:
Q. Have you seen these e-mails before today?
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A. Yes.
Q. I would like you to look at the e-mail that you sent to John Pay, it's on the last page. It's dated November 21, 2002. The cc is to Lorin Brass and Malcolm Harper. Who is Malcolm Harper?
A. An engineer that worked in Lorin Brass's organization.
Looking at this reference indicator, he was at that stage head of planning.
Q. Now, in your e-mail you write in the second sentence, "how much of the historic bookings year end (both aggressive/early) that constrain our proved reserves booking in 2001-2005 are related to 'leadership behavior' and how much are they related to new SEC rules/scrutiny introduced in early 2001?!"
Why were you asking this question?
A. This is I guess sort of the continuing drive of mine to better understand the history with respect to reserves booking and trying to get an understanding what happened in the past.

Q. And is that why you asked for the distinction between leadership behavior and SEC rules/scrutiny?
A. Yes.
Q. And by leadership behavior, are you referring to anyone in particular?
A. Leadership behavior was the leadership before my time in E&P.
Q. Would that include Philip Watts?
A. Yes.
Q. Did you mean to go beyond Philip Watts to anyone else?
A. Not specifically.
Q. You see that Mr. Pay responds with a lengthy note. Did you do anything with the information that is included in his e-mail to

you of November 22, 2002?
A. No. I don't think directly, but it helped me to gradually build up my understanding of what happened in the past and as a result make me even more eager to make sure that, for instance, these bottoms up reviews in Nigeria and Oman were done and that I left messages to the organization that clearly I

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found it very important to get transparency on our reserve base.
Q. When you say you left messages to the organization, what do you mean by that?
A. Leave messages to people like John Pay and Lorin Brass and Coopman that I was really interested to make sure that we improved the quality, transparency, integrity of our reserve base.
Q. Was there any particular event that caused you to ask Mr. Pay to do this work?
A. It may have -- the answer is, no, I don't know directly, but I think it must have been as part of the process of finalizing our business plan and seeing things, how things were projected forward and try to understand what had happened in the past when you look at trends.
Q. Looking at your e-mail on the third page, was there a reason why you made reference to the SEC rules/scrutiny?
A. Well, I had learned earlier that year there had been clarifications on the -- issued by the SEC on the rules and I was wondering whether that specific thing had had an

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effect on Shell's reporting of reserves.
Q. Did you have any communication with Mr. Pay about the conclusions that he reached in his e-mail?
A. Not that I recall apart from the reaction to his e-mail.
Q. What did you mean, if you look at

your e-mail to him, when you say we will have to get a story line together, not only to close our books, but also for explaining to analysts (6 February and end March) RRRR?
A. This was something that I knew about at that time that the next presentations to analysts would occur 6 of February and end of March of the next year and I wanted to make sure that then we would be able to give a comprehensive story.
Q. Did you show the results of Mr. Pay's -- withdrawn.
Did you show Mr. Pay's e-mail to anyone?
A. Not that I recall.
Q. Do you recall discussing it with Frank Coopman?
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A. No.
Q. Do you recall discussing it with Lorin Brass?
A. No.
Q. Did you share this information that is in Mr. Pay's e-mail dated November 22nd with anyone on the CMD?
A. No.
MR. HABER: We'll mark another document as Van De Vijver Exhibit 25.
For the record, Exhibit 25 is titled Note For File Managing the EP Legacy Issues.
It's Bates number is V 00030273 through V 00030276.
(Van De Vijver Exhibit Number 25 was marked for identification.)
BY MR. HABER:
Q. Have you seen this document before?
A. Yes.
Q. What is this document?
A. This is a note that I wrote to myself on sort of -- to get sort of an overall

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perspective of the E&P business to sort of try to fully internalize where we were, but also in terms of appreciating the sort of challenges there were going forward. This is something I wrote end of 2002, early 2003, in that time period where I was launching a major change in the EP organization, which was called the new EP operating model. I wanted to make sure for myself and also being able to communicate to my staff what it was we were all going to do and look at it and get the energy to do so.
Q. Was this a document that you prepared in one sitting?
A. No.
Q. Do you recall how long it took you to prepare it?
A. This may be over a period of a month or so. This -- clearly I didn't type this myself, this is my secretary.
Q. Did you ever share this document with anyone?
A. No.
Q. You'll notice the last page of this document there is an attachment. Is this
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attachment part of the note?
A. Yes.
Q. Why did you include this attachment?
A. I assume that this -- this is sort of linked, we sort of had the whole internal neutralization of asking myself the questions why and why and what are we going to do with it. Again, just for clarity, I didn't prepare -- I didn't have the capabilities to do this slide myself. That was done by my assistant, Geri Powell, G-E-R-I.
Q. This attachment, did you ever show it to anyone,?
A. Yes. I showed it to Jeroen Van

Der Veer.
Q. When did you show it to Mr. Van Der Veer?
A. In December 2002.
Q. Had you prepared this PowerPoint before you drafted the note for the file?
A. I think this sort of moved in tandem. I don't recollect the detail.
Q. How did -- how did this -- how did
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this meeting with Mr. Van Der Veer get initiated?
A. From my initiative. I just walked to his office.
Q. Is his office on the same floor as yours?
A. Next to my office.
Q. Separated by anything?
A. A conference room and a secretary.
Q. Was it your practice to talk to Mr. Van Der Veer on a daily basis since you were so close?
A. Well, not really. If you look at my schedule I was not there that often. I did a lot of traveling, but we did share a common conference room and given his regional responsibilities we sometimes had joint meetings and things in our region.
Q. When you met with Mr. Van Der Veer did you ever have unscheduled meetings where you would just get up and say, Jeroen, I just need to talk to you about something?
A. Sometimes that would happen, yes. This was one of those.
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Q. Do you recall what the two of you had discussed?
A. This particular meeting I showed him this picture and I particularly drawed the attention to him on item 2.
Q. Why did you draw his attention to

item 2?
A. Because I was letting off some frustration based on what I had put down there as some of the issues that I felt were happening in the business.
Q. Do you recall what he said to you?
A. I recall that I showed it to him and he had very little reaction and then I said does this surprise you and he said no.
Q. Did he explain why?
A. No. He quickly thereafter suggested that I should go and talk with Henny de Ruiter, H-E-N-N-Y, and De, D-E, Ruiter, R-U-I-T-E-R. He was a former CMD member and a -- at that stage he was the Chair of the Group Audit Committee, but he was a former CMD member and he was also a member of conference.
Q. Did he say any reason why you
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should speak with Mr. De Ruiter?
A. Because he thought that that was the appropriate thing to do and Henny de Ruiter, as a former Shell director, he still had an office within The Hague offices.
Q. Do you recall anything else that was said between you and Mr. Van De Vijver during this meeting?
A. Van De Vijver is me.
Q. I'm sorry, Van der Veer.
A. No.
Q. Do you recall how long this meeting lasted?
A. With Jeroen Van der Veer.
Q. Yes.
A. Very brief, maybe only five minutes. This was not a scheduled meeting, I just walked into his office.
Q. Did you feel he was receptive to what you were telling him?
A. Well, he was clearly not critical, but at the same time he did not respond much.
Q. Did you meet with Mr. De Ruiter?

A. Yes, I did.
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Q. When did you meet with Mr. De Ruiter?
A. Somewhere very soon thereafter.
Q. How did that meeting come to pass?
A. That was arranged by my secretary, that meeting, and I just a few days thereafter I went to his office in the morning and I had a cup of coffee with him.
Q. Do you recall what you and Mr. De Ruiter had said?
A. I talked to him about the issues I was dealing with and the challenges I was facing about overall health of the business and he had a lot of sympathy for that, said I was doing well and that he would pass it on to Aad Jacobs.
Q. Aad Jacobs was a member of the Group Audit Committee; is that correct?
A. As I mentioned, Henny de Ruiter was the Chair of the Group Audit Committee and I think a bit later Aad Jacobs talk over for him as chair of the Group Committee. Never being at that meeting I don't know if he was already at that point a member of the Audit Committee, but he was chairman of the Supervisory Board.
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Q. That would be the chairman of the Supervisory Board of Royal Dutch?
A. Yes.
Q. Do you recall anything else discussed between you and Mr. De Ruiter?
A. No. It was a very friendly chat. He -- during that discussion he expressed sympathy for me having to deal with Phil Watts and that was sort of -- he sort of mentioned a few stories about some of the encounters he had had with Phil Watts in the past when he was CEO of Shell Nigeria and he was regional managing director for the region and that was about it.
Q. Do you recall anything else

discussed between you and Mr. De Ruiter?
A. No, not in any detail, as I can recollect.
Q. Just going back to your answer. When you say during the discussion he expressed sympathy for you having to deal with Phil Watts, what did you -- what did you say to him that elicited that sympathy?
A. I just said that I was dealing with a lot of difficult issues in EP and that I

felt a lot of these issues were things that I inherited when I took over the business.
Q. And it was in response to that that Mr. De Ruiter said what he did?
I'm sorry, you have to verbalize the answer.
A. Yes.
Q. Mr. De Ruiter expected you speak with Aad Jacobs?
A. No. I said De Ruiter said he would mention it to Aad Jacobs.
Q. Sorry. Did he ever tell you if he had, in fact, spoken with Mr. Jacobs?
A. No, not from Henny, but I got feedback from Jeroen Van der Veer a couple days later that he mentioned that Henny De Ruiter had talked to Aad Jacobs.
Q. And did Mr. Van Der Veer convey what was discussed between Mr. De Ruiter and Mr. Jacobs?
A. No.
Q. Had you ever met with Mr. Jacobs yourself?
A. I met with Aad Jacobs sort of one

to one, if I recollect, in June 2002 just before he took over as chairman of the Supervisory Board.
Q. I just want to go back to the conversation with Mr. De Ruiter for one moment.

Did you discuss with Mr. De Ruiter any of the reserves exposures and issues that you were observing?
A. I am not sure. I'm certain I talked about Nigeria and Oman as sort of problem areas, but I cannot right now recollect if I specifically talked about reserves.
Q. Do you recall what problems you had discussed with him in Oman and Nigeria, do you recall what you had discussed with him about the problems?
A. Those were at that time rather well-known problems in terms of getting to grips with the business and the overall operational performance in those areas and the issues we were dealing with.
Q. Did he say anything in response to what you were telling him?
A. No.
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Q. I'm sorry, I keep jumping between meetings. I apologize.
When you met with Mr. Jacobs in June 2002, where did that meeting take place?
A. I don't know whether it happened in London or The Hague. I can't recollect. One of the two.
Q. Did you initiate that meeting?
A. No.
Q. He initiated it?
A. Yes.
Q. Did he say why?
A. Well, because it was just prior to him taking over as chairman of the Royal Dutch Supervisory Board, starting first of July.
Q. And do you recall the sum and substance of what you discussed?
A. No, not in detail, no.
Q. Do you recall discussing with him any of the reserves exposures?
A. No.
Q. Do you recall if you discussed

any -- any reserves issues -- withdrawn.
Do you recall if you discussed the
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state of the EP health and its business?
A. I do not recall it, but I'm a pretty open guy, so I'm sure that whatever I was thinking about I would have discussed it.
Q. Do you recall how long that meeting lasted?
A. No.
Q. I would like to come back to Exhibit 25 for a moment, again, looking at this -- I guess it's a PowerPoint.
A. Yes.
Q. And, again, under number 2 you write, "unchallenged EP CEO campaign to make everything look good as possible (1999/2001)." What did you mean by that?
A. I felt and recognizing with some benefit of hindsight there were optimistic things out there about the true health of E&P versus what I discovered when I started running E&P.
Q. And what had you discovered?
A. Well, I think --
MR. DOWD: Listen to his questions.
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THE WITNESS: The list that is mentioned here.
MR. DOWD: Answer it. Tell him what it is.
THE WITNESS: All the way from things we talked about not really being in touch with operational performance to not feeling exploration was managed well to technology things that hadn't delivered and also in a culture where there was not a challenge in the EP ExCom. When I arrived at the EP ExCom I had quite a few difficult discussions when I entered to try to get people to open up and to

participate in the meetings.
BY MR. HABER:
Q. You used the word fear of challenge. Why did you use that word?
A. I think within the organization there were a lot of people that were afraid of Phil Watts.
Q. Did you have an understanding why people were afraid of Phil Watts?
A. Well, he was a hard nosed businessman in terms of his character.
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Q. Did you have an understanding if Phil Watts was open to receiving bad news?
MR. TUTTLE: Objection to form, calls for speculation.
THE WITNESS: I can only judge my behavior in terms of bringing up whatever there was that needed to be brought up.
BY MR. HABER:
Q. Do you have an understanding of why people were fearful of Mr. Watts?
MR. TUTTLE: Objection to form, calls for speculation.
MR. MORSE: Objection. Same objection.
THE WITNESS: I think there were people in the organization and one of them was Roelof Platenkamp, who portrayed to me that he felt some of the challenge that he provided was not always appreciated.
BY MR. HABER:
Q. Was there any one other than Mr. Platenkamp who shared an experience with you?
A. Lorin Brass.
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Q. Anyone else?
A. Not that I can think of right now.
Q. Did Raoul Restucci ever share an experience with you?

A. Yes. Raoul Restucci reflected to me back in 2003 after I had some arguments about him and his performance, about the difficulty he had when he had been regional managing director for in the Far East for EP on the EP BusCom.
Q. What did he say?
A. That he had a very hard time at the time of the acquisition attempt of Woodside.
Q. A hard time with whom?
A. With Phil Watts and I think that also there was another occasion where he felt very unhappy back in 2003 on a particular business issue in the US where he felt that he was being put down by Phil Watts.
Q. Other than the people we -- you just identified, was there anyone else?
A. Not that I can recollect now.
Q. Did Mr. Restucci ever say to you why he was having a difficult time with the acquisition attempt with Woodside?
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A. There was a lot of pressure on him to be successful.
Q. Pressure from where?
A. From Phil Watts.
Q. And to be successful, are you referring to being able to acquire Woodside?
A. Yes.
Q. Now, at or about this time, December '02, January of '03, did you start thinking about whether a debooking of all of these reserves that were exposed was something that should be seriously considered?
MR. TUTTLE: Objection to form.
THE WITNESS: During that whole time period all I could do without being an expert on the subject was to challenge my staff to have the transparency and the quantity of our reserve data.
BY MR. HABER:
Q. Had you started to form an opinion about whether a debooking was becoming

necessary?
A. No.
I was trying very hard to get all
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the facts to decide one way or the other and as I mentioned earlier, the critical elements in that would be to really get the hard facts and details on Oman and Nigeria.
Q. Going back to Mr. Restucci for a moment, do you recall having any discussions with him about Gorgon?
A. No. Not until after the announcement.
Q. The announcement, the initial announcement in January 2004?
A. Yes.
Q. And do you recall what the two of you discussed?
A. It was not a one to one, it was part of a discussion that ExCom had that we clearly were still working, had the numbers and getting -- trying to get information and data on what had happened in the past.
MR. HABER: Do you want to take a five minute break?
MR. DOWD: Sure.
THE VIDEOGRAPHER: This marks the end of tape three, Volume II, in the deposition
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of Mr. Van De Vijver. We are going off the record. The time is 3:42 p.m.
(A brief recess was taken.)
THE VIDEOGRAPHER: This marks the beginning of tape four, volume II, in the deposition of Mr. Van De Vijver. We're back on the record. The time is 3:59 p.m.
BY MR. HABER:
Q. Mr. Van De Vijver, I'm going to hand you a document that we are going to mark as Van De Vijver Exhibit 26.
(Van De Vijver Exhibit Number 26

was marked for identification.)
BY MR. HABER:
Q. This is a string of e-mails and I will identify it for the record while the witness has an opportunity to take a look at it.
The string of e-mails, the last of which is from John Pay to Mr. Van De Vijver, is dated December 4, 2002, with a cc to Lorin Brass. The subject line reads "reserves".
The Bates numbers on the document, the first one is V 00090634 through V 00090636. The other one, Bates range is TT 000477 through
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TT 000479.
Mr. Van De Vijver, have you seen this document before today?
A. Yes.
MR. MORSE: Can you hold on a second?
MR. HABER: Yes. I'll hold on.
BY MR. HABER:
Q. Do you recall the context in which you sent the e-mail to Mr. Pay and with a cc to Mr. Brass on December 4th of 2002?
A. Yes. The context is my continued drive to make sure that people understand that I want to get the proper quality and transparency of our reserve base and make sure they get the message and then leave it to the expert to make the decisions, but they at least recognize it is still on my radar screen as an important item.
Q. Now, you write to Mr. Pay, "as a result, we are taking in 'hits this year' on Bonga, Erha, et cetera."
What do you mean by hits?
A. We're doing debookings. Remember we saw earlier in the note to the EP ExCom.
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Q. And you go on to say, "based on what we know today, what will we still have left in our books by 1/1/2003 that is considered

questionable by the auditors or that we should correct this year."
Were you at this point considering a debooking?
A. I knew we were going to do some debookings, as we just mentioned, but the issue was we do whatever is needed to get the quality of our data.
Q. Why did you ask Mr. Pay the question?
A. Sorry?
Q. Why did you ask Mr. Pay the question that you wrote here?
A. Well, because I wanted to make sure that I kept up-to-date on what they were doing, but also just to make sure they understood, again, from my side that this was still a very important issue that we needed to get a handle on.
Q. The issues being the reserves exposures?
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A. Yes.
Q. Mr. Pay responds to you on the same day and if you take a look the paragraph, the third one that begins, "removing all items." Are you with me?
A. Yes.
Q. For the record it says, "removing all items from the attached list would reduce proved reserves additions from 2002 to CA.750 million BOE (proved RRR equal 50 percent, including Enterprise and cash again)."
It goes on to say, "I am working on the assumption that this is not something we want to do, but it would have the advantage of removing these issues once and for all. The timing seems opportune."
Did you understand Mr. Pay to be suggesting that a debooking would be an opportune thing -- withdrawn.
Did you understand Mr. Pay to be

referring to a debooking of the reserves in the exposure list that's attached to these e-mails?
A. The attached list is the exposure list.
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Q. Right.
A. Yes.
Q. And did you understand Mr. Pay to be referring to a debooking of reserves on that list?
A. Yes.
Q. Do you recall having any discussions with Mr. Pay about his suggestion?
A. No, because as you see in that e-mail, he was telling me that all is in progress, it's the experts that would deal with it and all the people involved in the process would ultimately make that decision.
Q. Had you reached any conclusion at this time whether it was an opportune time to debook any of the reserves on this list?
A. For me that was not relevant. For me to get the facts and whatever facts they had, that was fine with me.
(Van De Vijver Exhibit Number 27 was marked for identification.)
MR. HABER: I want to mark as Exhibit 27 -- for the record, Exhibit 27 is a the note to CMD, it's dated September 24, 2002.
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Its Bates number is LON 00520467 through LON 00520476.
Mr. Van De Vijver, do you recognize this document?
THE WITNESS: Yes.
BY MR. HABER:
Q. Is this the note to CMD that you were referring to when you were testifying about the September 2nd note that you had written, which was exhibit --
A. Yes. No. I can recollect. Yes.

Q. Okay. Just for the record, it was Exhibit 20.
Is this your signature on the first page?
A. Yes.
Q. Do you recall presenting this note to the CMD?
A. Yes.
Q. Looking back for one moment on Exhibit 26.
A. Sorry. Yes.
Q. Did you have an understanding of what would happen to the RRR if all of the
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reserves that were identified on the catalog were debooked?
A. No. Whatever the number is, that's what the number is.
Q. I'm saying if you were to have debooked all the reserves on that list do you know what impact that would have on Shell's RRR at the time?
A. Well, I would have to do the calculation off the top of my head, but if we produced 3.8 million barrels equivalent per day, that's how much per year? That's about 1.3 or so billion per year. That matches, right, 100 percent reserves replacement is about 1.3 to 1.3 billion barrels or equivalent. So if you go back -- if you go to the exposure list when you talk about the total exposure -- sorry, of 848 million barrels per day, that is a big number, right, percentage-wise it's more than half -- more than 50 percent reserve replacement ratio for that particular year. Negative.
Q. Negative; right. Is that a number Shell could have gone to the market with?
A. It is what it is. From my
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perspective, the only thing that matters is that we give the right numbers. Whatever the experts

believe the number is, that's what the number should be.

Q. Okay.

MR. DOWD: Are we through with 27?

MR. HABER: Yes. We're done.

(Van De Vijver Exhibit Number 28 was marked for identification.)

BY MR. HABER:

Q. Mr. Van De Vijver, we've marked as Exhibit 28 an e-mail from Femke Copper to, I'm sure I'm pronouncing it wrong, to Mr. Watts, Jeroen Van der Veer, Paul Skinner, Malcolm Brinded, with a cc to Judith Boynton, Keith Ruddock and yourself. The subject line reads formatted version, visit Oman, 15-16-2003.

The Bates number is V 00010718 and it goes through V 00010719?

Do you recognize this document?

A. Yes.

Q. And what is this document?

A. It is a visit note for my next visit to Oman. Just to help you explain it, I

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had a few times when I would write my own e-mail on the plane when going back, if I would send it back it would get a little bit garbled. So I would ask my secretary to fix the spacing and send it out again.

Q. I see. This would be the reformatting. Femke Copper is identified as a deputy secretary to you and you asked her to send it to the people who are identified as the recipients?

A. Yes.

Q. Who is Keith Ruddock?

A. He is the secretary to the CMD.

Q. Why did you send it to Mr. Ruddock?

A. For completeness sake. I do not recollect.

Q. Now, the first line says that you had another useful two day visit to Oman with the objective to carry out another "health check" on PDO and to meet relevant staff/stakeholders. Why did you feel it was necessary to visit Oman to carry out a health check?"

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A. It was my baby. I felt very passionate about PDO and obviously I had my organization looking after it, but I very personally wanted to stay closely in touch with what was happening in the company in terms of all the recovery activity.

Q. Now, the -- do you recall meeting with any members of the oil -- I'm sorry, the Ministry of Oil and Gas during this trip?

A. No, but maybe -- it is in there in the minutes. The minutes say I didn't meet with Oil Minister because he was on leave, so I only met with Minister Ahmed Macki and Undersecretary of the Ministry.

Q. If you look on the first page you write -- and, again, I -- just so you know where I'm reading. On the first page where you say, "below is a brief summary of my visit, key highlights."

The second one you identify is atmosphere with the variety of government stakeholders remain tense given the extent of issues. Then (PDO production government LNG (GTP), lack of transparency rewards scheme and

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license extension, ethane extraction to develop downstream industry.

Were all of these reasons the reasons that were communicated to you for this tense atmosphere?

A. Yes. That is the feedback I had during the discussions on the visit.

Q. And who did you have the discussions with from which you got this feedback?

A. From the government stakeholders that I mentioned in these notes.
Q. Okay. Can you just explain what you meant by the lack of transparency?
A. The lack of transparency, that we still had difficulty understanding our business and still had the uncertainty around production forecast, where it was going, so they were ongoing issues.
Q. And what did you mean by reward scheme?
A. Reward scheme is, if I recollect correctly, at that time discussions had started with Omani government on license extension in
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Oman and on what terms the license would be extended.
Q. So was there a reward involved or discussed in connection with the license extension?
A. Well, a reward scheme, but the terms of the contract both in terms of profit oil, cost oil, all the typical things, not getting a price right.
Q. I notice under PDO it says, "current production is some 730,000 barrels per day and is still sliding downwards with some signs that attention to core processes are helping."
What core processes are you referring to?
A. Getting back to the basics of the business, doing the well management, reservoir management, trying to understand what was actually happening out there in the fields.
Q. When you met with Minister Ahmed Macki did you have any discussions with him about whether there was any prospect for production returning to 850,000 barrels per day.
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THE WITNESS: No, I do not recall.

BY MR. HABER:
Q. Now, did you have any conversations with any of the recipients identified on Exhibit 28 about your trip?
A. No. I do not recollect. It depends on where I was at the time and whether it coincided with the CMD meeting whether it would come up during lunchtime or whatever, I don't know. I do not recollect.
Q. Did anyone who is identified as a recipient of this e-mail you with any comments about the trip?
A. Not that I recollect.
(Van De Vijver Exhibit Number 29 was marked for identification.)
BY MR. HABER:
Q. I just handed the witness a document we marked as Van De Vijver Exhibit 29. There's a note for discussion. It says EP reserves outlook. It's dated in the upper right-hand corner July 22, 2003, but the signature date reads July 17, 2003.
The Bates numbers for the exhibit
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are HAG 00043389 through HAG 00043398?
Mr. Van De Vijver, have you seen this document before today?
A. Yes.
Q. Does this document bear your signature, the first page that is?
A. Yes.
Q. When did you prepare -- withdrawn.
Who prepared this document?
A. One of my staff members. I think in Lorin Brass' organization.
Q. And to whom was this note to be distributed?
A. To CMD.
Q. And was this note a part of a prereading package?
A. Yes.
Q. Do you know if there was a

PowerPoint presentation that accompanied this note?
A. No, I don't think so, because it was a discussion item. So that normally would not be sort of a fixed agenda item within an outside presenter coming in.
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Q. If you can turn to Exhibit 1 for a moment, that's your letter?
A. Sorry.
Q. If you could turn to page 3. The second paragraph you write, "in July 2003 E&P, again at my direction and with my approval, submitted to CMD an updated exposures catalog and a note for discussion, this time specifically advising the CMD that up to 220 million barrels of oil reserves would potentially need to be debooked in 2003 in Nigeria and that reviews of Nigeria and Oman reserves were in progress. The CMD was also informed that Gordon remained the largest single potential exposure (560 million BOE)." Do you see that?
A. Yes.
Q. Is this the note that you were referring to in your letter?
A. Yes.
Q. If you can turn to page 397.
A. Yes.
Q. The appendix C, is this the reserves exposure catalog that you're referring
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to?
A. Yes.
Q. Do you recall a discussion at the CMD about the catalog?
A. No.
Q. Do you recall any discussion about the note that we've marked as Exhibit 29?
A. No, I'm sorry, I do not recollect.
Q. Were you expecting some reaction

from your colleagues?
A. Yes, because it was -- in the sense it was stable, there's a note for discussion, so that meant clearly time was reserved to have discussion on this particular item.
Q. Do you know how much time was reserved?
A. No. It's in a block. It's a block of items covered under notes for discussion.
Q. If you turn to page 392, there are a bunch of bullet points. I would like to direct your attention right now to the second bullet point, which talks about SPDC in Nigeria.
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Are you with me?
A. Yes.
Q. The second sentence of that bullet point says, "it appears that a significant portion of the oil portfolio lacks the necessary level of technical and commercial maturity."
Was that statement based upon the results of the review team work that we talked about earlier?
A. Yes. That states the review was still ongoing.
Q. Now, if you look at the Oman, the next bullet point it says, "a review of Oman PDO approved reserves is in progress and a reserves audit is planned for later in the year.
What review were you referring to there?
A. That is the review that is ongoing that started I think, had just recently started in June, which was the whole STOIIP ultimate recovery review that we mentioned earlier.
Q. That STOIIP review is the bottoms up review. If you turn the page to page 393.
A. Yes.
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Q. Under potential reserves exposure catalog, the second sentence says, "of the group's -- 19350 million BOE approved reserves some 1040 million BOE (5 percent is currently considered to be potentially at risk)." Do you see that?
A. Yes.
Q. Okay. At the time this document was prepared did you consider this to be a significant amount of exposure?
MR. TUTTLE: Objection to form.
THE WITNESS: I think this exposure in terms of the number was similar to the numbers we had in 2002. Some things had come up, but other things entered into it like lowest known hydrocarbons, LKH.
BY MR. HABER:
Q. Were you concerned?
A. I continued to be concerned during this whole period and that's why the work was being done, what was being done. I had a clear hunch, instinct, that things were not okay, but we needed the hard facts to conclude that work.
Q. What is lowest known hydrocarbon?
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A. Lowest known hydrocarbon is a bit technical, but it was an issue that emerged with the SEC and it came up that there was a question whether we could use the latest technology, particularly seismic technology, to identify subsurface, the lowest point where hydrocarbons were found or whether you actually had to use the lowest actual measured hydrocarbon point in a specific well.
Q. Now, in this potential reserves exposure catalog section, which is on page 393.
A. Yes.
Q. There's a reference that there is an issue that has been raised with the SEC with respect to the lowest known hydrocarbon.
Do you have an understanding of what that issue was?

A. Well, that's what I just mentioned. It was the question whether you could use log derived data or whether you could use interpretation of other technologies like seismic utilizing spill points and things like that to identify what the lowest identified or known hydrocarbons were.
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Q. Do you know what the SEC's position was?
A. SEC position was that you should only use the lowest actual measured hydrocarbons in a particular well.
Q. Do you know what Shell was doing?
A. Shell, but not only Shell, but also other companies, my understanding was they would use pressure data and seismic data to extrapolate it to where that lowest point could be.
Q. Now, on page 393 you say, "Gorgon remains the largest single potential exposure."
At that time did you know if Shell's partners in the project had booked proved reserves?
A. No.
Q. Did you ever learn in Rockford whether Shell's partners had booked proved reserves for Gorgon?
A. I recall vividly a phone call from Peter Robertson, my counterpart in Chevron, who called me after the announcement on the 9th of January who said we were not happy with your
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announcement because we have not booked it and actually the project is making great progress and we're going to make an announcement.
Q. Did he say when they were going to make an announcement?
A. I think fairly eminently they will were going to make an announcement on the project Gorgon because they felt they needed to

say something because of that coming into the news and they were the operator.
Q. What did you say in response to Mr. Robertson?
A. He was a good friend of mine and I fully thanked him for his phone call and that was it.
(Van De Vijver Exhibit Number 30 was marked for identification.)
BY MR. HABER:
Q. Mr. Van De Vijver, I'm just handing you a document that we've marked as Van Der Vijver Exhibit 30. While I identify it for the record, I would like you to take a look at it.
The document says note for
0422
WALTER VAN DE VIJVER
information Group Audit Committee briefing on reserves accounting guidelines and procedures. It's dated in the upper right-hand corner September 1, 2003. The signature date is August 28, 2003.
Its Bates number is LON 00010114 through LON 00010128. Have you seen this document before?
A. Yes.
Q. Do you know who prepared the document?
A. I got this note from Frank Coopman.
Q. Do you know who assisted Mr. Coopman in preparing the document?
A. No.
Q. And on the first page of this document, does this bear your signature?
A. Yes.
MR. DOWD: I'm not sure he said Coopman prepared it. I think he said he got it from him.
BY MR. HABER:
Q. You're right.
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A. That doesn't mean he wrote it to me, it came for signature from Frank Coopman.
Q. You're right. I apologize.
A. That's all right.
Q. The handwriting on the first page of the document, is that your handwriting?
A. No.
Q. Do you recognize it as anyone's handwriting?
A. No.
Q. Do you know if this note was actually disseminated to the members of the Group Audit Committee?
A. Yes, because I recall that Frank Coopman went to the Group Audit Committee.
Q. When did he go to the Group Audit Committee?
A. I don't recall the exact date, but it says in a note here, October.
Q. During your tenure as CEO of EP did you ever submit notes to the Group Audit Committee?
A. Not that I recollect.
Q. Do you have an understanding --
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withdrawn.
Did you have an understanding as to why this note was being sent to the Group Audit Committee so far in advance of the meeting?
MR. TUTTLE: Objection, foundation.
THE WITNESS: No, I don't know.
BY MR. HABER:
Q. Did Mr. Coopman show you this note before it was sent to the Group Audit Committee?
A. Yes, because he asked me to sign it off.
Q. I meant -- I'm sorry, let me be a little more specific.
While it was in draft?

A. No.
MR. DOWD: Do we have to send out for Starbucks for you?
MR. HABER: I would prefer Dunkin' Donuts.
(Laughter.)
BY MR. HABER:
Q. If you look at attachment 3, which
0425

is Bates numbered that ends 127.
A. Sorry?
Q. The last two pages I'm focusing on?
A. Yes. Sorry. Yes.
Q. Is this -- is this a form of the exposure catalog that we've been talking about today?
A. Yes. It's exactly the same number we just looked at in the July CMD note.
Q. Okay. Did Mr. Coopman ever advise you that he received feedback from the note before the Group Audit Committee meeting?
A. No.
Q. Do you know if Mr. Coopman attended the Group Audit Committee meeting?
A. Yes.
Q. Did you attend the Group Audit Committee meeting in October?
A. No.
Q. Did Mr. Coopman tell you if the exposure catalog was discussed during the Group Audit Committee meeting in October?
A. No.
0426

Q. How many members are there of the Group Audit Committee?
MR. TUTTLE: You mean at this time?
BY MR. HABER:
Q. At this time, which is August, September of 2003?

A. I wouldn't be -- I wouldn't be able to answer that. There's a couple of members from the ST&T side, a couple members from the Royal Dutch side and then there are people from finance, but I don't know how many that are in attendance. I never attended that until January '04. I wouldn't be able to tell you.

Q. Do you know if the membership of the Group Audit Committee is comprised of members of the conference?

A. Oh, yes. Yes.

Q. Is it entirely comprised of members of the conference?

A. Well, conference and CMD, but to the best of my recollection, it also included the group controller. Besides the group CFO

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there was also the group controller, maybe some deputies I don't know.

Q. At this time was Tim Morrison the group controller?

A. Yes.

Q. Again, so the record is clear, this time being August, September 2003.

Do you know if the conference has any subcommittees?

A. Well, the Group Audit Committee would be one of the subcommittees.

Q. Do you know what the other subcommittees are?

A. As I mentioned to you earlier, one was called Social Responsibility Committee and I think we had Remco Remuneration Committee.

Q. Was the Remco subcommittee responsible for succession issues?

A. Succession and compensation.

Q. Okay. Do you know who the chairman of the Remco subcommittee was at this time?

A. Aernout Loudon, A-E-R-N-O-U-T, Loudon, L-O-U-D-O-N. I think.

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MR. HABER: Can we just take about a five minute break.

THE VIDEOGRAPHER: We're going off the record. The time is 4:48 p.m.

(A brief recess was taken.)

THE VIDEOGRAPHER: We are back on the record. The time is 4:58 p.m.

BY MR. HABER:

Q. Mr. Van De Vijver, you mentioned you had meetings with a number of people such as Mr. Van Der Veer, Mr. De Ruiter. Did you meet with anyone else in separate private meetings where you discussed the reserves issue?

MR. TUTTLE: Objection to characterization of prior testimony.

THE WITNESS: No. Not that I recollect in any detail. I talked with several members about the general state of the business with people like Marteen Van den Berg and Henny de Ruiter, but that's a bit later, that was in November 2003. I talked to Aad Jacobs and then I did specifically talk about reserves.

BY MR. HABER:

Q. When did you meet with Marteen Van

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den Berg?

A. That was around April. April 2003.

Q. Did you initiate this meeting?

A. No, he did.

Q. And why did he do that?

A. From a social perspective. He came to visit my house.

Q. Do you recall if he -- if he was accompanied by anyone?

A. No. He was on his own.

Q. Do you recall having any discussion about business during his visit?

A. Yes. I talked generally about all the things I was dealing with and all the things

that were on my radar screen in terms of improving the performance of the business and that I had quite a few challenges ahead of me.
Q. When you say the things you were dealing with, what things are you referring to?
A. Everything from improving the organization structure and getting the right people in the right places, improving the performance in places like Oman and Nigeria.
0430
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Q. Do you recall specifically discussing some of the problems in Oman and Nigeria that are -- that you had testified to today?
MR. TUTTLE: Objection to form.
THE WITNESS: Just in a general sense, but nothing specific as I recollect on reserves.
BY MR. HABER:
Q. And Mr. Van Den Berg, was he a member of the conference?
A. Yes.
Q. I don't remember. I'm sure I asked this, was he a member of the CMD?
A. He's a former member of the CMD. Before my time he retired from CMD as a vice chairman and president of the Royal Dutch and then subsequently joined the Board in conference.
Q. Do you recall anything that Mr. Van Den Berg had said to you in response to what you were telling him?
A. He said that he appreciated the things I was working with and said that I was
0431
WALTER VAN DE VIJVER
doing great and he put it in the context that he had had some difficult times when he was in CMD together with Mark Moody Stewart.
Q. And Mark Moody Stewart was the chairman of the CMD at the time?
A. Yes.

Q. Do you recall anything else about that meeting that you haven't testified about?

A. No, not specific.

MR. HABER: I'm going to mark as Van De Vijver Exhibit 31, it's two e-mails with an attachment.

(Van De Vijver Exhibit Number 31 was marked for identification.)

MR. HABER: For the record, while Mr. Van De Vijver is looking at the exhibit, the exhibit is two e-mails and an attachment, as I said. The last e-mail is from Mr. Van Der Vijver to Mr. Watts. It's dated November 9, 2003.

The Bates number is LON 00010002 through LON 0001 through 0003.

Do you recall this e-mail exchange?

THE WITNESS: Yes.

BY MR. HABER:

Q. The second e-mail, which is on the bottom, the middle portion of this document, is from John Bell to you with a cc to Mr. John Pay and Frank Coopman. The subject is LKH and it's dated November 6th, 2003 and it attaches a slide that says LKH exposures at 1.1.2003. Do you recall asking Mr. Bell for information about the LKA issue?

A. Yes.

Q. What did you ask him?

A. This was a follow up to a performance, midyear performance review discussion I had with Phil Watts on Monday the 3rd of November where I felt very unhappy because he was inferring that LKH problem that we had by this time identified as one of the exposures was something that had to do with my history in the United States. So I was angry because I saw it as a personal accusation.

Q. And, in particular, what was he saying about the LKH in your tenure in the

United States?
0433
WALTER VAN DE VIJVER
A. That problem on LKH that had related to the United States and as I was the CEO in the United States, if you recall from '98 to 2001 that, therefore, this was my problem.
Q. When you say my problem, do you mean a problem that you created?
A. Yes.
Q. Now, in your e-mail you say, "reference our discussion on reserves on Monday, November 3." Is this the discussion you're referring to?
A. Yes.
Q. Were there any other issues on reserves that you recall that were discussed?
A. I don't recall. It was a general discussion, midyear performance relative to targets that had been set.
Q. On that connection do you recall having any discussion about production targets?
A. I do not recollect.
Q. More generally, do you recall having any discussion with him at this meeting about the business plan that was going to conference shortly?
0434
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A. No.
Q. Now, in your e-mail you say, "the issue of LKH is not just a US issue," then you put in parentheses "(perhaps you are implying something there?)" Why wasn't the LKH just a US issue?
A. Because this was a general industry issue that had come up after my time in the United States. I don't know. I think it came up somewhere in 2002 and given the technicalities I just explained to you, it was something that would apply to any area in the world where there would be that difference you could have an interpretation.

Q. Now, the next -- what were you trying to convey with regard to the parenthetical?
A. It was just a nice way for me getting back saying here are the facts and this has nothing to do with being my problem.
Q. The next sentence says, "I am becoming sick and tired about lying about the extent of our reserves issues and the downward revisions that need to be done because of far

too aggressive/optimistic bookings in the past." Aside from the embarrassment of having booked reserves prematurely, what were you trying to convey to him there?
A. I was conveying to him there that I was at that stage getting deeply concerned that we had been given incorrect information on the state of our reserves. The Oman and Nigeria audits were nearing completion and the early reports I got from those places were not encouraging.
Q. When you refer to downward revisions that need to be done, were you suggesting to Mr. Watts that a debooking was necessary?
A. I was trying to indicate at that stage I was getting more and more to the conclusion, that it looked like if the data were confirmed that we would have to do a downward revision.
Q. The reference to far too aggressive/optimistic bookings in the past, was that to bookings of reserves that were done under Mr. Watts' tenure?

A. That's the same issue, yes, that we discussed many times before.
Q. Now, the remainder of the sentence says, "aside from the embarrassment of having booked reserves prematurely."

What did you mean by that?

A. This was my feeling around some of those projects that were booked in the past. Again, I'm not an expert on SEC, but those were booked before actual final investment decision was taken.

Q. Why would you feel embarrassed about that?

A. Well, I felt embarrassed at the end of the day that the studies that were ongoing would conclude that in the past we wouldn't have given the right external messages on the health of our reserves. I mean overall I believed that Shell was a conservative company.

Q. So the embarrassment would be with regard to the external community?

MR. TUTTLE: Objection, characterization of the testimony.

THE WITNESS: Yes.

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BY MR. HABER:

Q. The beginning portion of the sentence when you say, "becoming sick and tired about lying about the extent of our reserves issues." Did you feel that Shell was not being transparent with regard to the reserves issues that we've been talking about today?

MR. TUTTLE: Objection to form.

THE WITNESS: No. I had no reason to believe that the company had been giving false information intentionally to the market. I was just now deeply concerned based on the emerging facts that were coming out that we had given incorrect information.

BY MR. HABER:

Q. Did Mr. Watts ever respond to your e-mail?

A. No.

Q. Did he ever pick up the phone and tell you he wanted to talk about it?

A. No.

Q. Do you believe you conveyed the

message clearly to Mr. Watts in this e-mail?
A. Yes.
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WALTER VAN DE VIJVER
MR. HABER: We're going to mark -- I'm going to actually mark three exhibits. The first one is going to be Exhibit 32 and Exhibit 32 is an e-mail string, the last of which is from Frank Coopman to David Lau, with a cc to Souli Bouchia.
THE WITNESS: I don't have it yet.
MR. DOWD: You will just relax.
BY MR. HABER:
Q. It's dated November 24, 2003. The subject line is a forward 2003 RRR review.
There are two Bates numbers. The first range is V 00350911 through V 00350913. The other one is Coopman 0452 through Coopman 0454.
(Van De Vijver Exhibit Number 32 was marked for identification.)
MR. HABER: While the witness is looking at this we're going to mark.
MR. DOWD: He's looking at 32 just for the record.
MR. HABER: While he's looking at Exhibit 32 we're going to mark as Exhibit 33 a note from Anton Barendregt to a number of people
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dated September 30, 2003.
The Bates number is RJW 00770717 through RJW 00770726.
And the subject of this note reads proved reserves process audit-SPDC (Nigeria 18-19 September 2003).
(Van De Vijver Exhibit Number 33 was marked for identification.)
MR. HABER: Exhibit 34 is a draft note from Anton Barendregt dated November 3, 2003. It says SEC proved reserves audit-PDO Oman 25-28 October 2003.
That's Exhibit 34 and the Bates

range there is RJW 00950013 through RJW 00950019.
(Van De Vijver Exhibit Number 34 was marked for identification.)
BY MR. HABER:
Q. Mr. Barendregt -- I'm sorry, Mr. Van De Vijver -- I apologize.
Exhibit 32.
THE WITNESS: Yes.
BY MR. HABER:
Q. Which is the first exhibit I
0440
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handed to you. Do you recall seeing this e-mail exchange before?
A. Yes.
Q. And exhibits 33 and 34, which are the Barendregt reports, do you recall seeing Exhibit 33 before?
A. Yes.
Q. And do you recall seeing Exhibit 34 before today?
A. Yes.
Q. Okay. Are these the reports that you testified earlier about?
A. Yes.
Q. And you will notice that on the first page of each report Mr. Barendregt gives an unsatisfactory report in his audit of SPDC on Exhibit 33 and PDO on Exhibit 34?
A. Yes.
Q. Now, if you look at Exhibit 32.
A. Yes.
Q. Which is an e-mail from John Pay to you with a cc to John Bell, Frank Coopman, John Darley, and Iain Percival, who is IainPercival?
0441
WALTER VAN DE VIJVER
A. He is a senior petroleum engineer under operational excellence. You can see that in his reference, OE, operational excellence in the EPT organization of John Darley.

Q. Operational excellence, that's the same as the T&OE?
A. Yes.
Q. Was this the first time that you had received Mr. Barendregt's reports on SPDC and PDO Oman?
A. Yes.
Q. And this being the attachment to the November 17th e-mail?
A. Yes.
Q. Now, if you look at Exhibit 33, there's handwriting in the upper right-hand corner. Do you recognize that handwriting?
A. No.
Q. If you notice, six days lapsed between the time Mr. Pay sends his e-mail and you send out an e-mail to him. What did you do between the time you received these two reports and the time you sent this e-mail to Mr. Pay?
A. That's a very good question. I
0442

wouldn't know day to day where I was or what I did. I think maybe I can give you a little bit of context.
Q. Sure.
A. After I received those reports and particularly when I saw the report on Oman I was -- I was highly surprised by the conclusion of the Oman audit in the sense that a recommendation from Barendregt was to leave the numbers as they were for another year.
I remember then seeing Frank Coopman and expressing that concern to him about that finding. I also recall that someone close to this time, as soon as I heard about the unsatisfactory audit, I notified Judy Boynton that we had unsatisfactory audit. Not even seeing the audits, I advised her of the fact that I had seen these unsatisfactory audits and also advised my colleagues at CMD around this time about having received these unsatisfactory audits.

Clearly work was ongoing. The Nigeria story was a little bit different in the sense that audits was unsatisfactory, but

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Nigeria was a process audit. That was a step in between the whole bottom up review to confirm the methodology that was being used to get to the right numbers. And I also recall asking Frank to now start working on getting the real details because based on this I was getting pretty certain that we were getting into a debooking process. Sorry for the lengthy answer.

Q. That's okay.

When you say you were asking Mr. Coopman to start working on getting the details, what details were you looking for him to get?

A. As I reference in the e-mails, I said I've asked Frank to work the disclosure SEC issues to really get an understanding that based on what we were, in terms of him being the head of the Chair of the Reserves Committee, which at that time we had in place to make sure proper process was followed in terms of the next step on this important issue.

Q. When was the Reserves Committee established?

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A. The Reserves Committee I think was established around September, October time that year as part of the ongoing improvements in the overall controls and transparency around reserve reporting.

Q. Was the creation of the Reserves Committee initiated by you?

A. Not directly by me, but through Coopman as part of my desire for him to improve overall controls in the business, including this area.

Q. Now, on Exhibit 32, the bottom of

the e-mail, you say, "still find it amazing to compare the '99 and '03 audit write-ups for Nigeria and for Oman." Why were you amazed?
A. Because if I recollect correctly '99, both those areas had satisfactory audits and then four years later -- satisfactory and good. Even better than satisfactory Oman had -- we have to read the note now -- one was good and one was satisfactory.
Q. Did you talk with Mr. Barendregt about his reports?
A. No.
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WALTER VAN DE VIJVER
Q. Why didn't you?
A. I cannot interfere with the whole organization. As I said, I mean that's what I communicated to Coopman and I'm sure I was confident Coopman would deal with the issue effectively. As I mentioned, the first time I met Barendregt was in December when we were trying to get to the bottom of what the final numbers should be.
Q. It says afterwards in the rest of that sentence, "we better categorize the differences to have a logical explanation."
Who were you going to make an explanation to?
A. Trying to prepare the necessary documentation to go to CMD and to conference.
Q. Had you already at this point instructed the EP team to get started on that?
A. Yes.
Q. Would you say this was the unofficial beginnings of Rockford?
A. Yes.
Q. Do you know when Rockford formally began?
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WALTER VAN DE VIJVER
A. I think it was the first CMD meeting on the 9th of December when the paper was finally submitted to CMD.

MR. HABER: I just want to mark, I forget where we are -- Exhibit 35.
MR. TUTTLE: Jeff, not to ask the overly obvious question?
MR. HABER: We're almost done for the day.
(Van De Vijver Exhibit Number 35 was marked for identification.)
MR. HABER: For the record, what we've marked as Exhibit 35 is an e-mail string, the last of which and it is really just string is from Mr. Van De Vijver. It's dated November 16, 2003 to Judith Boynton. The subject line reads 2003 RRR review. There's an attachment, as well.
The Bates number is V 00010813 through V 00010817.
Have you seen this document before today?
THE WITNESS: Yes.
BY MR. HABER:
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WALTER VAN DE VIJVER
Q. In your testimony a few moments ago you mentioned that you communicated with Ms. Boynton about the two reports, Exhibit 33 and 34?
A. Yes.
Q. Is Exhibit 35 the e-mail from you to Ms. Boynton, the means by which you made that communication?
A. Yes.
Q. Do you recall having any discussion with her after you sent this e-mail to her?
A. No.
Q. If you could just look at the part of the middle of the e-mail, the part that says both countries have had the following?
A. Uh-huh.
Q. Under the first one, "history of aggressive reserves bookings 'stimulated' by reserves fees in our NIAT 'contract' (Nigeria

stopped in '99 after new MOU)."
A. Do you want me to translate that?
Q. Would you please?
A. NIAT is net income after tax. MOU
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is Memorandum of Understanding, that's the name of the contract, the type of contract in SPDC.
Q. And the reference to the aggressive reserves bookings, is that reference to all the reserves exposures that we talked about today?
A. That were.
MR. TUTTLE: Objection to form, characterization of the testimony.
THE WITNESS: This is a reference to the Nigeria and Oman exposures we've talked about before.
BY MR. HABER:
Q. Right. So it's not all of the exposures, just Nigeria and Oman?
A. Yes.
Q. There's one other thing I want to ask you about before we conclude for the day.
If you go back to your letter, which is Exhibit 1. On page 3, the third paragraph, the first sentence which I'm interested in reads, "in November 2003 I informed CMD about the unacceptable results of the Nigeria and Oman audits."
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Do you recall when that meeting occurred?
A. That was CMD on the 18th of November.
Q. Did you make the presentation?
A. I just made the comment at that time during sort of any other business that I had these two unsatisfactory audits.
Q. And what was the reaction?
MR. DOWD: The answer is yes.
THE WITNESS: Sorry, yes.

BY MR. HABER:
Q. What was the reaction of the CMD?
A. I do not recall.
Q. Were they surprised?
MR. TUTTLE: Objection to form, calls for speculation.
THE WITNESS: I do not know.
BY MR. HABER:
Q. Okay. Do you know if Ms. Boynton attended that CMD meeting?
A. Yes, she did.
Q. Do you recall Ms. Boynton saying anything during the discussion about the
0450
WALTER VAN DE VIJVER
reserves?
A. No.
Q. Do you recall Mr. Watts saying anything during the discussion about the results of the Nigeria and Oman audits?
A. No.
MR. TUTTLE: Objection to the characterization of the testimony.
MR. HABER: I think this is a good place to conclude for the day.
THE VIDEOGRAPHER: This marks the end of Volume II in the deposition of Mr. Van Der Vijver. The total number of tapes used today is four. We're going off the record. The time is 5:35 p.m.
(Whereupon, at 5:35 p.m., the deposition was adjourned.)
- - - - -
(Reading and signature not waived.)
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WALTER VAN DE VIJVER
ACKNOWLEDGMENT OF DEPONENT

I do hereby acknowledge that I have read and examined the foregoing pages of the transcript of my deposition and that:

(Check appropriate box):

( ) the same is a true, correct and complete transcription of the answers given by me to the questions therein recorded.

( ) except for the changes noted in the attached errata sheet, the same is a true, correct and complete transcription of the answers given by me to the questions therein recorded.

_________________ ___________________________
DATE SIGNATURE

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WALTER VAN DE VIJVER
CERTIFICATE OF NOTARY PUBLIC

I, Paula G. Satkin, the officer before whom the foregoing proceedings were taken, do hereby certify that the witness whose testimony appears in the foregoing proceeding was duly sworn by me; that the testimony of said witness was taken by me in stenotype and thereafter reduced to typewriting under my direction; that said proceedings is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

My commission expires October 31, 2010.

____

PAULA G. SATKIN
Notary Public in and for the
District of Columbia

0453

E R R A T A S H E E T

IN RE: Royal Dutch/Shell

RETURN BY:

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0454

E R R A T A S H E E T

IN RE: Royal Dutch/Shell

RETURN BY:

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0454

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY
Civ. No. 04-3749 (JAP)
(Consolidated Cases)
Hon. Joel A. Pisano

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IN RE ROYAL DUTCH/SHELL
TRANSPORT SECURITIES
LITIGATION
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Volume III
Videotaped Deposition of Walter van de Vijver
Washington, D.C.
Friday, February 2, 2007
9:39 a.m.

Job No. 22-94164
Pages 454 - 577, Volume III
Reported by: Paula G. Satkin

0455

Videotaped Deposition of
Walter van de Vijver

Held at the offices of:
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Taken pursuant to notice, before Paula G. Satkin, Registered Professional Reporter And Notary Public in and for the District of Columbia.

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0457

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EXAMINATION INDEX

E X H I B I T S

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PROCEEDINGS

THE VIDEOGRAPHER: Here begins tape number one, Volume III, in the deposition of Walter van de Vijver, in the matter of Royal Dutch/Shell Transport Securities Litigation, in the United States District Court, District of New Jersey.

Today's date is February 2nd, 2007. The time is 9:39 a.m.

I would like to remind the witness he is still sworn in from yesterday.

Whereupon--

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a witness, called for examination, having previously been duly sworn, was examined and testified further as follows:

EXAMINATION BY COUNSEL FOR PLAINTIFFS -- RESUMED

BY MR. HABER:
Q. Good morning, Mr. Van de Vijver.
A. Good morning.

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Q. I want to start today just with a follow-up from a document that we talked about yesterday. So if you could pull out Exhibit 32?
A. Yes.

Q. Now, yesterday you testified that with regard to the e-mail from John Pay with the attachment of the Barendregt reports that was the first time you had received those unsatisfactory reports; correct?

A. Yes.

Q. If you look at the dates between -- you can turn to Exhibits 33 and 34.

If you look at the dates of the notes. One, the SPDC audit is dated September 30 and the other PDO audit report is -- the draft note is dated November 3. And you received these audit reports on November 17?

A. Yes.

Q. Did you ever ask your staff why there was a delay in getting you these reports?

A. No, I didn't. But, of course, you also have to see it, I guess in the context that on the Oman one I just had visited Oman so I knew. I think that was the weekend before I

went to Oman and I knew there was an unsatisfactory audit and I used my visit to Oman to actually sit down with people in Oman, not about audit report, but about the results of the city work.

And in the case of Nigeria I knew that work was ongoing on trying to get to grips with the numbers. I think it was mentioned one of the -- somewhere the end of October it was mentioned that EP ExCom, that they were working with Anton Barendregt and other people on the numbers in Nigeria.

So I felt reasonably up-to-date, but indeed I hadn't seen the actual reports until I received them on the 17th of November.

Q. In your answer you said while you were in Oman you would learn that Mr. Barendregt had given the unsatisfactory report to PDO. How is it that you learned that?

A. I had some briefing notes for my visit to Oman. And normally when I would visit places staff would prepare visit notes and there was a reference to that extent in my prereading material that I would read in the plane going up

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to Oman.

Q. You can put those aside now.

A. I assume there's a visit note on the Oman visit, by the way.

Q. Okay.

(Van de Vijver Exhibit Number 36 was marked for identification.)

BY MR. HABER:

Q. Mr. Van de Vijver, I'm handing you what we just marked as van de Vijver Exhibit 35.

MR. DOWD: No. I think we already have a 35. It should be 36.

MR. HABER: You're right. It should be 36.

BY MR. HABER:

Q. Now I'm handing you what's just been marked as van de Vijver 36. It's an e-mail with an attachment. The e-mail is from Frank Coopman, it is dated December 2, 2003. It's sent to John Bell, Matthias Bichsel, and John Darley with a cc to John Pay. The subject line is proved reserves. The attachment is called script for Walter on the proved reserves position. The Bates number is RJW00780060

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through RJW00780063.

Have you seen this document before?

A. Well, not this particular e-mail. The attachment I've seen, but not this particular cover e-mail.

Q. Okay. The attachment is what I would like to talk to you about.

A. Sure.

Q. What is your understanding of what this document called the script for Walter is?

A. As we discussed yesterday, I asked

Frank Coopman after I had seen the audit report for Oman. And as you also saw on the e-mail we looked at yesterday to get me the necessary material to go to CMD and Conference on our reserves position.

By that time personally, at least, having come to the conclusion that there were going to be major debookings, but of course the right people need to get involved in the process.

I had a meeting with Frank Coopman on it just before I went for travels again. I

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think it was the 27th of November, where he also advised me he would go and talk to Judy Boynton the next day.

Then I left to Russia where that was involving a business transaction in Moscow.

I got a call when I was in Moscow from Frank telling me he was sending me a note to look at. And he also said he would mail it at my home address, thinking that I would arrive home that night, but events changed and I ended up, we're now talking December 1st, very late in the evening actually traveling from Moscow back to London.

I'm just trying to give you a little bit of context.

Q. And the document that you were referring to when you said yesterday, is that Exhibit 32 where you instructed Mr. Coopman to take some action?

A. 32, right?

Q. Yes.

A. Yes. So I arrived very late in that evening in London in the apartment, company apartment I had there. And early in the morning

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I got a phone call from Frank advising me that Judy was very unhappy with the document.

I then decided that rather than go

directly to my meeting in Weybridge, that southwest of London, that I would quickly hop into the office in London and to actually go in my e-mail and look at the document.

During my movement to the London office I also got a call from Judy Boynton, where she expressed extreme unhappiness about what Frank had done and that it needed to be taken off the table. And to the best of my recollection she used the word, destroyed.

Either after -- I also got a call from my advisor assistant Nicola Dahlin, who mentioned that Judy was desperately looking for me.

So anyway, so I moved to the office, clearly with the feedback from Judy still ringing in my ears, and not knowing exactly what Frank had done or not done.

So I quickly scanned at the document and indeed was shocked, given that it was in my perspective a very conclusive document

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and I considered the work, first of all not complete yet because we were still working the numbers.

For instance, in the script I think it still allowed Gorgon to be carried going forward.

And, also, I recognized that ultimately this is not my decision, I can't do this, this needs to involve Group Finance, Group Audit Committee, External Audit, et cetera, before we would be able to have something so conclusive that needs to be announced to the market with immediate effect.

Sorry for a bit long-winded story, but I just wanted to get --

Q. First of all, do you know who Mr. Coopman had distributed the script to?

A. To me and Judy Boynton, as far as I know, knew at that time. Clearly I see here that it was sent to some others as well.

Q. Did you ever talk to Phil Watts
about the script?
A. No.
Q. And as far as you know he didn't
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receive a copy of it?
A. Clearly, that's up to the group
CFO to do that.
Q. Do you have an understanding as to
why the document was titled "script"?
A. No. I guess script may be
briefing note, whatever choice of words.
Q. Do you know if Mr. Coopman
prepared this document in preparation for a
meeting that was upcoming in the CMD?
A. Yes. I mean relative to the
original schedule we talked about it was the 2nd
of December was CMD meeting and 3rd of December
was a regular Conference meeting.
Now, unfortunately because of my
issues with this Russian transaction I did not
make it to the CMD meeting on the 2nd of
December that was in The Hague. I was in
London, obviously, advised my colleagues I
couldn't attend, but that was the context.
Q. Were you planning on attending the
Conference?
A. Yes.
Q. Had you asked -- in Exhibit 32, if
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you look at the first sentence of your e-mail to
Mr. Pay you say, "I want to have a proper EP
view before Conference."
Is your understanding in looking
at Exhibit 32 that this document was prepared in
connection with the meeting on December 3, 2003?
A. Yes.
Q. Now, in your answer you said when
you looked at the document you were shocked.
I think you said you were
surprised at how conclusive it was.

Why were you surprised?
A. Well, in the sense that the numbers were still being worked. I mean we still at that time didn't have the numbers and the whole idea was also to look at all the other exposures, not just linking it to Nigeria and Oman and LKH, but also whatever else now with the new understanding we had about interpretation of the SEC rules would become noncompliant.
Q. Is it fair to say that the script is advocating a restatement or debooking?
A. The script advocates a debooking.
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I would have to read it where it says revision or restatement.
Q. I see the document on the first page refers to debooking or restatement?
A. Okay.
Q. Now you also mentioned that you had spoken with Ms. Boynton about the script. Other than what you testified to do you recall anything else that the two of you had discussed?
A. On that particular day?
Q. Yes.
A. No.
Q. Did you discuss the fact that the reserves were exposed to such an extent that a debooking appeared to be necessary?
MR. MORSE: Object to the form.
BY MR. HABER:
Q. You can answer.
A. I think the note speaks for itself.
Q. Now, in your answer you also said that the decision to debook or restate was one that you needed Group Finance and Group Audit. Why is that?
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MR. TUTTLE: Objection to the characterization of the testimony.

THE WITNESS: I think anything that is to do with external disclosure and is a material event for the group, in my understanding had to go to the fora.
I cannot, in my role cannot make any decision on external disclosures.
BY MR. HABER:
Q. Now, is there a distinction between a decision to debook reserves and a decision to debook reserves that requires external announcement?
A. Anything that has to do with an impact on the reputation of the group or is a clear material event is something that needs to go through the bodies we just talked about.
Q. When Shell had debooked the reserves at the end of 2002 in Bonga did that debooking receive the approval of the Group Audit Committee?
MR. TUTTLE: Objection.
THE WITNESS: I cannot answer that question as I'm not involved in the process.

The only thing I know is that for the -- before the group reserves auditor issues his final report it involves not only people from EP, but it involves the external auditors and it involves the central controller function on the finance in London.
BY MR. HABER:
Q. Do you know if the central controller function was involved with the decision to debook the reserves in Bonga at the end of 2002?
MR. WARE: Object to form and foundation.
THE WITNESS: The only thing I know, they approved Anton Barendregt's notes that incorporated that change. I don't know what discussions or challenge TOOK place at that point in time.
BY MR. HABER:

Q. When you say "they," who are you referring to?

A. The people I just mentioned. The EP people, external auditors, and the rep's from the controller function in London, the deputy

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group controller I know was involved in it, I don't know who else.

Q. Does the size of a debooking matter with regard to external communication?

MR. TUTTLE: Objection to the extent it calls for a legal conclusion.

BY MR. HABER:

Q. You can answer.

A. I think generally just as it is with financial results there is a level of materiality.

I'm not a finance person, but I think finance has rules around materiality and that must apply to reserves as well.

Q. When Shell made external communications, say its quarterly reports, did Shell seek legal counsel?

A. I don't know.

Q. Were you ever involved in meetings concerning quarterly announcements where legal counsel had to pass on the propriety of the announcement?

A. No. Only in Project Rockford, later, I was aware that legal counsel was

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involved, but before that, no.

Q. I'm talking about before?

A. Yeah. Just to clarify.

Q. When you spoke with Ms. Boynton what did you say to her?

A. That I would go to the office and look at the memo because, clearly, I hadn't seen it.

(Van der Vijver Exhibit Number 37 was marked for identification.)

BY MR. HABER:
Q. I'm handing you, Mr. Van de Vijver, what we've just marked as van de Vijver Exhibit 37. It's a one-page document with two e-mails. The last e-mail is from you to Ms. Boynton, it's dated December 2, 2003, with a copy to your secretary, Marian van der Laan. The subject line reads reserves. The Bates number is V00010837.
Have you seen this document before today?
A. Yes.
Q. Did you write this e-mail?
A. Yes. This is one of the two rush
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e-mails I wrote before disappearing out of the office.
Q. Did you write this e-mail after you spoke with Ms. Boynton or before?
A. After.
Q. Now, I just want you to look at the sentence that begins, "Indeed, the full consultation needs to happen with all key stakeholders." Do you see that?
A. Yes.
Q. And it continues. "And I was assured by Frank that he knew what was expected from him."
Who are all the key stakeholders you're referring to?
A. That's particularly Group Finance. It's external auditors. It's group legal.
Don't forget that I based that understanding on the fact that Frank had been group controller himself.
Q. Now, the beginning of your e-mail says that you had numerous discussions with Mr. Coopman. And the sentence that we just read into the record you say, "I was assured by Frank
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that he knew what was expected from him."

What did you mean by that?
A. That he knew who he needed to get involved and what the scope was of what he was working.
Q. And he knew it because of, as this document says, numerous discussions you had had with him?
A. He knew that I expected to get a proper write-up of the whole issue and I also knew from him that he was going to talk to Judy Boynton. So from that I assumed that the right people were talking to each other.
Q. And at this point in time when you wrote this e-mail to Ms. Boynton had you spoken with Mr. Coopman about the script?
A. No, but I arranged thereafter, I fired off two e-mails and then I arranged with talking to -- when I then went in the car to Weybridge I arranged with my secretary to get all people in the office early morning, next morning at 7:30, all the people in E&P that had anything to do with it to get properly prepared for the next possible opportunity and getting a
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full picture.
Q. Was that the first time you had spoken with Mr. Coopman following the distribution of the script?
A. As I recollect, yes.
Q. If you look at Ms. Boynton's e-mail to you, the third sentence of her e-mail, which is also dated December 2, 2003, she says, "neither the group controller nor I were consulted about the script before it was written or sent."
Did you have an understanding that the group controller and Ms. Boynton needed to be consulted on the work that Mr. Coopman was instructed to do by you?
MR. TUTTLE: Objection to form.
THE WITNESS: Yes.
BY MR. HABER:

Q. And why is that?
A. Because, as I mentioned earlier, anything to do with an issue like that that involves reserves, the group reserves auditor is all part of that same fora that ultimately needs to make the decisions and the recommendations.

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Q. She goes on to say, "Frank was out of bounds in documenting views without full consultation."
Did you agree with her in that assessment?
A. Well, I was not sure because I did not know what had happened from her relaying her message to me. It was clear that she felt that it hadn't been done. And when I looked at the script from Coopman it was a script that to me read we had to go out to the market tomorrow. So there was somewhere a disconnect.
(Van de Vijver Exhibit Number 38 was marked for identification.)
BY MR. HABER:
Q. Mr. Van de Vijver, I just handed you what's been marked as van de Vijver Exhibit 38. It's a one-page document with two e-mails. The last e-mail is from you to Mr. Coopman, it's dated December 2, 2003. The Bates number is V00010836.
Have you seen these e-mails before today?
A. Yes.

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Q. If you look at the second e-mail, which is the bottom e-mail, is this your recollection of how Mr. Coopman sent you these script, by e-mail?
A. Yes.
Q. And that was also on December 2, 2003? That's what it says here; correct?
A. Yes.
Q. Now, the e-mail that you sent to

Mr. Coopman of December 2nd, was this the second e-mail that you said you sent that day?
A. Yes. There was one to Judy Boynton and one to Frank.
Q. Okay. Now, the second paragraph, the first sentence you say, "We are only at this stage flagging issues and creating options, not making a firm recommendation."
Did you write this in response to what you had said a few moments ago, that Frank seemed to be making a conclusion about whether to debook or restate?
A. Yeah. Well, based other than the feedback I was getting from Judy Boynton, who was the group CFO. I felt that Frank had gone
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outside his authority, which also meant I would have gone outside my authority.
And, clearly, having seen the note that was very conclusive, I wanted to make sure that the proper process was being -- was being followed.
Q. Now, when you said you would be going outside your authority, is there a structure within Shell that senior executives are required to follow?
A. Yes. There are obviously manuals of authorities, but there are also -- there are, of course, rules when it comes to external disclosure. External disclosure decisions cannot be made by me. Ultimately external disclosure decisions are in the combination of the chairman, the vice chairman and the group CFO.
Q. Could you go outside your authority or outside the protocol to advise someone of a problem, for instance?
MR. TUTTLE: Objection to form, vague.
THE WITNESS: Yes, but I --
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probably I could, but I felt that I should just be working the normal structure, the normal process. I think that was the perfect logical way of doing it and that is what I had been doing the last couple of years and that's what I was still doing, bringing up the issues and working them as hard as I could to get the reality of the business up in the organization.
BY MR. HABER:
Q. Now, in the second sentence you say, "You well know that I have not accepted the latest audit reports."
What did you mean by that?
A. That I hadn't accepted the Oman report, which recommended that it was okay to keep it another year on the books.
And that on Nigeria I was still uncertain about what the final number should be because also the Nigeria audit report did not make a clear recommendation for debooking.
Q. When you say you well know that, is that as a consequence of discussions that you had with him?
A. Yes. That's what I referred to

earlier when I received those audit reports on the 17th of November. I immediately walked into the office of Frank Coopman and expressed my discomfort with those audit reports.
Q. When you walked into Mr. Coopman's office was anyone else present?
A. Not that I recollect.
Q. What did Mr. Coopman say in response when you expressed your discomfort with those audit reports?
A. That he was going to work it himself.
Q. What did you understand him to mean by that?
A. That as part of the reserves -- let's sort of back step. At that time of course there was a Reserves Committee, there was an

infrastructure in place that he was leading and Frank, the way he was, he wanted to take ownership himself to further work it in his organization.
Q. And was that satisfactory to you?
A. Yes. I had confidence in Frank Coopman.
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Q. Now, the Reserves Committee, I know you mentioned that it was created under your tenure?
A. Yeah.
Q. Who was on this Reserves Committee?
A. I cannot be totally sure anymore, but I think it was John Darley was a member, Frank Coopman was a member. The group deputy controller in Judy Boynton's organization was a member and maybe a few others, but we would have to look at the documentation.
Q. Do you recall if any technical people were members of this committee?
A. Well, John Darley was my technical director, so he was one of the members for sure.
Q. Is John Darley a reservoir engineer?
A. Yes.
Q. Was there a chair of the Reserves Committee?
A. That was Frank Coopman.
Q. Do you know how it was decided that Mr. Coopman would be the Chair of the
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Reserves Committee?
A. No, not in detail, but knowing Frank he felt that he was the right man to do that.
Q. Now, in your prior answer you said when you received the audit reports, referring to PDO and SPDC, on November 17th you said I immediately walked into the office of Frank

Coopman.
Where in relation to your office was Mr. Coopman's office?
A. This was in a new office that we were just moved into a new office in Rijswijk and there Frank Coopman's office, for all the right reasons, was just next to my office.
Q. Were your offices separated by a Conference room?
A. No.
Q. Did you often have discussions with Mr. Coopman that were unscheduled?
A. Yes.
Q. And during these unscheduled discussions did any of these discussions include the reserves exposures issues that we've been
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talking about over the last two days?
MR. TUTTLE: Objection to form.
THE WITNESS: I cannot recollect the details.
BY MR. HABER:
Q. When you walked into Mr. Coopman's office to discuss the audit reports how long did the two of you discuss it?
A. Oh, very briefly. I think I mentioned before that's the time when I made the comment about to Frank that I really doubted the judgment of Anton Barendregt with his conclusion on the Oman audit. And I had just found this because I had just come back from Oman.
Q. Did Mr. Coopman have any response when you commented about your lack of confidence in Mr. Barendregt's judgment?
MR. TUTTLE: Objection to the characterization of the testimony.
THE WITNESS: No. As I mentioned earlier, he was going to investigate himself.
BY MR. HABER:
Q. Do you know if he did investigate?
A. Well, that's all the things that
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happened in the following weeks or months.

Q. Following that conversation did Mr. Coopman ever come back with a response about your opinion of Mr. Barendregt?

A. No, but he did agree with bringing in Rod Sidle from the United States to help the whole process of establishing what the real compliance numbers were.

Q. Who is Rod Sidle?

A. Rod Sidle was a senior reservoir engineer in the United States who was the reserves coordinator for SEPCO for the US organization.

Q. Did you know Mr. Sidle while you were in the United States?

A. Yes. I actually had met him for the very first time when I was based in Bakersfield.

Q. Do you recall what Mr. Sidle was doing while you were in Bakersfield?

A. Yeah. At that time he had a general management job. It was an interesting phenomena in Shell oil where people could decide themselves to do a ladder system where they

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could decide to either go up a technical ladder or to go up a general ladder. And he was at that stage in Bakersfield he had a general manager's job and then he later moved back to technical discipline again. He was a very good reservoir engineer.

Q. Now, in your answer, prior answer, you say that you said that Mr. Coopman did agree with bringing in Rod Sidle from the United States to help. Whose idea was it to bring in Mr. Sidle?

A. My idea.

Q. And what was the reason that you gave to Mr. Coopman for wanting to bring Mr. Sidle into the process?

A. Because he had a very high

reputation in the technical community and I knew him from being deeply involved in the reserves in the United States and therefore being familiar with SEC rules.
Q. Were you ever advised that people within EP had consulted with him from time to time over the years?
MR. TUTTLE: Objection,
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foundation.
THE WITNESS: No, but that would be very logical.
BY MR. HABER:
Q. Now, again, looking again at Exhibit 38. The sentence that we were talking about, "you well know that." Are you with me?
A. Yes.
Q. If you continue, and I'm going to pick up where it says and, "and need far more answers before coming to a recommendation (given the group impact this needs formal signoff by CMD, GAC, et cetera)."
Now you had mentioned the Group Audit Committee earlier and Group Finance?
A. Yes.
Q. Did you understand also when you wrote this that the CMD also needed to approve any debooking or restatement?
MR. TUTTLE: Objection to the form, mischaracterization of prior testimony.
THE WITNESS: Anything that involves external disclosures also needs to be approved by the CMD.
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BY MR. HABER:
Q. So I just want to be clear. So it's not the debooking in and of itself, it's the debooking that may require an external disclosure that would need the approval of these various bodies?
A. Yes. Yes. It's a materiality

issue that we discussed earlier.
Q. Okay. The last sentence you say, "I've been absolute clear on this at numerous occasions."
Were you expressing frustration with Mr. Coopman?
A. Frank and I ever now and then had a few disagreements relating to his "Frank the tank" approach that sometimes he would get a little bit unbalanced and not involve all the right people in the decision-making. And I thought I had made it clear, for instance, on the meeting the 27th of November that he needed to talk to Judy Boynton and needed to involve all the right people.
And at least at that stage, without knowing any of the detail of what he had
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done or not had done, the Judy Boynton story clearly said that he had not done it.
Q. Now, if you look at the first sentence of your e-mail you say, "This is absolute dynamite, not at all what I expected, and needs to be destroyed!"
Were you in directing Mr. Coopman to destroy the document?
A. No. That's obviously not very good use of words. I never wanted anyone to destroy anything.
What I meant to say is that the work was incomplete and it needed to be improved.
And that's what I said happened the following morning as soon as I got back when we sat together with the whole team and we exactly planned out who was going to do what and how we were going to get a quality note prepared for the CMD the following week.
Q. Do you know if Mr. Coopman removed the -- withdrawn.
Do you know if Mr. Coopman in fact destroyed his copy of the script?

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A. No, he did not.
Q. When you say this is absolute dynamite, what did you mean?
A. This sort of refers back to the communication with Boynton about something that is so material and so significant you get a note that sort of says press the button and we go outside to the market, which would be beyond my authority. That's what I meant by dynamite.
Q. Okay. Now you said that the next day, December 3rd, you had a meeting?
A. Yes.
Q. Who attended the meeting?
A. That was a meeting in my office that was attended by Frank Coopman, Curtis Frasier, John Darley. I don't know the whole list of names.
I know that Nicola Gordon made minutes of that meeting and distributed it because it was the allocation of who was going to do what piece of the note to the CMD. There was going to be a technical part and there was going to be a part that would deal with the legal and financial side of that note.
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Q. Was that the only purpose of the meeting?
A. Yes. The purpose was to get quality notes with all the right facts and data to deliver to the CMD as quickly as possible.
Q. Did -- was the discussion largely technical?
A. Well, it was technical but it identified that there needed to be a technical piece to the note, that there needed to be a financial legal part to the note.
Q. Who was responsible for the financial part of the note?
MR. TUTTLE: Objection, mischaracterization of prior testimony.

THE WITNESS: Frank Coopman.
MR. FERRARA: Sorry. I think while some of the room may find the objections to be small barriers on the way to progress, we really need to get the objections on the record before the answer comes up. You're welcome to continue to answer to the questions, but let's get the objection on and not have it interrupted so it's on the record, please.
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WALTER VAN DE VIJVER
BY MR. HABER:
Q. Now, in your answer before you said in response to my question of whether the discussion was largely technical you said it was technical, but it was identified that there needed to be a technical piece to the note, that there needed to be a financial, legal part to the note.
Did you understand financial, legal part to be separate parts?
A. Yes.
Q. So the financial part was the responsibility of Mr. Coopman?
A. Yes.
Q. Who was responsible for the legal part?
A. He would do that jointly with Curtis Frasier, who had a dotted reporting line into himself, as well as to me.
Q. When you say "he" are you referring to Mr. Coopman?
A. Yes, sorry.
Q. Why was there a need to draft a note?
0495
WALTER VAN DE VIJVER
A. To get all the facts on the table. I mean this is part of the process I had been following for a long time with my hunch and instinct that things were not right and ultimately you need to get the facts on the table to make a fact-based decision on what to

do.
Q. And this note was to be presented to the CMD?
A. Yes.
Q. Was there a particular scheduled meeting of the CMD that you were planning this note to be presented at?
A. The following week, the 9th of December.
Q. I believe a few moments ago you said there was a meeting of the Conference on December 3rd?
A. Yes.
Q. Did you have this meeting before or after the meeting with the Conference?
A. Before, because I mentioned it was very early in the morning, 7:30 in the morning.
Q. Where did the Conference meet that
0496
WALTER VAN DE VIJVER
day?
A. In The Hague.
Q. Was there any discussion in the Conference meeting about the reserves issues?
A. No.
Q. Do you recall if Ms. Boynton was in attendance at the Conference meeting?
A. Yes.
Q. Do you recall having any discussions with Ms. Boynton at the Conference meeting about the script for Walter?
A. No.
Q. Did you have any discussions with Ms. Boynton that day about the actions that were decided would be taken in the meeting earlier in the day?
A. No. I briefly met her the following day in London on the 4th of December where she advised me that there had been a discussion at CMD in my absence and that it was decided that for the CMD the coming week I would only be responsible for writing the technical piece and that she would look after the

financial, legal piece.

0497

WALTER VAN DE VIJVER

Q. How did you react to that?
A. Surprised. But for me the only thing was important to get it on the agenda. I didn't really care how it was being done as long as it would get on the agenda.
Q. When you say surprised, why were you surprised?
A. I was surprised because I had hoped by that time she would have talked to Frank Coopman and there would be clarity on how the work was going to be distributed.
Q. Did she explain to you why she was going to be taking the lead on the financial side?
A. No. She just mentioned that the discussion had taken place at CMD the day before and that was the recommendation and she was going to -- after I briefly talked to her she said she would issue a little note to clarify that particular decision.
Q. Did you ever look at the minutes of that CMD meeting to see what was discussed?
A. No, not that I recollect.
Q. Did you talk with Mr. Coopman

0498

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about the decision that she gave -- that she conveyed to you?
A. Yes. I mentioned it to him and left the organization to figure out to get the note, the quality note that at least we would do together. And I assumed Coopman would work with the staff and the staff in Judy's organization.
Q. What was Mr. Coopman's response?
A. He was, as you would expect from a character like that, he was not very happy.
Q. What did he say?
A. He thought he was capable of doing that, leading that piece and sharing it with whoever relevant in the organization.

Q. Did you get the feeling he viewed it as a challenge to his abilities?
A. No, not directly, but he was a bit sensitive individual generally when these type of things happened.
Q. Did you view the decision as a challenge to Mr. Coopman's abilities?
A. A little bit, but I accepted -- I had the organizational structure and authority. I mean, at the end of the day Judy Boynton was

more senior than Frank Coopman.
Q. Did you view it as a challenge to you?
A. No, but maybe a little inclination of a bit of mistrust whether I would be able to do it all myself but, fair enough, she is the CFO.
Q. I believe earlier you said this meeting occurred in London. Why was it in London?
A. I really don't know. I must have had other engagements in London. I cannot recollect.
Q. Did she ask to meet with you?
A. Yes, but I don't recollect how that sort of happened. Maybe some e-mails. I don't know.
(Van der Vijver Exhibit Number 39 was marked for identification.)
BY MR. HABER:
Q. We've just marked as Exhibit 39 an e-mail string, three pages, the last of which is from Mr. Van de Vijver. It's dated December 8, 2003 and it's to John Pay with a cc to Frank

Coopman, John Darley, John Bell. The subject line reads: Proved reserves part 1: Draft for comment. The Bates number is V00010881 through V00010883.
Have you seen these e-mails before

today?
A. Yes.
Q. If you could just generally tell us the context in which these e-mails were written?
A. This was trying to get the note for CMD prepared that we talked about earlier and, obviously, there was a lot of work so there was a lot of backward and forward going to get the document done. And you see here part of the -- see the final top e-mail is some comments that I had on the draft of that particular CMD paper, very depressing, somewhere around midnight when I looked at the note and gave some comments before it was finalized for distribution that same day.
Q. And if you look at the second page, the last e-mail, the one on the bottom from Mr. Pay to you, Ms. Boynton, Tim Morrison,
0501
WALTER VAN DE VIJVER
with a cc to Frank Coopman, John Darley, and John Bell, it's dated December 7, 2003?
A. Uh-huh.
Q. It appears as if this is the first circulation of the draft note; is that correct?
A. Yes. That may be correct, yes.
Q. Do you recall if there was a prior circulation?
A. I do not recollect.
Q. Okay. If you look about a third of the way from the top in that first paragraph --
A. Sure.
Q. -- where you write, "I still feel uncomfortable." Do you see that?
A. Yes.
Q. The sentence reads, "I still feel uncomfortable with the "increased tightening of the SEC guidelines" as if the SEC is the reason we have a problem today!" Why did you feel uncomfortable with that?
A. This was part of my learning where

I had the feeling that there was too much emphasis put to relate a lot of the issues we
0502
WALTER VAN DE VIJVER
found to this clarification on the SEC rules that came out somewhere in 2000 or 2001.
I recall also sending a note to Rod Sidle to ask for his advice to try to understanding was it basically the problem that the Shell guidelines were wrong and had been long wrong, we now sort of had the benefit of hindsight for a long time, or was it indeed this clarification in 2001 that caused it.
Is that answer clear? It may be a little bit long-winded.
Q. And what did Mr. Sidle say in response?
A. He said that he agreed with me, that he did not believe the clarification was as such the issue, it was the issue that Shell for many years had done the incorrect, incomplete interpretation of the strict SEC rules, because the rules hadn't changed. There was a clarification on the rules, but the rules for the SEC had been like they were since 1976, if I'm correct.
Q. The -- does the second sentence, "The reality appears to be with us driving for
0503
WALTER VAN DE VIJVER
aggressive reserves booking as far as we could stretch the SEC rules." Does that reflect what you just said?
A. Well, the guidelines were the guidelines, right, and people believed that they were compliant, based on believing that the Shell guidelines were correct. But as we now learned that was not the case.
Q. So when you say the reality, what reality were you referring to?
A. The learning we were now getting.
Q. Now, underneath that, the beginning of what looks like another paragraph

set off by a hash you say, "Why can't we be more clear about why the bookings happened, when they happened, as we have done before by breaking it into categories such as known aggressive bookings, new SEC interpretation, and new operational learning?"
Why were you asking that?
A. Well, I mean a lot of these questions for me were purely trying to get as maximum clarity and transparency in the CMD note that we were finalizing.

0504

WALTER VAN DE VIJVER

Q. Now, going a little bit further down to the sentence that begins, "When looking at SPDC and PDO, is it really valid to portray that we only recently discovered the problem in Oman and Nigeria?"
When you wrote that were you referring to all that you had learned from your trips to Oman and Nigeria?
MR. TUTTLE: Objection to form.
THE WITNESS: This was indeed the whole history of my concerns and exposure list and everything that we talked about many times.
BY MR. HABER:
Q. Right. And these are all the documents that are some of which are exhibits today which were distributed to many members of the CMD and ExCom; correct?
MR. TUTTLE: Objection to form.
THE WITNESS: Yes.
MR. HABER: This is probably a good time to take a break.
THE VIDEOGRAPHER: We are going off the record. The time is 10:46 a.m.
(A brief recess was taken.)

0505

WALTER VAN DE VIJVER

THE VIDEOGRAPHER: We are back on the record. The time is 11:02 a.m.
(Van de Vijver Exhibit Number 40 was marked for identification.)

BY MR. HABER:
Q. Mr. Van de Vijver, right before we came back on the record we marked as Exhibit 40 a multi-page document, 42-page document that's entitled, Note to CMD Oil and Gas Reserves, Proved Reserves. The Bates range is V00010442 through V00010484.
Have you seen this document before today?
A. Yes.
Q. And what is this document?
A. This is the note to CMD that we talked about earlier.
Q. Is it your understanding that this is the final version that went to the CMD?
And you can feel free to take a look at it.
A. It has my signature on it, but I recall that there were two versions of the note, so I'm not so sure which one I'm looking at.

Q. What is your recollection with regard to what you said that there were two versions of the note?
A. I submitted a note to the CMD on the 8th of December, and then I was advised by Judy Boynton at lunchtime that the head of group legal needed to look at the note, even though my head of legal had already seen the note before it was submitted.
There was a subsequent sort of emergency meeting that afternoon in Judy Boynton's office which involved Beat Hess and Curtis Frasier and Tim Morrison and also Phil Watts came in, where the conclusion was made that they would look at the notes overnight and would then resubmit it.
Q. Now, first of all, the first page of Exhibit 40 bears a signature. Do you recognize that signature?
A. Yes. That's my signature, an electronic signature, so I don't actually

physically have to do that. My secretary has it on her file so she can on that basis submit notes.
0507
WALTER VAN DE VIJVER
Q. And when a note bears your electronic signature does that indicate the note is final and ready for submission?
A. Yes.
Q. Now, in your answer you said the note was submitted on December 8th. What do you mean by submitted?
A. That's sent electronically by my secretary to the secretary of the CMD, abbreviation DCS, who then has the task of submitting that to my CMD colleagues.
Q. So your understanding of the process is when it's submitted it gets distributed to the other members of the CMD?
A. Yes.
Q. Now, in preparing the note, in your answer you had said that Curtis Frasier had been involved in working on the note; correct?
A. Yes.
Q. Did Mr. Frasier ever advise you if he had provided drafts of the note to Beat Hess?
MR. TUTTLE: Objection, privileged. I'll instruct the witness that he can say yes or no to that, but not disclose the
0508
WALTER VAN DE VIJVER
substance of the any conversations with Mr. Frasier.
BY MR. HABER:
Q. For the time being that's okay.
A. I don't know.
Q. Well, yes or no, did he ever say that he --
A. No.
Q. -- that he sent a draft to Mr. Hess?
A. No.
Q. Now, at this lunchtime encounter

with Ms. Boynton was this a scheduled meeting?
A. No. It was an unscheduled meeting. We had sort of what's called a halfway day with the CMD, so it was not a formal CMD meeting but I was just with the CMD members, I don't recollect what it was about. And then in the afternoon normally then we would lunch together and that's when Judy mentioned this fact that Beat Hess needed to look at the note.
Q. Did she say -- withdrawn.
Did she give any reason why Mr. Hess needed to look at the note?
0509
WALTER VAN DE VIJVER
MR. TUTTLE: Objection, instruct the witness not to answer with respect to any legal advice that Ms. Boynton may have passed on to Mr. Van de Vijver from Mr. Hess.
MR. HABER: I'm sorry?
MR. TUTTLE: If Ms. Boynton had a conversation with Mr. Hess and related the substance of that conversation to another senior official in Shell, that conversation remains privileged.
MR. DOWD: How would he know that? He has to answer what Boynton said. He doesn't know.
Do you know whether Hess had a conversation with Boynton before she talked to Walter?
MR. TUTTLE: Mr. Dowd --
MR. DOWD: Do you know that?
MR. TUTTLE: If Ms. Boynton said Mr. Hess told me --
MR. DOWD: I'm going to instruct him to answer.
MR. TUTTLE: We maintain our objection.
0510
WALTER VAN DE VIJVER
MR. DOWD: Fine. Great. Answer the question. It's baloney.
THE WITNESS: Sorry. What's the

question?
BY MR. HABER:
Q. The question is did Ms. Boynton give any reason why Mr. Hess needed to look at the note?
A. No.
Q. Just so I can be clear in terms of timing, you submitted the note first and then you had the meeting with Ms. Boynton?
A. Yes.
Q. Did she say if she had looked at the note?
A. No.
Q. Now in your prior answer you say there was a subsequent emergency meeting that afternoon in Ms. Boynton's office?
A. Yes.
Q. Now, were you in London at the time?
A. No. This was The Hague.
Q. Did Ms. Boynton maintain an office
0511
WALTER VAN DE VIJVER
in The Hague?
A. Yes. We all had offices on both sides.
Q. And you testified that the participants were Curtis Frasier, Tim Morrison and at some point later Phil Watts had walked in; correct?
A. Yes. And maybe Beat Hess, I'm not sure. Probably Beat Hess.
Q. Were you a participant in that meeting?
A. Yes.
Q. Do you recall the general substance of that discussion?
A. The substance was that Beat Hess would take the lead in reviewing the documents. And there was not a lot of further discussion. The atmosphere was rather tense.
Q. And why did you feel the atmosphere was tense?

A. It is -- it's never ever happened in my career that a note that I had submitted to CMD would be questioned and someone would want to relook at it.
0512
WALTER VAN DE VIJVER
Q. Did you communicate that to the participants of this meeting?
A. They all were -- this is a standard practice in the company, so I assume they all had that understanding because it never happened before, definitely not in my time at CMD.
Q. Was there a revised note that was submitted to the CMD?
A. The following morning a revised note was issued to the CMD, still under my electronic signature.
Q. Did you have an opportunity to review the revised note?
A. No.
Q. Were you comfortable with the changes that had been made in the note?
A. No changes were made in the technical contents of the note.
MR. DOWD: Answer the question.
THE WITNESS: Sorry.
MR. DOWD: Ask the question again, please.
BY MR. HABER:
0513
WALTER VAN DE VIJVER
Q. Were you comfortable with the changes that had been made in the note?
A. Personally, no, but I accepted the higher authority in the company to make those changes.
Q. Now, you said the note changes were made in the technical contents of the note?
A. No changes.
Q. No changes, right. So what parts of the note were there changes in?
A. Changes that watered down the

conclusive nature of my note, which originally stated that reserves were noncompliant.
There was a table and one of those tables said the following reserves are noncompliant.
And it got changed to are likely to be considered as not compliant.
Q. Why were you uncomfortable with that change?
A. Well, this is a personal perspective. I mean, I thought these reserves were noncompliant. I'm not the expert, I fully recognized that, and that's the way it is.
0514
WALTER VAN DE VIJVER
Q. Did you ever communicate your feelings about the changes to anyone?
A. I do not recollect.
Q. Now, do you know if the note was submitted in the same format to the other members of the CMD, that is electronically?
A. Yes.
Q. And I believe you said that there was a meeting of the CMD. Was there a meeting on the same date, December 8th, or was there a two-day meeting?
A. No. There was a -- as I said, it was two days of CMD activities. The first day was sort of an off-site type of day and the 9th of December was the formal -- on the Tuesday, the CMD meeting.
Q. And that would be Tuesday, December 9th?
A. Yes.
Q. Before we get to the meeting I want to talk about a couple of things in the note itself.
If you turn to page 4.
If you look at the --
0515
WALTER VAN DE VIJVER
A. The box.
Q. -- the box. Thank you.

In terms of bookings, and it shows the time line and there's -- there's a booking, and I understand it is hard to read, but I believe the one I'm looking at has to do with PDO and it says 00, which I take to mean the year 2000. PDO books, and it looks like 358 million BOE. Do you see that?
A. Yes.
Q. During the time that your staff was preparing this note and you were reviewing the note had you seen any audit trail that supported that booking?
A. No, not at that time.
Q. Did you ever ask anyone on your staff if they had seen an audit trail that supported that booking?
A. Yes. And during this period, December, January -- so December 2003, January 2004, I did get some documentation that involved a letter from the Minister of Oil and Gas that referred to that particular booking.
Q. Did you ever talk to Mr. Brass
0516
WALTER VAN DE VIJVER
about the booking?
A. Not during my time at Shell.
MR. DOWD: That wasn't the question. That wasn't the question.
Did you ever talk to Brass about it? Answer the question.
THE WITNESS: Yes. Yes.
BY MR. HABER:
Q. And when did you speak to Mr. Brass about it?
A. In -- somewhere in the second half of March 2004 when I had -- at the time I had left Shell, but I was visited during the weekend by all The Hague based EP ExCom members.
Q. And what did Mr. Brass and you talk about?
A. Brass, through the sort of chatter we were having at that time, which you can imagine was quite an emotional get together with

lots of beer, and Brass mentioned to me a reference to a handshake.
Q. What did he say about a handshake?
A. It was a handshake from Phil Watts to Remco Aalbers.
0517
WALTER VAN DE VIJVER
Q. What was the significance of the handshake?
A. That related to the booking on Oman in early 2000.
Q. And is that the booking that's reflected in the chart?
A. Yes.
Q. For the record, who is Remco Aalbers?
A. Remco Aalbers was in the same job that John Pay did later. So he was a group reserves coordinator at that time.
Q. Did Mr. Brass say from whom he had learned of this handshake?
A. No. I think as soon as Lorin mentioned that he felt embarrassed and didn't give me any further detail.
Q. Did you ask Mr. Darley about this handshake deal?
A. No.
Q. Did you ever ask Mr. Pay about this handshake deal?
A. Not that I recollect, no.
Q. Did you ever talk to Remco Aalbers
0518
WALTER VAN DE VIJVER
about this handshake deal?
A. No.
Q. Had you ever spoken to Remco Aalbers?
A. I think I met him once in NAM during one of my site visits, no, I'm sorry, that's the Dutch operating company in the Netherlands in Assen. I don't have any recollection what -- he was doing a technical job there. I don't really know.

Q. If you could turn the page to page 5 of the document or 447, the Bates number. If you can look at the top of the chart it says, proved reserves which are likely to be considered as noncompliant by the SEC.
Is that the language that you were referring to earlier that had been revised or which is now the revised version of the note?
A. Yes.
Q. Now, if you can turn to page 24 of the note, underneath the box?
A. Uh-huh.
Q. It says, "the 720 million barrels (Shell share) gap between reserves booked and
0519
WALTER VAN DE VIJVER
the base program implies that no realistic projects have been identified to cover this now highly exposed volume."
Was this figure a figure that was reached as a result of the study that David Kluesner was working on?
A. Yes.
Q. And if you look at the next paragraph it says that "major reserves review that SPD carried out in the second half of 2003 also identified that a significant number of projects in the base program (together 814 million barrels) did not fulfill the recently tightened group reserves guidelines which required VAR 3 or FID for compliance with SEC rules as they are now understood."
The major reserves review that's referred there, is that also a reference to the Kluesner work?
A. Yes.
Q. If you can turn to page 30. The heading says, Other Impacts, and then there are four bullet points with text in a box.
Do you recall if what's on page 30
0520
WALTER VAN DE VIJVER
in the Bates number that ends 472 was in your

note that you submitted to the CMD?
A. I cannot recollect.
Q. And if you look at the next page, 32, that ends Bates number 474, again, under other impacts there's a bullet point and then text in a box.
Do you recall if this text was in your note as originally submitted?
A. No. The only thing I recollect is that I obviously visited Oman and Nigeria in early 2004 to tell them what the story was. There was a lot of discussion at CMD during January and December about the depth and extent of the external disclosure, given some of the sensitivities on countries where we were operating.
Q. Now, at the meeting of the CMD was there a discussion about the note?
A. Yes. It is a note to CMD, so that means there was time allocated for the note at the meeting.
(Van de Vijver Exhibit Number 41 was marked for identification.)
0521
WALTER VAN DE VIJVER
BY MR. HABER:
Q. What we've marked as van de Vijver Exhibit 41 is a multi-page document, 18 pages to be exact. It says, Committee and Managing Directors, Minutes of the Meeting Held in The Hague on Monday 8 and Tuesday 9 December 2003.
There are two Bate ranges the first one is V00090869 through V00090886.
The second is TT000712 through TT000729.
Mr. Van de Vijver, have you seen this document before?
A. Yes.
Q. Is this a copy of the minutes of the meeting that you were just talking about?
A. Yes.
Q. The indicator in the upper left-hand corner, the number. It says number

2573?
A. Uh-huh.
Q. What is that number?
A. Every CMD meeting gets a number, so that means that was in terms of the company that was meeting 2,573.
0522
WALTER VAN DE VIJVER
Q. Do you know if by taking a look at this this is the final version of the minutes?
A. The structure of it doesn't say draft anymore, implies that this is the final version.
Q. During the discussion of the note how would you describe the mood of the meeting?
A. Very tense.
Q. Why is that?
A. Clearly it was in a very difficult session in terms of questions were being asked. Follow-up meetings were being planned. I mean this was the first of a whole sequence of meetings over the weeks thereafter where we would come back to the same issue again and again.
Q. And was this the official start of Rockford?
A. Yes. This was the first meeting of the formal launch of Rockford.
Q. How did the project get its name?
A. I don't know. That's always a mystique.
Q. Do you recall if Mr. Watts had
0523
WALTER VAN DE VIJVER
said anything during this portion of the meeting concerning Project Rockford?
A. Well, he chaired the meeting so clearly he would have said things, but I do not recollect any of the details.
Q. Now, if you look on the first page --
A. Uh-huh.
Q. -- of the document it shows the

people who were present?
A. Uh-huh.
Q. Now, for you it shows for item 6 through 21 inclusive only. Does that indicate that you were not in attendance for items 1 through 5?
A. Yes, that's correct.
Q. And the same is true with regard to Mr. Brinded?
A. Yes. There was at this time there had been a system introduced where some of the agenda items would involve only Watts, van der Veer, and Boynton.
Q. Why would those agenda items only involve those three individuals?
0524
WALTER VAN DE VIJVER
A. That was something that was discussed in CMD, I think somewhere in 2002 where the sort of more routine sort of items would not require the whole of the CMD to be present and was agreed that the other members obviously would be copied on the material and the minutes but would not attend that part of the meeting.
Q. Now, at this time was Ms. Boynton a member of the CMD?
A. Yes.
Q. And I see a new name, R.J. Routs. Who is R.J. Routs?
A. Rob Routs took over as group managing director from Paul Skinner who retired a couple of months earlier and he was responsible for the oil products business, the downstream business.
Q. When Mr. Routs succeeded Mr. Skinner did you have any private communications with him about the reserves issues?
A. Before it would come to CMD? No.
Q. If you look at the minutes on page
0525
WALTER VAN DE VIJVER

12. The second to last sentence says, "Urgent attention was required as time was of the essence."
Do you recall a discussion on this topic?
A. No, but I do recollect that a plan was put forward about follow-up meetings.
Q. Did anyone at the meeting say that time was of the essence?
A. I do not recollect.
Q. What was the program of future meetings that you have a recollection of?
A. There were at least weekly meetings on this -- on Project Rockford, but I would have to look at details in terms of the exact dates.
Q. Okay. Now, as I recall, on the first -- on the first day of our proceedings I had asked you a question about the structure of Project Rockford.
How do you -- what is your recollection of how that structure worked? And in particular I'm just trying to get an organizational structure?
0526
WALTER VAN DE VIJVER
A. Yes. Over time a formal structure was put in place. Project Rockford was led by Phil Watts with the assistance of Adrian Loader. And I at that time recommended as the focal point for EP, John Darley.
So there was a structure that involved Legal, Group Finance, and I remember commenting on when that structure was proposed.
Q. And when you recommended John Darley for EP focal point he was to report to whom?
A. In his role he would report to Phil Watts.
(Van de Vijver Exhibit Numbers 42 and 43 were marked for identification.)
MR. HABER: I'm marking two exhibits, Exhibit 42 and an Exhibit 43.

While the witness has an opportunity to look at these documents I will identify them for the record.

Exhibit 42 is a two-page document, the first page has two e-mails on them, the last of which is from Philip Watts, to Adrian Loader, Beat Hess, Curtis Frasier, John Darley, Judith

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WALTER VAN DE VIJVER

Boynton, Tim Morrison, and Mary Jo Jacobi. There's a cc to Jeroen van der Veer, Mr. Van de Vijver, Malcolm Brinded, Judith Boynton, and Rob Routs. It was sent on February 2nd, 2004. The -- that is the last. The subject line reads Rockford Coordination Team. There's an attachment, project team org chart, version 71. It is a document that was produced from the native drives that were produced to us, so there is no Bates number. The summation documentation number in the upper left-hand corner is 100485664: Forward Rockford Coordination Team.

And I will note for the record there's a footer on the bottom of the first page and that came from our printer because that's just way it prints. It's a default, so it's not part of the document.

Exhibit 43 is a series of e-mails, the last of which is from Mr. Van de Vijver, dated February 2nd, 2004. It's sent to Philip Watts with a cc to Adrian Loader, Jeroen van der Veer, Malcolm Brinded, Judith Boynton, Rob Routs, and Beat Hess. There are two Bates ranges. The first is V00370504 through

0528

WALTER VAN DE VIJVER

V00370505. The second range is BRINDED 0119 through BRINDED 0120.

BY MR. HABER:

Q. Now, Mr. Van de Vijver, in your answer before we marked these documents you said over time a formal structure took place. Looking at Exhibit 42, is this the structure you're referring to?

A. Yes.
Q. And if you look at Exhibit 42 at Mr. Watts' e-mail of January 29, 2004, it appears that there was a first team meeting of this group of people that was to begin in February.
What team meeting do you understand him referring to?
A. The team meeting, the project team as depicted in this chart.
Q. Okay. Do you recall attending that meeting?
A. No. I was not invited.
Q. And why weren't you invited, if you know?
A. As per the organizational

structure I was not on that list, but I felt totally comfortable with Curtis Frasier and John Darley being there.
Q. And why was that?
A. I had recommended those names as members to the team from the E&P side.
Q. Now, if you look at Exhibit 43, your e-mail of January 30, 2004, you write to Mr. Watts, van der Veer, Brinded, Ms. Boynton, and Mr. Routs, and I'm looking at the first sentence, "I thought the idea was to delegate day-to-day management to a group of very senior and capable leaders in our organization below CMD and, hence, was very supportive of an overall coordination of an effort by Adrian Loader with weekly updates to CMD."
Two sentences later you continue.
"The proposal put forward still has several CMD members on the actual team and I would advise against that to ensure adequate delegation, balance, and ownership."
Did you get any response from Mr. Watts to this e-mail?
A. The response you see on the same

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page.
Q. If you look at his e-mail does it appear as he's responding to your criticism of the organization?
MR. TUTTLE: Object to form.
THE WITNESS: No.
BY MR. HABER:
Q. When you say in your e-mail of January 30, 2004, "to ensure adequate delegation, balance, and ownership," what message were you trying to convey to the recipients of this e-mail?
A. I was trying to convey just that I was comfortable with putting forward John Darley and Curtis Frasier that I felt it important that there was the right distance also to avoid any perception of conflict of interest on a very sensitive issue.
Q. You wrote again to Mr. Watts, again, a cc to a number of people who are recipients on these e-mails, "I note that no change has been made based on my comments. At least had expected a discussion at CMD before this was issued."
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Why were you expecting a discussion at CMD on the issue?
A. Well, I expect that if I would make comments to my colleagues that at least there would be a response.
Q. Did you ever have a response from Mr. Watts?
A. No.
Q. Did you ever get a response from Ms. Boynton?
A. No.
Q. Did any other member of the CMD respond to your comments?
A. No, not that I recollect.
Q. And throughout Project Rockford the organizational structure of Rockford

remained as depicted in the org chart that's attached to Exhibit 42?

MR. MORSE: Objection to form.

THE WITNESS: Yes.

BY MR. HABER:

Q. Now, in the second sentence in the e-mail of February 2nd that you sent to Mr. Watts you said, "In order to 'contain' the

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overall senior management on this within EP."

What did you mean by putting the word contain into quotes?

A. That I wanted to make sure we had a clear focal point accountability in E&P. And John Darley had convinced me that he was able to take the task and he would utilize Curtis whenever he was not available, so I was perfectly happy with them working together as they felt comfortable.

MR. HABER: We have to change the tape, so if you can just hang around probably two or three minutes we can try and get this done.

MR. DOWD: Thank you.

THE VIDEOGRAPHER: This marks the end of tape one in Volume III of Mr. Van de Vijver. We are going off the record. The time is 11:50 a.m.

(A brief recess was taken.)

THE VIDEOGRAPHER: This marks the beginning of tape two, Volume III in the deposition of Mr. Van de Vijver. We are back on the record. The time is 11:56 a.m.

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BY MR. HABER:

Q. Mr. Van de Vijver, if you could just look at the org chart on Exhibit 42 for one second. The top of the organization says PX and then Watts/Loader. Do you see that?

A. Yes.

Q. What is PX?

A. PX is a reference indicator of Adrian Loader.
Q. What does that stand for?
A. Group planning and public affairs, if I'm correct.
Q. So the organization chart shows that everyone underneath Mr. Watts and Mr. Loader report up to them and then they are the focal point that reports to the CMD?
A. Uh-huh.
Q. I'm sorry. You have to verbalize an answer?
A. Yes. Yes.
Q. Okay. Do you know if Anton Barendregt had ever commented on the note for -- the note to the CMD that was submitted on December 8th?
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A. I don't know. As you recall from looking at the document themselves there were many contributors to the document. It says on the bottom EPS, EPT, and EPF. So that is the planning group, the technology group, and the finance group. So I wouldn't know who the individuals were that contributed.
(Van de Vijver Exhibit Number 44 was marked for identification.)
BY MR. HABER:
Q. I just handed the witness what we've marked as van de Vijver Exhibit 44, it's a multi-page document. A series of e-mails with an attachment called Storyline.
The last e-mail is from Mr. Van de Vijver, it's dated December 28, 2003 to Frank Coopman, John Darley. Subject line reads: Rockford. The attachment, as I said, says Storyline-Full PowerPoint. The Bates range is HAG00205769 through HAG00205786.
Mr. Van de Vijver, have you seen this document before today?
A. Yes.
Q. And if you could take a look at

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the storyline there's handwriting on this document. Do you recognize this handwriting?
A. Yeah, that's mine.
Q. Can you explain to us what a storyline is and especially in this context?
A. If I recollect this correctly it was part of preparing the material to take to the Group Audit Committee and CMD, of course.
Q. And was there to be a presentation called storyline that was to be made to the CMD and Group Audit Committee?
A. Well, storyline is sort of typical, short of Shell speak. That's when people prepare for making a presentation.
Q. Do you know if this document was ever finalized?
A. Presentations were made in the end, but I don't know how much it contained of this particular material.
Q. If you look in the first page of the summary on page 771, what does the handwritten note in the upper right-hand corner say?
A. "What to do with 10/03 Shell
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guidelines." That means what to do with the Shell guidelines that were issued in October 2003, very recently.
Q. Why were you asking that question?
A. Well, I think it comes back here with me now having been present in quite a few of the meetings with my teams, et cetera, I'm basically asking the question do we really need to have Shell guidelines.
Q. Did anyone ever respond to that question?
A. I cannot be sure, but I think John Darley did respond to that.
Q. Do you recall what Mr. Darley had said?

A. That he agreed with my thinking, but I cannot be sure. I think that sort of evolved over time.
Q. Over time, you mean over the time of Rockford?
A. Yes.
Q. How long -- how long did Rockford last?
A. Rockford continued for quite a
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long time, all the way until I left the company, because it also involved not just coordinating of whatever work needed to be done to get to a final conclusion on the numbers and the disclosures to the market, but also as it related to communication with the SEC.
Q. And you were fired from your position in the company in March of 2004?
A. Yes.
Q. I believe on Wednesday when we talked about what had happened you had said that it was unexpected; correct?
A. A total utter shock.
Q. Had anyone ever communicated to you prior to the time that you were told you were going to be let go that you should be worried about your position?
A. I was personally very worried about my position prior to my first interview with Davis Polk.
Q. And when was that interview?
A. That was -- the interview I think was on the 10th of February 2004.
Q. Did you ever communicate your
0538
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concern about your position to anyone?
A. Yes. What happened was that during the weekend I got a phone call from Curtis Frasier advising me that I needed to have a lawyer because quote unquote as Curtis said, "Phil and Judy are out to poison you."

Q. And that's what caused you concern
about your position?
A. Yes. Immediately when it happened
I went to visit the former group chairman of
Shell, Lo van Wachem, and expressed my deep
unrest with having to have a personal lawyer and
the process the company was getting into.
Q. And what did he say to you?
A. He considered it totally
inappropriate that that would happen in the
company and he told me to calm down.
Q. When you say that you went to him
immediately after the call from Mr. Frasier, do
you recall when this meeting occurred?
A. During the weekend, so on a
Sunday. So on a Sunday I went to visit
Mr. Wachem.
Q. Was this at his home?
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A. Yes.
Q. Do you recall how long that
meeting lasted?
A. About half an hour. This was of
course not a planned visit but he lives very
close to me.
Q. After the meeting did you feel
reassured ?
A. No, not yet, because I was also
advised that I had to be in London, I think it
was on the 10th of February for this interview,
and I had to actually cancel a planned visit
that I had during the day to Egypt at the very
last minute.
Q. When Mr. Frasier had called you
where were you?
A. At home.
Q. Was there an analyst presentation
in the United States at or about that time
that --
A. I had just come back from the
analyst presentation.
Q. Okay. So prior to these

discussions and the communication with
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Mr. Frasier had you spoken to anyone else about concerns you were feeling about the security of your position?
A. No, but I did mention to Jeroen van der Veer a couple of times that I felt uncomfortable with the atmosphere at CMD and I also asked him at numerous occasions whether it would not be appropriate for me to meet Aad Jacobs.
Q. You say that you met with Mr. Van der Veer a couple of times. Do you recall what times?
MR. TUTTLE: Objection to the characterization of the testimony.
THE WITNESS: This was all after the 8th of December or the 9th of December 2003 when Project Rockford started.
BY MR. HABER:
Q. Okay. So in your prior answer you said I did mention to Jeroen van der Veer a couple of times that I felt uncomfortable with the atmosphere at CMD.
Do you recall what times in particular? I'm looking for dates?
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A. Yeah. My memory is very good, but trying to remember exact dates, I can't. I can't. I'm sorry.
Q. Did you ever speak to Mr. Van der Veer before you were fired?
A. Yes. Actually, the Friday before I was fired Jeroen van der Veer wanted to see me when I was just about to go off to Oman for my visit. And Jeroen was talking a bit around about way, but the final question from him was whether I would have any difficulty reporting to him as the chairman of CMD, because it was likely that Watts would not stay.
Q. What did you say?

A. I said, yes. I said this issue for me was never anything personal about Watts. I would throw in my own glasses if that was what it was about. I said I wanted to run EP and that was all.
MR. DOWD: Excuse me. Is it yes you would have difficulty reporting to him?
THE WITNESS: No. No. I'm sorry. I didn't answer the question correctly.
MR. DOWD: Can we go over that

again, Jeff?
BY MR. HABER:
Q. The question I asked was did you ever speak to Mr. Van der Veer before you were fired?
A. The answer is yes.
Q. And then I asked what did you say and -- I should say before that your response -- you said, actually, the Friday before I was fired Jeroen van der Veer wanted to see me when I was just about to go off to Oman for my visit and Jeroen was talking a bit around about way, but the final question from him was whether I would have any difficulty reporting to him as the chairman of CMD, because it was likely that Watts would not stay.
Then I asked what did you say?
A. I said no.
Q. Did you ever communicate to him your concern about the security of your position during that meeting?
A. Not -- that meeting we just talked about Friday, no.
Q. Yes.

A. But I had talked about the security of my position after that first interview by Davis Polk, which I considered totally hostile and unjustified.
Q. And why did you feel that way?

A. Because I was confronted with three e-mails that were -- the famous destroy e-mail. The sick and tired e-mail. I think the third e-mail was fooling the market. Those were the three e-mails I was confronted with in a very hostile manner, and I left the meeting wondering what was going on. And after that meeting I called Jeroen van der Veer. I then next day I visited Jeroen van der Veer and I also talked to Hennie de Ruiter and I talked to Marteen van den Bergh, and they all calmed me down and told me my position was not at stake.

Q. Can we go back to the storyline for a couple of minutes. If you can turn to page 775?

A. Yes.

Q. Can you decipher what your handwritten notes note says on the second bullet point?

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A. "Increase expectation reserves lead to immediate increase in proved reserves [probabilistic method]."

Q. And the handwritten notes on the bottom?

A. "Weakened OU governance and asset based organizations in OUs," meaning operating units.

Q. Taking the first handwritten note, why did you put that note on this document?

A. That was a clarification of my understanding what had happened, because the reserve addition bonuses in both those countries were linked to expectation reserves.

Q. And the last bullet note that you added, why did you put that in there?

A. Well, this is sort of the recurring theme of my tenure, that I felt operating units were not adequately managed and that there had been a fragmentation in a lot of the organizations, what was called an asset based organization, leading to the central

technical and professional excellence eroding.
Q. If you can just turn back to page
0545
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773. The very bottom. The dash mark that says, "pressure on staff to obtain approved reserves replacement ratio (RRR of 100 percent) particularly in 2000."
Who did you understand to be exerting pressure on the staff to obtain a proved reserves replacement ratio of 100 percent?
A. The EP leadership team at that time.
Q. And that would include Philip Watts?
A. Yes.
Q. If you would turn to the last page there's some more of your handwriting. Under the bullet point, basic technical flaws at OU level. The middle subpoint there's some handwriting?
A. "And consistency check between reserves and long-term forecasts."
Q. Why did you insert that?
A. Because what I meant to say there that obviously business plans focus on production. And as you produce you reduce your
0546
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reserves. And what we found in our analysis in, I recall in Oman, for instance, there was no ability to tie back the production forecast to individual assets and their individual reserves. It's a quality issue of the overall business performance.
Q. And if you look at the bottom of the page you add two bullet points. What's the first one?
A. "Oman Nigeria support efforts 2002, 2003."
Q. And the last one?
A. "New operating model strengthens

technical function."
I think as we recalled earlier if you don't to the technical work the reserve audit can do all he can do, but he doesn't have the quality.
Q. If you can turn to Exhibit 1, which is your letter dated March 22, 2004. If you can turn to page 3 again. You say that in the paragraph that begins in November 2003, I want you to focus at the bottom of that paragraph now.
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You say, "My efforts to effect full disclosure were continually challenged, even up until the day before the analyst presentations in early February 2004."
How were your efforts to effect full disclosure challenged?
A. It was an extreme battle to finalize the presentation to the analysts in 2004. Where I was very keen to give as much regional breakdown of where the exposures had now materialized the debookings were taking place and also wanted to put it in a historic context about when these bookings were first made.
Even at the end -- at the presentation I made to Conference as sort of final draft version of the analyst presentation there was quite a hostile environment because I wanted to flag, for instance, that on -- during that analyst presentation that if you make a change in proved reserves, if you take the terminology correctly, if you take away proved reserves then the probable reserves can also not exist because of this part of a buildup. I
0548
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wanted to flag that as a result of the proved reserves there would also be an impact on the probable reserves. I'm getting a little bit technical, but that's just way it is.

Forgetting about it it is not about challenging the total technical resource thing, this is all about classification.

Q. Who was challenging your efforts to effect full disclosure?

A. This whole process was a very difficult process with investor relations and whoever was close to investor relations.

Q. Would that include Ms. Boynton?

A. Yes.

Q. Would that include Simon Henry?

A. Yes.

Q. Would that include Tim Morrison?

A. I cannot be sure.

Q. Other than the people I identified, did it also include Mr. Watts?

A. Yes.

Q. How was the investor relations group of people challenging your efforts to effect full disclosure?

A. There were many cycles to finalize the presentation. Originally just after an announcement was made it would be the intention that there would just be a group presentation, a group presentation meaning a presentation that would be done by Phil Watts and Judy Boynton. And then subsequently it was decided that there would be a dedicated EP presentation that I would do where I would provide the EP details of the reserves recategorization.

There were a lot of discussions, as you could see, also in the early note to the CMD about whether we were using the word Brunei, yes or no, Oman yes or no, all about providing the detail and also the historical context about when some of these bookings were made, which in the end is a business process.

Q. Well, in this letter were you trying to convey what was happening was more than just business process?

A. There was a lot of pressure at

that time. I mean, and understandably so, it was a difficult subject, but it -- it did require extreme efforts from my side to
0550
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ultimately get what I wanted to get out to the market.
Q. Can you think of any specific examples of where Ms. Watts had thrown a roadblock, for instance, in your efforts to make this disclosure?
MR. TUTTLE: You mean Mr. Watts?
BY MR. HABER:
Q. I'm sorry, Mr. Watts. My apologies.
A. I recollect there was a lot of resistance initially to show a plot that indicated when the original bookings were made and some of the debookings or recategorizations we were posing at that time.
Q. What was Mr. Watts' position?
A. I think the position, and ultimately he is the boss, that there were still ongoing discussions also with the SEC at that time around restatements and revisions and many other communications, so there was a tension on what could be shown and what could not be shown.
Q. Can you think of any other examples?
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A. No. I mean during the whole process there was a lot of challenge before we finalized our numbers on what should be in, what should be out. Are there offsets, yes or no, et cetera.
Q. Can you think of any examples involving Ms. Boynton where she erected roadblocks to your efforts to make full disclosure?
MR. TUTTLE: Objection to form.
MS. SENNETT: Objection to the form of the question.

THE WITNESS: No, not specific, because it was always difficult to know who provided the feedback because it was funneled through the IR organization. So I would not be able to personalize where some of these comments would come from.
BY MR. HABER:
Q. During your tenure as a member of the CMD do you recall any presentations on IR program for the particular year or for the upcoming year?
A. Yes. That would come up on a
0552
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regular basis to the CMD.
Q. And do you have an understanding as to why that would come up on a regular basis?
A. The understanding was that that was one of the things CMD members will do and there would be a discussion on who would be doing what type of presentations or meetings.
(Van de Vijver Exhibit Number 45 was marked for identification.)
BY MR. HABER:
Q. We've marked as van de Vijver Exhibit 45 a document which is a Note For Information, IR plan for 2002. The cover page says CMD January 15, 2002, IR plan for 2002. Its Bates number is LON00940595 through LON00940608.
Have you seen this document before today?
A. Yes.
Q. And did you receive it in the manner in which you testified earlier about it being submitted and then circulated electronically?
A. You would always receive wherever
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you were a hard copy of the prereading for a follow-up CMD meeting.
Q. If you look at the first page that

is with writing on page 596 it -- underneath the four items listed it says, "IR has developed a proposal for the first three elements of a 2002 plan based on the December group strategy reviews and feedback from other IR events throughout 2001."

It then goes on to say, "Input was also received from a U.S. investor perception study conducted in Q3 2001 and advisors Fergus McCloud and Finsbury." Do you see that?

A. Yes.

Q. What U.S. investor perception study is being referred to here?

A. I cannot recollect.

Q. Do you remember any discussion about such a study?

A. No. Is it covered further? I don't recollect.

Q. Who was Fergus McCloud?

A. Fergus McCloud was a former well respected analyst. I'm not so sure from what --

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which bank anymore, but who was hired by Steve Hodge to assist in the preparation of analyst presentations. If I'm fully correct then today he is still head of IR at BP.

Q. So at the time he was also at BP?

A. No. No. He was in between jobs.

Q. So he served as a consultant?

A. Yes.

Q. The other person mentioned is Finsbury. Do you know who that is?

A. Not totally sure, but I think they are sort of consultancy that helps with presentation and skills and formatting, also a consultancy.

Q. If you turn to page 3 of the document which has the Bates number 600 at the end. If you take a look at the bullet points, the proposal is proposing targeting investor relation activities, and the first bullet point says, "top five investors in U.K., U.S., E.U."

Why were the top investors in the U.S. being targeted?
A. I don't know. I assume they were the largest shareholders in the group.
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Q. Did the CMD discuss the U.S. market at all?
A. The CMD as a body had a global responsibility, so that would include the United States.
Q. I'm referring -- let me be a little more specific. I'm referring with regard to investor relations activities?
A. Yes. In a similar vein as investor relations activity in Europe or anywhere else.
Q. Do you know if this proposal that's reflected in Exhibit 45 was approved by the CMD?
A. I do not recollect. You would have to look at the minutes.
Q. So that would be reflected in the minutes?
A. Yes. If there is no comment in the minutes then it means it's supported.
Q. Supported meaning approved?
A. Yes.
(Van de Vijver Exhibit Number 46 was marked for identification.)
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WALTER VAN DE VIJVER
BY MR. HABER:
Q. I've handed the witness what we've marked as Exhibit 46. It's an e-mail from Simon Henry to Frank Coopman and a number of other people with a cc to Judith Boynton, dated August 30, 2002. The subject line reads: Note. And the attachment is a Note For Information, Investor Relations Program Enhancement Status Update.
I will note that this was produced in native format on the native drive that was

produced to us and as with one of the other documents, I would also note there is a footer that came from our printer that is not part of the document. Again, this is just way the default on the printer is set. I'm sorry, it's already been redacted.
Have you seen this document before today?
A. No, not that I recollect, but it does show a note, at least in draft form for something that went to CMD, the attachment, but I don't see the e-mail, the e-mail note.
Q. Do you recall having a discussion
0557
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at the CMD in or about the end of August in 2002 where investor relations program was discussed?
A. No.
MR. HABER: At this time then we have nothing further.
MR. DOWD: 30 minutes all right?
MR. FERRARA: I think there may be the need to ask some additional questions, so perhaps 45 minutes would give everybody the opportunity to kind of collect their thoughts and prepare for that.
MR. DOWD: All right. 45 minutes.
THE VIDEOGRAPHER: We're going off the record. The time is 12:37 p.m.

(Whereupon, at 12:37 p.m., a lunch recess was taken.)
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AFTERNOON SESSION
(1:26 p.m.)

THE VIDEOGRAPHER: We're back on the record. The time is 1:26 p.m.

EXAMINATION BY COUNSEL FOR ROYAL DUTCH/SHELL

BY MR. FERRARA:

Q. Mr. Van der Veer, first I want to thank you --

A. Van de Vijver is the name.

Q. Sorry. Van de Vijver. Well, my client is Mr. Van der Veer so I sometimes get them confused. I may call you Walter if you permit that on the record?

A. Sure.

Q. First I want to thank you for appearing here for the past two-and-a-half days. I understand that these are difficult sessions and not one that folks who are not lawyers are used to dealing with, and we appreciate it.

We also appreciate that you have agreed to continue to be available for discovery in these proceedings as if you were still a

party to them.

We also appreciate that you have agreed to become or be available at a trial of this case in the event that a trial occurs. And in light of those things the questions that I have to ask you at this point are limited.

First, I just want to be clear that while you've been very articulate in the course of these two-and-a-half days, English is not your first language; is it?

A. That's true.

Q. So I'm going to ask you a series of questions where I'm going to use a word that has appeared, unfortunately, in some of these documents is word is lie or lying.

A. Uh-huh.

Q. Now, for purposes of having this record be as clear as my ability to make it, I would like to have an understanding that when I

use that word in these questions I'm referring to two things:
First, a misstatement of fact, that would be a lie.
Second, a half truth. And by that
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I mean an omission to state a fact that is necessary to be stated in order to make what has been stated not appear misleading.
So when I ask about a lie I'm incorporating a misstatement or a half truth.
Is that an agreeable definition for lie for purpose of my question?
MR. HABER: Objection to form, calls for a legal conclusion.
BY MR. FERRARA:
Q. Sorry. Do you understand what I mean by lying if I use that term?
A. I understand what lying means, but I find your definition rather complex.
Q. Then let's -- let me make sure it's clear. I'm talking about misstatements and half truths. Is that clear to you?
A. Yes.
Q. Okay. So if I say lying and I ask you a question about lying it will include in your answer a misstatement or a half truth?
MR. HABER: Objection to form.
MR. DOWD: I object. Let's just let his answers speak for themselves.
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THE WITNESS: I really don't get it. Can you please ask your questions?
BY MR. FERRARA:
Q. I think this is important, so perhaps we should spend --
MR. DOWD: You may, but I don't think he should forecast what his answer is going to include until you ask the question.
MR. FERRARA: Sorry.
MR. DOWD: I don't think that's

fair and I object to it and I'm not going to let
him answer that kind of question.
MR. FERRARA: You're welcome to
object to it.
MR. DOWD: I will. And I will
also tell him whether he can answer or not.
We're not going to, you know --
MR. FERRARA: Sorry. Why don't
you complete your objection. Have you completed
your objection?
MR. DOWD: Yes.
BY MR. FERRARA:
Q. Perhaps you could share with me,
Walter, what you understand a lie to be?
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WALTER VAN DE VIJVER
A. A lie is not telling the truth
or -- I think that's as short as I can be.
Q. Okay. We'll accept that for
purposes of my question. You testified earlier
in the course of your examination that your
memory is good. Do you recall that?
A. Yes.
Q. And your memory is good; is it
not?
A. Yes.
Q. I would like you to focus if you
would on the period of time when you were chief
executive officer of E&P, which I believe you
said was approximately June of '01 until March
of '04; correct?
A. Yes.
Q. And I would particularly like you
to focus on the period June '01 to what we have
defined to be the beginning of Project Rockford,
that period of time. Is that understood?
A. That for me is November 2003;
correct?
Q. That's fine. So we'll be focusing
on the period June of 2001 to November of 2003
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in all of my questions; is that understood?

A. Yes.
Q. Okay. During that period, Walter, do you ever have a recollection of lying to EP ExCom, the CMD, or Conference with respect to any business plan that was submitted by the E&P organization for their consideration?
A. No.
Q. Do you ever recall during that period of time lying about a business plan in any session that you attended where there was present either a Shell investor, securities analyst, or a member of the financial press?
A. No.
Q. We talked in Exhibit 20 about what has been euphemistically called "caught in the box parameters;" do you recall that?
A. Yes.
Q. And do you recall what those caught in the box parameters are?
A. Yes.
Q. Have you ever lied to an investor, a securities analyst or member of the financial press about Shell's estimate of a 15 percent
0564
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ROACE return during your tenure as CEO of E&P?
A. No.
Q. So any time when you address the subject of ROACE in the context of a meeting where an investor and analyst or member of the financial press was present you told the truth?
A. Yes.
Q. With respect to the second parameter of the so-called caught in the box metaphor, and here I'm referring to the production growth rate, in any session where there was present an investor of Shell, a securities analyst or a member of the financial press, did you ever lie about Shell's projected 3 percent production growth rate?
MR. HABER: Objection.
MR. DOWD: Just answer the question.

THE WITNESS: No.
BY MR. FERRARA:
Q. At any time when you advised an investor, securities analyst, or a member of the financial press that Shell's production growth rate was 3 percent were you telling the truth?
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WALTER VAN DE VIJVER
A. Yes.
Q. With respect to what we've been calling RRR or reserve replacement ratio, each and every time that you can recall -- no. Withdraw that.
Each and every time that you spoke to an investor in Shell, a securities analyst, or a member of the financial press where you articulated what Shell's reserve replacement ratio was, were you telling the truth?
A. Yes.
Q. Did you ever lie in any of those fora about what the reserve replacement ratio was?
MR. HABER: Objection.
THE WITNESS: No.
BY MR. FERRARA:
Q. Thank you. We talked over the past three days about proved reserves; do you recall that?
A. Yes.
Q. And did you ever advise the CMD, EP ExCom or Conference that any reserved previously reported by Shell as proved should be
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WALTER VAN DE VIJVER
debooked that wasn't debooked?
A. No.
Q. So in each and every instance that you can recall recommending that a resource, whether it be proved or expectation, should be debooked it was?
A. I did not make personally those recommendations.
Q. To the extent that a

recommendation was made by you to debook a reserve, to your knowledge it was done though?
A. Yes.
Q. Are you aware of any recommendation made to CMD or Conference to debook a reserve that wasn't debooked during the period June of '01 through November of '03?
MR. HABER: Objection.
THE WITNESS: No, but just to clarify again, I did not personally make those recommendations.
BY MR. FERRARA:
Q. I understand.
During the time when you were chief executive officer of EP ExCom did you

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WALTER VAN DE VIJVER

believe that Shell's reporting of proved reserves was consistent and compliant with Shell's proved reserves -- Shell's guideline for reporting proved reserves?
A. Yes, until November 2003.
Q. Did you believe during that same period of time that Shell's guidelines were in all material respects consistent with the SEC guidelines, to the extent you knew what the SEC guidelines were?
A. Yes.
MR. HABER: Objection.
BY MR. FERRARA:
Q. Did anyone ever tell you while you were chief executive officer of Shell that Shell was materially out of compliance with SEC proved reserve reporting guidelines?
A. No.
Q. We've talked a good deal over the past two-and-a-half days about exposure catalogs and exposure lists; do you recall that testimony?
A. Yes.
Q. With respect to those exposure

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WALTER VAN DE VIJVER

lists that were created during your tenure, and I understand they took different form, was there ever an instance when you advised EP ExCom, CMD, or Conference that any of the exposures listed on that catalog should be debooked and they were not?

A. No. I merely kept challenging my staff to get the best most accurate numbers.

Q. We've talked throughout the course of these three days about pressure. Pressure being exerted on members of Shell's staff by other members of Shell's staff. Do you recall testimony to that effect during the course of the past three days?

A. Yes.

Q. And you recall that on two or three occasions you have testified that you felt the object of pressure to act or not act in a particular way; correct?

A. Yes.

Q. Did you ever tell a lie to CMD, Conference, EP ExCom, a Shell investor, a Shell securities analyst, or a member of the financial media because of the pressure you received to

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WALTER VAN DE VIJVER

lie?

MR. HABER: Objection to form.

THE WITNESS: No.

MR. FERRARA: If you would like to tell me what the objection to the form is I'll straighten it out. Is it a compound question?

MR. HABER: Yes.

MR. DOWD: He answered it. Let's move on.

MR. FERRARA: No, no. I want to make sure. I will go through them one at a time if you would like.

MR. HABER: Ask him if the answer was no to all of those.

BY MR. FERRARA:

Q. Was the answer no to each of those, that is you did not lie with respect to

each of those?
A. Yes.
Q. Walter, did you ever make a recommendation with respect to the operations or business of E&P to ExCom, the CMD, or Conference that you personally did not believe in, that you personally did not believe was the correct
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WALTER VAN DE VIJVER
recommendation?
A. No.
Q. So each and every time you recommended a course of action with respect to the operations or prospects of this company you believed that it was in the best interest of Shell to do it in the way that you were recommending it?
A. Yes.
Q. Did you ever submit a business plan to ExCom, CMD, or Conference that you did not think was real?
A. No, but I would always give the context of the stretch or not that would be in that plan.
Q. I understand.
During your tenure as CEO of E&P did anyone inside or outside Shell ever ask you to lie to a Shell investor, member of the securities analyst community, or a member of the financial media?
A. No.
MR. FERRARA: I want to thank you for responding to those questions. I don't have
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WALTER VAN DE VIJVER
any further questions at this time, but I would like to hear if there are other questions that I might want to come back to seek clarification on, but I'm done.
MR. GOLDSTEIN: I would like to suggest we just take a break. I think I can shorten it.
MR. DOWD: What do you want to do,

Joe?
MR. GOLDSTEIN: I want to go off the record for a minute because I think based on the questions Ralph asked I can shorten it.
THE VIDEOGRAPHER: We are going off the record. The time is 1:43 p.m.
(A brief recess was taken.)
THE VIDEOGRAPHER: We are back on the record. The time is 1:59 p.m.
MR. FERRARA: We have no further questions.
MR. GOLDSTEIN: No further questions.
MS. SENNETT: I would just like to confirm in light of the agreements that Mr. Ferrara outlined at the beginning of his

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questioning that based on your representation that you will continue to cooperate in further proceedings we will not ask any questions on behalf of Judy Boynton today, either.
MR. GOLDSTEIN: I would like to add the same representations.
MR. DOWD: We don't have to cooperate with you, we'll cooperate with Shell. I'm just kidding.
(Laughter.)
MR. HABER: Again from plaintiffs' side we're done. I want to thank you very much, Mr. Van de Vijver, for sitting through these last two-and-a-half days. We wish you a good trip back.
THE VIDEOGRAPHER: This marks the end of the deposition of Mr. Van de Vijver. The total number of tapes used today was two. We're going off the record. The time is 2:00 p.m.
(Whereupon, at 2:00 p.m., the deposition was concluded.)
- - - - -

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WALTER VAN DE VIJVER
ACKNOWLEDGMENT OF DEPONENT

I do hereby acknowledge that I have read and examined the foregoing pages of the transcript of my deposition and that:

(Check appropriate box):

( ) the same is a true, correct and complete transcription of the answers given by me to the questions therein recorded.

( ) except for the changes noted in the attached errata sheet, the same is a true, correct and complete transcription of the answers given by me to the questions therein recorded.

_________________ __________________________

DATE SIGNATURE

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WALTER VAN DE VIJVER
CERTIFICATE OF NOTARY PUBLIC

I, Paula G. Satkin, the officer before whom the foregoing proceedings were taken, do hereby certify that the witness whose testimony appears in the foregoing proceeding was duly sworn by me; that the testimony of said witness was taken by me in stenotype and thereafter reduced to typewriting under my direction; that said proceedings is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially

or otherwise interested in the outcome of the action.
My commission expires October 31, 2010.

____
PAULA G. SATKIN
Notary Public in and for the
District of Columbia

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E R R A T A S H E E T
IN RE: ROYAL DUTCH/SHELL
RETURN BY:
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E R R A T A S H E E T
IN RE: ROYAL DUTCH/SHELL
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(DATE) (SIGNATURE)

Walter van de Vijver
Groot Haesebroekseweg 1
2243 EA Wassenaar
The Netherlands

March 22, 2004

Dear Colleagues:

Much has been written in the press in the past few weeks about the Royal Dutch Shell Group and about me. Much of it does not tell the story accurately, especially regarding my role. Unfortunately, although the Company has all of the facts, it seems unable to tell the complete story in the midst of the immense pressure of the public and regulatory reaction to the reserves recategorisation. Because I care deeply about the Company and I cherish my 24-plus years of dedicated service, I want to describe for you my role in the reserves matter, which, thus far, has not been accurately portrayed within the Company or in the public.

From the inception of my tenure as head of E&P, I worked diligently to diagnose the health of the business (thereby also discovering the reserves exposure), regularly communicated my findings within the Company, lobbied for appropriate public disclosure, and did my best to mitigate the reserves exposure (both in terms of forward reserves replacement and in terms of non-compliance of past bookings). My regular communication within the Company about the reserves exposure included formal submissions and presentations to the Committee of Managing Directors ("CMD"), additional discussions and correspondence with my CMD colleagues, and informal discussions about the various issues within E&P with members of the Supervisory Board of Royal Dutch. As the magnitude of the reserves exposure became apparent in late 2003, I led the charge to communicate the issues fully within the Company and lent my full cooperation and support to Project Rockford. I persisted in my calls for full and prompt disclosure to the Conference and the public despite efforts by the Chairman and the CFO to delay and limit disclosure.

Efforts to Examine The Reserves Issue

Let me first describe to you the context and background from which the reserve issues arose and provide the details of my continued efforts to inform and update my superiors, including the Chairman.

Soon after coming to office as head of E&P in June 2001, I observed that the health of the E&P business was not as robust as the Company-determined performance targets set under the former E&P CEO. In fact, E&P was in a far worse state in mid 2001 than was ever portrayed by my predecessor to senior management or the Conference. My predecessor was rewarded with the chairmanship of the Company, presumably at least in part linked to the healthy state of the E&P business. My predecessor did not leave me any files or information, aside from some materials related to year 2000 close-out of business and staff appraisals.

There was a whole range of issues that emerged during my initial due diligence period in E&P that all required my urgent attention, ranging from optimistic plans to poor portfolio choices, to significant issues in Oman and Nigeria, to an ineffective organisation. The first manifestation of the poor health of the E&P business was the downgrade in the Company's production growth target from 5% per year to 3% per year. Work began, at my direction, in the fall of 2001 to identify and understand all the potential problems in E&P.

By closeout of 2001 reserves in February 2002, we had identified a number of exposures regarding the Company's proved reserves (both outlook and historical exposures) and we advised CMD. In mid 2002, E&P initiated the centrally driven Global Hydrocarbon Resource Base Review as part of E&P's Technical and Operational Excellence ("T&OE") initiative and created the Exposures Catalog to create more transparency around the Company's reserve base. In Q4 2002, E&P began to try to get a sense of the potential problems in Nigeria and Oman. I instructed the E&P regional directors to start looking at the reserves calculation issue from the bottom up to determine what was really happening. At the end of 2002, E&P instructed outside counsel (Cravath) to perform a formal license review with respect to the Company's Nigerian properties. It was through my efforts to understand what was happening in Oman and Nigeria that I first became aware, in late 2002, of exposures on our booked proved reserves side in mature areas (rather than those in frontier areas/projects). As planned, reserve audits on Oman and Nigeria were carried out in the second half of 2003. During Q3 2003, a major overhaul of the control framework on reserves management was completed and this was shared with CMD in August 2003 (and the Group Audit Committee in October 2003).

Then, in Fall 2003, the Group Reserves Auditor reported on the Nigerian reserves, issuing an unacceptable rating. "It was found that SPDC's annual proved oil reserves submissions during the years 1999-2002 have been 'managed' as a total sum only, without taking heed of the underlying individual field estimates." The auditor stated that he expected to have a "good overview" of the maturity of the project by the end of the year 2003. Finally, in November, 2003, the Group Reserve Auditor filed his Oman audit report, issuing an unacceptable rating. Both audits were significantly enhanced in terms of quality by the (central) E&P initiated bottom-up reviews that were ongoing at the time of the audits. At the end of December 2003, E&P began looking at other areas to determine if there were similar problems elsewhere.

<u>My Communications Throughout the Process To CMD and Others</u>

My efforts to examine the reserve legacy issues and determine the scope of the problem were not conducted in secret. As I have described above, I diligently kept the CMD chairman and others informed throughout this entire process. Let me now give you the details of my communications about these issues. First, E&P reported on the reserves issues and exposures regularly to CMD as part of quarterly results and the yearly planning cycle. Second, in February 2002, in connection with the closeout of the 2001 reserve report, the CMD was advised of the various exposures regarding the Company's proved reserves (both outlook and historical exposures).

Then, in July 2002, with my approval, E&P submitted to CMD a catalog of reserves-related exposures (the "Exposures Catalog"). This CMD note (like subsequent CMD notes described below) was a comprehensive document that covered both exposures and potential forward reserves opportunities to offset these exposures and to increase future reserves replacement, including license extensions, new waterflood activity, and overall T&OE activities. In its July 2002 meeting, the CMD discussed reserves booking in light of tightening SEC requirements. It was also recognized that some booking practices had been too aggressive in the past.

As part of the closeout of 2002 reserves, E&P flagged issues to the CMD related to reserves. The Company believed it was materially compliant in the aggregate in its reserves classifications. There was also an understanding that the inclusion of gas fuel and flare would provide an opportunity to mitigate any non-compliance on other assets. The extent of the Nigeria and Oman reserves issues was not yet known.

In July 2003, E&P, again at my direction and with my approval, submitted to CMD an updated Exposures Catalog and a Note for Discussion, this time specifically advising the CMD that up to 220 million bbl of oil reserves would potentially need to be debooked in 2003 in Nigeria and that reviews of Nigeria and Oman reserves were in progress. The CMD was also informed that Gorgon remained the largest single potential exposure (560 million boe).

In November 2003, I informed CMD about the unacceptable results of the Nigeria and Oman audits. E&P was still trying to assess the extent of the potential problem, which for the first time began to appear potentially material. In December 2003, I prepared a detailed report for submission to the CMD, in which I specifically advised the CMD that a combination of recent audit report findings and the gradual application of tighter internal E&P guidelines reflecting a stricter interpretation of the SEC rules on reserves booking suggested that E&P was overstating proved reserve volumes by some 2.1 to 3.6 bln boe. However, before I could submit my CMD note, the Chairman, CFO and others reviewed and edited the note. They apparently were concerned about the conclusive nature of the note. During the editing process, and in the related discussions into early February 2004, I continued to push for maximum transparency to give our stakeholders full disclosure on the past-bookings (including with respect to regions, countries, timing, volumes, and probable reserves impact). My efforts to effect full disclosure were continually challenged, even up until the day before the analysts presentations in early February 2004. Any suggestion that I advocated less than full disclosure (*e.g.*, as suggested in the *International Herald Tribune* on March 19) is totally wrong and misinformed.

Throughout this entire process, my attempts to bring the reserve issues to management's attention were met with resistance. The atmosphere between myself and the Chairman became gradually more tense as I identified issues in E&P. He started to claim that E&P was now under my watch. The Chairman tightly controlled what information went to the Conference until his very last day in office. This obviously increased my frustration level in trying to move forward with the reserves issues and to focus on the future of the Company.

Notwithstanding the lack of encouragement and support from the Chairman and the CFO, I was determined to get to the bottom of the understanding of our reserves base, as I already described above, but my efforts took time. For example, it took longer than anticipated to get the bottom-up reviews in Oman and Nigeria. The initial results regarding the audits in Nigeria and Oman described above appeared in October and November 2003. My concerns grew at that time as the magnitude of the noncompliant booked reserves was beyond what I expected it to be. I spoke with the CFO and others about the reserves exposure on numerous occasions. When the results of the Oman and Nigeria studies came out in late 2003, I made the decision to prepare a note to CMD.

The bottom line is that it was clear to me by early December 2003 that we had an external disclosure issue and that we needed to restate our prior year 20-F supplemental information on reserves. After some further delaying tactics by the Chairman and CFO, the issue came firmly on the table at the CMD meeting on December 8, 2003. The work, even then, was not complete. Based on the outcome of the Oman and Nigeria studies, we triggered a global portfolio review which ultimately led to the 3.9 billion boe recategorisation.

It is the responsibility and role of the Chairman and/or the CFO to alert the Group Audit Committee to business control weaknesses or external reporting issues. Because the unspoken rule within the Company is that you are not supposed to go directly to individual Board members or to the Group Audit Committee, I had to rely on the Chairman and the CFO to advise the GAC and assumed that happened in early December.

The Company's Review By Outside Counsel and My Forced Resignation

When the Company began its internal review of these issues in February 2004, following the Company's public announcement of the recategorisation, I cooperated fully with the outside lawyers hired by the audit committee. Davis Polk interviewed me at length on two occasions and advised me that my assistance was crucial to their efforts. At no time during those interviews did the attorneys say that they had any concerns that I had engaged in wrongdoing or had mishandled anything. In fact, Davis Polk told me that their review of the facts and circumstances showed that I had discovered the reserves exposure and had been diligent about communicating about it internally.

Notwithstanding my many efforts to examine the reserves issue I had inherited from my predecessor at E&P, my efforts to determine its scope, my efforts to continually inform the CMD and others throughout the process, and my cooperation in the internal review in 2004, on March 3, 2004, without warning, the Board asked me to decide between suspension and acquiescing to its "request" for resignation, thus essentially forcing me to resign from my executive and board positions. I still have not been informed about the basis for the Board's finding of no confidence. Although I was made aware in early February that some of my e-mails (see below) had been taken out of context and thus were receiving significant attention, by the time of my interview with Davis Polk in late February, their focus had shifted to the historical events that led to the overbookings and the overall process that led to the recategorization announcement of January 9, 2004. I am still confused as to why so much attention early in the internal inquiries was focused on my colorful language rather than my role in identifying, mitigating and disclosing the reserves exposure. As you may know, Debevoise was scheduled to make a presentation to the Board on the afternoon of March 3, 2004 regarding the findings of its investigation as presented to the SEC. I understand that the Debevoise findings and presentation to the SEC were very supportive and complimentary of my efforts in connection with the reserves matter. Had the Board had the benefit of the Debevoise presentation, I believe that there could not have been a basis for a finding of no confidence in me.

Some of My Communications Have Been Presented Out Of Context

It is my understanding that the Board's decision to ask for my resignation was based on a report to the audit committee by Davis Polk that contained many facts about me that were taken completely out of context. However, I have not seen a copy of that report and my requests for a copy have been refused. In essence, their report presented a number of memos or emails I had written during 2002 and 2003 about the reserve issues without providing the context I have described above.

If they had provided the entire context, it would have been clear to the Board, as I hope it is now clear to you, that my only intention throughout 2002 and 2003 was to get the CMD and others to accept the reality that the reserves were overbooked and – once my colleagues at E&P and I could finish gathering all of the details about the reserves at various projects like Nigeria and Oman – the reserves might have to be recategorized or debooked.

For instance, in an email dated November 9, 2003 to the Chairman, I wrote that I was "becoming sick and tired about lying about the extent of our reserves issues and the downward revisions that need to be done because of far too aggressive/optimistic bookings in the past, aside from the embarrassment of having booked reserves prematurely." I was not suggesting, and did not believe, that the Company had been intentionally misrepresenting its reserves. Rather, my comment was an outburst of frustration with the Chairman for what I perceived as a personal attack. I had been working hard on the reserves issue since 2002, leading the charge on evaluating, and communicating about, the potential problems and had taken care to be professional in sticking to the facts and not laying blame on the Chairman for the booking problems. However, in my 2003 mid-year review, the Chairman made what I perceived to be an insinuation that I was responsible for the LKH issue in the Gulf of Mexico. I strongly resented the suggestion, which was unfounded, as the LKH problems were totally unrelated to my tenure in the U.S. In forwarding information to the Chairman supporting my position, I vented my frustration with him.

Another example taken out of context relates to a draft report by the CFO for E&P. At the end of November 2003, I asked Frank Coopman to prepare a status report based on the then-existing non-final data. Upon receiving Coopman's report in early December, I considered the report to be incomplete and prematurely conclusive, a view with which the Group CFO concurred, as indicated in an email she sent to me. Therefore, by an email dated December 2, 2003, I instructed Coopman to destroy the report. As clearly demonstrated by the remainder of the language in my email and by my prior and subsequent efforts and reports, I was in no way trying to conceal information about the reserves issue, but instead was simply trying to make sure the process was conducted responsibly and included all the technical facts before considering the accounting/disclosure issues. Indeed, nothing was concealed. The first part of the technical analysis had not yet been completed (and was not completed for first review until December 8, 2003).

Looking at these e-mails in isolation, I can see that they may create a wrong impression. However, everyone who knows me is all too familiar with my "rapid-aim-fire" direct, no-nonsense communication style, which is intended to show my passion for a subject without wanting to be taken seriously on the detailed text. In hindsight, I do realise that I should have been more cautious with the words I chose, but when placed in context they exhibit my frustration with trying to get to grips with the issues at hand and being amazed about how business had been done before my tenure at E&P.

Accomplishments at E&P

The numerous reserve issues at E&P were examined and addressed individually between late 2001 and early 2004, but they were not the only issues requiring my attention at the time. A wide variety of improvement areas were addressed during my tenure as E&P CEO. E&P saw many successful changes during that time, including:

- completion of the largest ever re-organisation in E&P, which would enable more direct ownership/accountability, increased standardization/sharing/speed/ simplicity of the E&P operating model and would deliver significant internal synergy and costs benefits;
- implementation of changes to the E&P leadership team;
- agreement reached as to E&P's forward focus areas;
- changes to E&P's aspired portfolio and aspired investment;
- creation of E&P global projects and E&P global exploration;
- creation of the T&OE group (re-establishing functional excellence and technical competence);
- changes to the staff resourcing model to facilitate appropriate staff moves and competence development;
- changes to external business promises to make projects milestones/costs and production growth more realistic;
- "hobby projects" were either scaled down or de-manned;
- changes to integrated support activities to Oman and Nigeria;
- North Sea synergy was worked in earnest for the first time since 1994;
- successful new projects were launched and are still underway in Russia, West-Africa, the North Sea, and Kazahkstan; and
- building sustainable external relationships, crucial for future growth.

Regarding reserves issues, the focus during 2001 and most of 2002 was on the early bookings on projects that were only reaching FID in 2001/2002/2003 but had already been booked before the end of 2000, thereby creating a total disconnect between bookings and investment activity, and understandably raising my frustration level. During that time steps were taken to ensure that these premature bookings would not re-occur through various changes, including the tightening of the Shell guidelines. Additionally, a process was initiated starting in early 2002 to flag all issues on reserves to the CMD at least twice a year. The concern over reserves related not only to potentially non-compliant past bookings of reserves but future additions as well.

• • •

I hope it is clear to you, my friends and colleagues, that I have been honest, forthright, and professional in my service to the Company. Unfortunately, that part of the story has not been told and the press has therefore not reported it. The facts, as the records of the Company show and as I have explained to you here, overwhelmingly demonstrate that I inherited a serious legacy reserves issue, acted promptly and diligently to examine its scope, reported to the CMD and others (including some members of the Supervisory Board of Royal Dutch) throughout the process, and encountered difficulty with the Chairman and CFO along the way.

Having been forced to resign in the midst of the immense pressure the Company is under due to the reserves issues, I have only my good name and reputation to preserve. I trust you will find this note helpful.

Respectfully,

Walter van de Vijver

Unknown

From: Van De Vijver, Walter SI-MGDWV
Sent: 29 December 2003 11:47
To: Darley, John J SIEP-EPT; Coopman, Frank F SIEP-EPF
Subject: FW: Revisions and restatements

Looks that we are more in hindsight mode no. 2!

-----Original Message-----
From: Morrison, Tim TDR SI-FC
Sent: 29 December 2003 11:42
To: Van De Vijver, Walter SI-MGDWV
Cc: Hess, Beat W SI-LG; Boynton, Judith G SI-MGDJB
Subject: RE: Revisions and restatements

I think the difference to be borne in mind is whether the information is new to the enterprise or not. There is an underlying assumption that information held by the enterprise is processed in a competent and timely fashion so as to enable correct financial or reserves reporting.

There are 2 kinds of hindsight -

1. that which looks back from a perspective that was simply not possible at the original time, which may genuinely create new knowledge about the reservoir's production & recovery capabilities; and

2. that which is actually a better analysis of information available at the time using techniques and knowledge that were also available at the time. The latter is no more than correction of error and leads to restatement of the originally disclosed information.

The first kind of hindsight requires an appropriate control framework to have been operating effectively. The second type may well arise when processes have not operated as designed. There is not much difference between information we did know and information we should have known (because it was available at the time).

The RRR is simply an outcome. It is what it is.

A very negative RRR driven by revisions would imply a very high flow of new information in the period.

Restating prior periods for error takes the negative adjustment out of the current period RRR. It pushes the RRR impact back to an earlier period, of course, either in the form of a revision in the year in which the change should originally have been made or a correction to the bookings in the year the booking was originally made if the original booking was erroneous. (Points 7 & 8 below).

Whether we actually have to recalculate all prior tables (either initially or subsequently is a matter for discusion as you will see from the draft note to GAC/Conference.

The view set out in the draft note is that on 1/1/03 the company had good faith reasons for considering the aggregate 1/1/03 proved reserves number disclosed in the Form 20F to be materially compliant with SEC guidelines.

Tim Morrison
Group Controller
Shell International Ltd
Shell Centre, London SE1 7NA

Tel: +44(0)20 7934 5456
Email: tim.morrison@shell.com

-----Original Message-----
From: Van De Vijver, Walter SI-MGDWV
Sent: 28 December 2003 20:04
To: Morrison, Tim TDR SI-FC

EXHIBIT 1/31/07
2
Van de Vijver
PENGAD 800-631-6989

Cc: Hess, Beat W SI-LG; Boynton, Judith G SI-MGDJB
Subject: RE: Revisions and restatements

Tim,

Many thanks.
What about the materiality test when taking the possible argument a bit further:

Assuming that all revisions can be argued to be based on new learning in 2003 (which automatically may imply to be errors in the past with the benefit of hindsight!) or new developments in 2003,can annual changes indeed lead to a RRR of minus 1500 MMboe for 2003 ie minus 100 % without the need for prior years recreation of what the reserves should have been based on benefit of hindsight? This with the background that we consider our 1//1/03 story on balance valid/SEC compliant?
Walter

-----Original Message-----
From: Morrison, Tim TDR SI-FC
Sent: 28 December 2003 19:46
To: Van De Vijver, Walter SI-MGDWV
Cc: Hess, Beat W SI-LG; Boynton, Judith G SI-MGDJB
Subject: Revisions and restatements

Walter,

Judy said you would like a few bullet points on determining when a change is a revision and when a restatement. What follows is work in progress and not necessarily determinative of what will be applied to the changes under review. This will be covered in the final paper to GAC/Conference.

1. Revisions and reclassification are one category of annual changes to reserves permitted under FAS69. Others are purchases and sales, improved recovery and extensions & discoveries.

2. Revisions are revisions of previous estimates based on <u>new</u> information such as development drilling, production history or a change in economic factors. The concept is to match changes in the reserves balances to real changes during the period. .

3. A change caused by an error in calculation, failure to use available data or a misapplication of rules is an error requiring a restatement, not a revision.

4. General accounting guidance on the correction of errors requires restatement of the affected year(s) if the error is material.

5. If the error does not relate to a prior year, it means that one of the change category lines needs to be adjusted. If it affects an earlier period then opening and closing balances both change.

6. Whether or not published tables for all affected years all need to be changed is a separate issue. Only the most recent such publication may need adjusting.

7. If a change, which would have been a revision in a year in the year it arose, is made late, it will become a restatement in that later year. (In such a case it would appear as a revision in the restated table for the year in which it should have been made). This is particularly relevant for reserves which started out compliant but became non compliant some time before 2003.

8. A restatement which reverses a booking which should never have been made will show up in the year in which the booking was made as a lower level of addition to reserves (in whichever line of the table the relevant reserves appeared).

9. While restatements which are not material are normally included in revisions, once a restatement is being made for a period, all errors requiring adjustment would be expected to be included in the restatement. Thus even an amount which, taken on its own might have been included in revisions, will be included in the restatement.

The following wording comes from the draft Appendix to the GAC Note which Beat Hess has produced:

"Changes in Reserve Estimates

Annual Changes. Under FAS 69, issuers are required to disclose annually certain changes in reserve estimates that, generally, result from new information or new developments during the year. The specific categories are set out in Annex C and include (i) revisions of previous estimates based on new information, such as development drilling, production history or a change in economic factors, (ii) purchases and sales of minerals in place, (iii) extensions and discoveries from new drilling and (iv) production.

Corrections of "Errors". FAS 69 does not provide a basis for making other changes to proved reserves, such as those based on a mathematical error or a change to reflect a correction of the application of accounting or SEC rules. However, APB 20 provides guidance on this question in the context of financial statements prepared under GAAP and we believe that the SEC would likely apply those principles to information required by an accounting rule such as FAS 69. Under APB 20, all revisions that are not based on new information or new developments are treated as "errors". They include (i) mathematical mistakes, (ii) mistakes in the choice or application of accounting principles or (iii) an oversight or misuse of facts that existed at the time the information was prepared.

Where the correction of one or more errors is not material to (i) the current period, (ii) current trends and (iii) the prior period in which the error occurred, it generally may be reflected in the current period. In other cases, it would be reflected as a restatement of the information for the period in which the error occurred."

We have also been working on a succinct specification of restatement to deal in a practical way with the issue of changing SEC guidelines and the distinction between raw data and analysed information. The current version is:

"The following brief guideline is to assist with the classification of the items under consideration for adjustment in the current exercise and to provide guidance for any future such changes.

An error potentially requiring restatement arises where there is a difference between the proved reserves actually reported and the number which would have resulted if the SEC rules and guidance, as publicly available at the time the report was finalised, had been correctly applied to the economic and physical information known and understood at the time of the report.

'Known and understood information' means the information held within the company which has been subject to timely and proper analysis, within an appropriate system of procedures and reporting controls, so as to permit an authoritative judgement to have been made about the quantity of the reserves to be categorised as proved.

If information on which previous analysis has been based proves to have been manifestly incorrect or the analysis is manifestly flawed, then an error potentially requiring a restatement is likely to have arisen. A judgement about future events which is reasonable at the time when made but is not borne out by events is not an error for this purpose.

[The word manifestly is designed to avoid endless discussion on marginal cases e.g. whether a piece of new analysis is simply the application of better technology/science to create new facts or the rework of an old piece of analysis to correct flaws in it. Delete from final version]

If the error is material, either individually or when aggregated with other errors, then a restatement is made. SEC guidance on materiality should be observed. The restatement is the amount of the difference specified in para 2."

Hope this is helpful to your thought processes.

Tim Morrison
Group Controller
Shell International Ltd
Shell Centre, London SE1 7NA

Tel: +44(0)20 7934 5456
Email: tim.morrison@shell.com

Incoming mail is certified Virus Free.
Checked by AVG anti-virus system (http://www.grisoft.com).
Version: 6.0.567 / Virus Database: 358 - Release Date: 24/01/2004

From:	Bell, John J SIEP-EPB-P
To:	Brass, Lorin; Leonard, Mark; Mair, Jim; Wood, Andy; Claessen, Fons; Leijten, Serge; Lismont, Bart; McKay, Aidan; Nauta, Jaap
CC:	
BCC:	
Sent Date:	2001-05-08 14:58:27.000
Received Date:	2001-05-08 14:58:27.000
Subject:	First meeting with Walter
Attachments:	

Gents,

A quick summary of our (Mark, Serge, Aidan, Fons, Lorin, John) meeting with Walter :

We spent from 1315 through to 1515 with Walter. We covered Lorin's introduction and deepened out the issues with the EPB-P team. Key points of comment/discussion;

- he quickly appreciated the production challenge and its many dimensions.

- he asked why are we where we are ? Our answer was four parts : exploration performance, growing new OUs has been problematic, projects are slow, opportunities have been focussed in core OUs big 8. He noted this but hung up the conversation mid sentence.

- he picked up on the aggressive targets for production in BP00, commenting particularly about the significant early contribution from strategic options. This suggests a much more vigorous /rigorous challenge may come from him/ExCom on this years plan.

- he implicitly questioned the deliverability of the current plan and there was an inference that he saw the plan as an "EPB plan" rather than recognising EP ExCom ownership

- he asked questions around exploration's contribution to our project portfolio (Andy, he is looking to see an overall project/prospect portfolio). He also expressed a pretty strong view that exploration should be treated as a separate segment in our business segmentation, given how vital it is to the business

- he showed concern at the trends around reserves replacement.

- he showed some concerns at our lack of focus (illustrated by the chart showing 90% of our NIAT comes from 10 countries and the remaining 10% from 30 others!). The prioritisation message seemed to strike a chord.

- I believe he sees the gap around our EP objective/goal and hopefully will take the opportunity to set out his vision

- he showed keen interest in the cost promise and our current projected undershoot on opex.

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My feeling was that he recognises a need to prepare for "spinning the problem away" at the right moment (December analyst briefing ?) and would be prepared for a "3 month hit" on our reputation/stock price (a la BP and their climb down on production targets).

- he was somewhat lukewarm on the benefits of segmentation but sympathetic to the move of PSVs and the difficulties of moving away from $ 14/bbl this year.

Overall, he listened well and kept his commentary generally to facts and questions on facts - relatively few opinions given. My biggest take away was his view (almost the first thing he said) of the (lack of) realism in the current plan. Also some hint from his "grunts & sighs" that he gave a slight sense of being boxed in by i) cost promise, ii) production promise iii) current high oil prices. iv) Group Needs - who said it was an easy job?

Suggest we do not circulate these notes further.

John

Unknown

From: Van der Veer, Jeroen J SI-MGDJV
Sent: 25 June 2001 09:19
To: Van De Vijver, Walter SI-EP-CEO
Cc: Watts, Phil B SI-MGDPW
Subject: RE: Visit to PDO

Walter,
- thanks for this additional info about these important aspects
- huge task for us!

Kind regards,
Jeroen van der Veer

-----Original Message-----
From: Van De Vijver, Walter SI-EP-CEO
Sent: 22 June 2001 11:01
To: Watts, Phil B SI-MGDPW; Van der Veer, Jeroen J SI-MGDJV
Subject: FW: Visit to PDO

fyi,the overall health of the company was below my expectation.
Regards,
Walter

-----Original Message-----
From: Middendorp, Ellen M SI-MGDPW On Behalf Of Van De Vijver, Walter SI-EP-CEO
Sent: 21 June 2001 17:22
To: Megat, Zaharuddin Z SEPI-EPM
Cc: Sprague, Bob RM SI-SEPI-EPN; Warren, Tim T SEPI-EPA; Dubnicki, Carol C SIEP-EP-HR; Brass, Lorin LL SIEP-EPB; Darley, John J SIEP-EPT; Rothermund, Heinz HC SEPI-EPG; Gardy, Dominique D SIEP-EPF; Cook, Linda LZ SIG-GP
Subject: Visit to PDO

Dear All,

I visited PDO on 16/17 June as part of my familiarisation with the large OU's.
The programme covered brief presentation by various staff. Meeting young high potential expat and Omani staff and a visit to the Ministry of Oil & Gas (MOG). Having worked there from 1987-1991 the company still looked very familiar!

Below are some observations from my visit focussing on:
1) Company 'health'
2) Omanisation
3) Future growth
4) Shell support

1) Company 'health

Overall Shell's financial take from Oman has dramatically increased with the OLNG start-up and this directly translates in increased sensitivity/exposure in the country. Not meeting the production target from 1997-2000 and being behind the 850,000 b/d target year-to-date is an extremely sensitive issue for Shell's and MOG's reputation in the country.
There is a mixed bag of good and bad news in PDO but for me the

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highlights
are:

positive
- progress in exploration (new gas reserves in Central Oman, carbonate stringers in South Oman),
- overall gas 'engine' (from exploration towards monetisation),
- T 50 initiative (studies to target 50% recovery factor).

worrying issues
- level of fatalities,
- Omanisation progress at senior levels,
- core business peformance (production, drilling, unit costs, new opportunities),
- managing external relationships.

For many years infill drilling, tie-ins of small satellites and deferment management was the game to play in order to meet production targets with strict capital discipline of UTC. Given the maturity of this modus operandi the organisation needs to rise to a new level:
- new developments are more complex (Al-Noor, stringers, EOR, water flooding, tight gas reservoirs),
- more focus needed on total unit costs (incl. capex/exploration DDA) and other economic screening criteria (NPV/VIR) for programme optimisation,
- increased complexity of T 50 execution robustness and credibility,
- world class reservoir management will be key to success.

The company is slowly coming to grips with this whilst at the same time the government (as 60% majority shareholder in PDO) is demanding increased engagement and transparency around PDO's activities and plans. Perceived or real underdelivery (not meeting cost and production targets, downward pressure on growth promises, Al-Noor reality versus initial hype, etc) will not help this situation.
At the same time the company is driving hard to implement SAP, an important activity to modernize the company and to allow for the next level of productivity improvement.

2) Omanisation

There was basically no change in visibility/profile of Omani staff in the organisation from 10 years ago. Although there are plenty of 'excuses' around this, the reality is that we should feel extremely bad about this and that somehow we have to change the whole talent process (from recruitment, coaching/monotoring, developing/challenging, broadening to overall line accountability to make it happen). With the 100% Omanisation in 2007 not to far out anymore we need to get moving on what it will take, in terms of Group X-posting, regional exchanges and and resourcing for new growth opportunities, to get there also considering the license extension beyond 2012. I did see some high potential young Omani's, many of them confused about development prospects (what to aspire to and how to get there beyond 'generalities') and about X-posting opportunities.

3) Future growth

It is imperative that 2001 production is achieved given the 90/10 robustness context with contingent funding to get there. Looking ahead my impression is that the company is insufficiently prepared to tackle the future challenges.
In simple terms, the overall operation is more complex than 10 years ago and the available horsepower in PDO is less than 10 years ago. This needs to be addressed:
- gap at senior level (SG 2 and above) to provide internal check and balance and to provide direction and urgency for action.

- under-resourcing in petroleum engineering and in well engineering (number and quality), plus possibly in operations/engineering (execution and translating concepts into integrated solutions)

Execution of sophisticated waterfloods in Lekhwair, thermal projects in Qarn Alam and Mukhaizna and miscible gas injection in the Harweel carbonate stringer cluster is a major undertaking!
Without these projects, however, PDO will not be able to grow beyond 850,000 b/d.

4) Shell Support

We need to assist PDO with the above challenges and as a result support Shell's leading presence in the country for a prolonged period.
Good progress is and has been made on some issues:
- working the Omani government relationship and listening to their needs,
- addressing the morale in the organisation (aided by recent remuneration change),
- realisation of drilling performance stortcomins and T 50 focus,
- sustainable development drive.

One disappointing background issue has been the very visible struggle that expat staff had in securing new positions (Zylker, Van Alkemade, Willekes, Naylor, West) which also created anxiety with the young staff ('who cares?', 'PDO the right company to work in'?).
Irrespective of the 'level playing field' of open resourcing, the'system' should be managed. I would suggest that a review is carried out soonest by PDO and EPT/EPM/HR to adequately resource the company (internally as well a through global practices and STEP/SEPTAR) for the future.

Walter

P.S. (I am sure that some of the comments are not unique to PDO, whilst I also recognise that I do not adquately recognise the level of support provided to date nor will the above be totally new or orginal. The bottomline is that many of our old giant and flexible assets are becoming really old and tired (Yibal, Brent, etc..) and more difficult to optimise!).

10/10 '01 WED 09:14 [TX/RX NO 5361] 001

File

copy Mogal, Mann

بسم الله الرحمن الرحيم

Sultanate of Oman
Ministry of Oil & Gas
Muscat

سلطنة عمان
وزارة النفط والغاز
مسقط

مكتب الوزير
Minister's Office

URGENT

Copy Crocker/Mogal/Mann

It is a pity that he wrote this letter. Please recommend the appropriate response (written/oral).

Thanks Walt

No : 4/14/2397/2001
Date : 09-10-2001

Mr. Walter van de Vijver
Group Managing Director
Royal Dutch / Shell Group of Companies
CEO Exploration & Production.

After Compliments,

Thank you very much for your letter of 1st October 2001. On behalf of the government I thank you for the attention given to our problem of production as was discussed during our meetings.

There were a number of issues that were mentioned that many of us believe are responsible to the sudden and unexpected decline in PDO black oil production. I think it is appropriate to record some of our concern while allowing PDO management to come up with a comprehensive "recovery plan". Many of us strongly believe that the following factors are either responsible or contributed to the production "crisis". These include, but not limited, to the following factors: -

1) The Assett management Style.
2) Reserve booking methodology
3) Score Card
4) Contracts and Contracting Management.
5) Human Resource Management.

Some of the above factors are some-what inter-connected, for example reserve booking vs. scorecard.

Reference to your letter, therefore, I am concerned that you are still putting a lot of emphasis on reserve booking and score card: the very factors that many of us blame for the current crisis.

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Van de Vijver
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10.OCT.2001 11:11 MINISTRY OF OIL &GAS NO.799 P.1

بسم الله الرحمن الرحيم

Sultanate of Oman
Ministry of Oil & Gas
Muscat

سلطنة عمان
وزارة النفط والغاز
مسقط

مكتب الوزير
Minister's Office

If the emphasis of 815 kbpd is a realistic production (in PDO's view) then the government agree. However if the focus is on the score card; then we would like to revisit the whole issue of scorecard. Similarly on reserve booking. While we appreciate and thank you for making a pre-payment of 30 M$ against future de-booking of reserve, MOG will scrutinize strictly the 2001 reserve bookings (old oil) that do not contain a comprehensive development and exploitation programs.

I will therefore like to discuss further these two issues in order to avoid any negative impact/influence they may have towards our goal for recovery. I will further discuss our thoughts with Steve and John Crocker.

Once again we thank you for visiting us in Oman and hope to see you here soon.

Best regards,

Dr.Mohammed bin Hamad Al Rumhy
Minister of Oil and Gas.

CC: H.E. Ahmed A. Macki
Minister of National Economy & Deputy Chairman
Of Financial Affairs & Energy Resources Council.

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HAG00120099

Shell International B.V.

Copy Magal Mark

H.E. Ahmed bin Abdul Nabi Macki,
Minister of Finance and National Economy
Muscat
Sultanate of Oman

H.E. Dr Mohammed bin Hamad Al-Rumhy
Minister of Oil & Gas
Muscat
Sultanate of Oman

1st October 2001

Your Excellencies,

After compliments,

I wanted to write without delay to confirm my understanding of the issues we discussed during my recent visit, and to outline the approach I intend to take with respect to supporting and ensuring the rapid turn around of the currently poor performance of PDO.

To start with the latter, it was a great surprise and unpleasant shock to me personally to find that the PDO company which I had served with pride 10 years ago is today facing such difficulties. The company's world-leading reputation was earned over many years of professional excellence, and I hate to see it called into question by recurrent failures to deliver and by unexpected shortfalls. I can well understand the depth of frustration which this recent unpredictability has caused for those planning Government expenditure.

Now that the management of PDO have come to see and understand the problems more clearly, they have started the task of restoring the integrity and accountability of the business processes in the company. We will work closely with them to monitor the progress of these efforts, and will stand by to provide additional resources where required. I will personally expect to receive regular reports from Steve and Abdulla, as well as from John Crocker, so that I can be reassured things are moving in the right direction.

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Amongst other elements, this process will require them to strip away over-optimism and extrapolations based on past-performance, and replace them with more rigorous analysis. It will also require a more comprehensive and coherent approach to the acquisition and interpretation of reservoir data. We should expect costs to rise in future, as PDO has to manage the challenges of producing more difficult oil, but this should happen on a planned basis, where risks are fully assessed (and mitigated where possible) and opportunities optimized. At the moment, the uncertainty ranges are all too wide. The management have to get to a point where all shareholders can be confident that the annual targets will be achieved, and at the same time long-term sustainability assured. In particular, we will expect them to demonstrate that they have followed a rigorous process for the maturation of reserves for production later in the programme.

Notwithstanding all the concerns I have expressed, both above and directly to PDO management, I believe we need a balanced approach. If we treat PDO as if it is incapable of top quality performance, this might lead to further deterioration of morale and a downward spiral. I firmly believe there are many excellent things going on in PDO, and that with strong leadership and the right support from Shell and Government all the current problems can be overcome. I have asked John Crocker to maintain very close contact with Your Excellencies and your respective officials to ensure that there is regular checking of alignment between us on how the challenges should be tackled.

I come now to the detail of our discussion. On the basis of the presentations I received in PDO, the current best estimate of production for 2002 is 815 kb/d on a capex budget of $975 mln. I am not, however, prepared to give up at this stage on the previously stated target of 830 kb/d, as I believe there may be upside opportunities through the study work to be done in Shell and progressive resolution of the various current uncertainties, improvements in operational reliability and performance as well as the business improvement initiatives already under way in PDO. As we discussed, I would recommend that the situation be reviewed at the March Board, and only then a decision taken as to whether some further adjustment of the production target is needed. In order to have the right balance of incentives, I would recommend that PDO's scorecard be approved on the basis of 815 kb/d in 2002 representing 'Threshold', with 830 kb/d being 'Above Target'.

As mentioned in our meeting, I have reviewed the position with respect to the possible de-booking of reserves in Haima West and Yibal. From my perspective, the top priority is to ensure the integrity of the process. While there is an element in the reward structure by which the Private Shareholders receive money from the Government for bookings, it is absolutely critical for our integrity that the process is professionally followed without distortion.

The conclusion I draw from what I saw is that the original reserve bookings were reasonable on the basis of the best information available at the time, but that it is now clear there will be some de-booking at the conclusion of the present studies. Taking into account the wider circumstances, I agree it would be appropriate to make a pre-payment of $30 mln in respect of probable de-bookings. When the studies are complete, this figure should be netted off against the first actual de-bookings from each field. I understand from my briefings that the current expectation for this year is that there will be a net booking of around 35 mln bbls of New Oil and 300 to 350 mln bbls of Old Oil. We agreed that the $30 mln would be subtracted from the actual reserves additions bonus due to the PSH after completion of the proper process.

I also committed to prioritise Shell resources in order to deliver enhanced support to PDO, partly through teams based in the Netherlands and partly through selective strengthening of the staff in PDO. Clearly, we need to get these staff into PDO as soon as possible so that they can start to contribute, following due process but without any delay. In order to support this strengthening, I would like to ensure that the terms for expatriate Shell staff in Oman are at least as good as for those working in other countries, and hope we may count on the Government's support in preventing a gap opening up again in future. I was also grateful for your reassurance that we would be free to focus entirely on our support to PDO's efforts, without the complication of trying to evaluate and pursue alternative approaches to the management of PDO's fields. I recognize that you need to see positive signs that the efforts are bearing fruit, and that it would be necessary to consider other approaches if they did not.

I close by thanking Your Excellencies for the time you made available for our discussions. I hope to have better news and see a brighter outlook when I next visit.

Walter van de Vijver
Group Managing Director
Royal Dutch/Shell Group of Companies
CEO Exploration & Production

Unknown

From: Ewart, Pauline M SI-MGDPW on behalf of Watts, Phil B SI-MGDPW
Sent: 22 August 2001 12:07
To: Van De Vijver, Walter SI-MGDWV
Subject: RE: Production

Sensitivity: Confidential

Walter,
You will have to put your Group hat on and ask whether the hard 2% is better than saying 2 - 3% (which includes 2) for the sake of not having to precipitate a change that could be very damaging for the Group.

Phil Watts

-----Original Message-----
From: Van De Vijver, Walter SI-MGDWV
Sent: 22 August 2001 11:19
To: Watts, Phil B SI-MGDPW
Subject: RE: Production
Sensitivity: Confidential

Phil,

Thanks for the additional input.
We have again the great risk for wishful thinking and for creating a rod for our own back going forward.
There is no way that I can get back to the 5 % growth even in a 100 % success case with the various big ticket items (Brasil,FLNG,Sakhalin,etc) also as they will come post 2005.
The outlook is basically flat for the nearterm window (2001-2004) when considering the basic base portfolio activities plus the committed projects (post FID), but starts declining again from 2005 onwards.With the addition of expected projects
(PoS of 1) we will get to aai of 2 % (not 3%).This includes Brasil,Angola block 18,Ehra,Holstein,Bonga SW,Kashagan,Sakhalin
(i.e FID expected before end 2003).We only get to some 3 % with future discoveries and strategic options (from Bangestan,Salym,Saudi,Kudu FLNG/Sunrise FLNG ,etc to the various "hoped for " entries in Libya and Caspian.)
All this using the same numbers that I shared on monday.
We can obviously "over-engineer" all of this and we need to find the external story that can not be translated into technical
imcompetence (e.g. business environment related and capital discipline related).
Interesting to note is also that I believe that we are experiencing "pay-back time" for our past successes. Our successful DtL,
RtL and new technology application (e.g.completions,UBD) has accelerated production and is now leading to more rapid declines in our mature areas.
We desperately need an acquisition!

The "one summary slide" is being prepared.

Regards,
Walter

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Van de Vijver

-----Original Message-----
From: Ewart, Pauline M SI-MGDPW **On Behalf Of** Watts, Phil B SI-MGDPW
Sent: 22 August 2001 10:35
To: Van De Vijver, Walter SI-MGDWV
Subject: Production
Sensitivity: Confidential

V00020050

Walter,
I had a chat with Steve Hodge yesterday using the two hand drawn charts we discussed on Monday. It was important for him to internalise the data and thinking framework before our discussion at CMD on 28/8. To cut a

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long story short his key observations were:

(1) The '02 disappointment
- though we have to be up front about this, it is important that this does not form the basis of an assessment of technical incompetence

(2) 2 or 3%
- there is a massive difference between saying 2 or 3%
- this is not versus 5% .... the previous 5% needs to be disaggregated so that there is continuity in the "bankable growth" and the extra strategic options
- "2 - 3%" as an expression gives a defensible comparison with Exxon. (We need to see the Exxon statement and how they presented it.)

(3) Recent Past
- He found this useful in two forms
  (i) How did we do over the last 10 years?
  (ii) How did we do versus the competition over the last 3 years (implicitly knocking the competition)?

This was only a discussion on the progress to date. I look forward to the CMD papers at the weekend.

Phil Watts
Chairman of the Committee of Managing Directors
Royal Dutch/Shell Group of Companies
Shell Centre London SE1 7NA
Tel: +44 (020) 7934 5556 Fax: +44 (020) 7934 5557
Internet: Phil.B.Watts@SI.shell.com

V00020051

DB 00816

Van De Vijver, Walter SI-MGDWV

From: Van De Vijver, Walter SI-MGDWV
Sent: 11 September 2001 00:01
To: Watts, Phil B SI-MGDPW
Subject: RE: Presentation

Sensitivity: Confidential

Phil,

Many thanks for your input.You will find that your comments will have been incorporated in the update that will be shown tomorrow.
The Q & A's are still evolving as well as the press release ,also as they are linked to what we ultimately want to expose externally.

I have been struggling with my principles and integrity over the last couple of months whilst going through the due diligence of EP and
the new business plan as it came together.
There are several things that should really worry us :

- core business issues in places such as Exploration,PDO,Expro and Australia
- value erosion in our base businesses and optimism in strategic option delivery
- lack of ownership and accountability topdown in EP
- portfolio shift to more low return/high risk businesses
- increased competition ,also wrt to growth targets and wrt earning a P/E premium
- the oil to gas shift

I do not even want to think what it would be without global capital allocation processes etc that you put in place!

We can continue reconciling last year 's plan with this year's plan but need to get some reality in it all:

- GISCO is a real problem in it's renegotiated form (irrespective of the whole issue of production translation of a financial deal)
- 2002 gap is dominated by Saudi,GISCO,Fletcher divestment and Expro but we can explain it by including Woodside
- 2005 gap becomes meaningless if we try to do it in too much detail as we do not have like for like comparisons. For instance, we
  thought we had a gap in US but when looking at it more closely the gap consists of:
  - no support for onshore exploration/acquisition option (so that is now gone as a strategic option)
  - Aera numbers were incomplete so that gap (some 20,000 boe/d) is gone
  - Auger/Mars are now expected to decline faster due to 97-00 production above target and due to increasing Mars GOR
    (plan was to get waterflood going this year but apparently still not approved by BP),that is what RtL can do for you!
  So bottomline is that the US underperformance in 03/04 is now only some 20,000 boe/d.Unfortunately gain has been offset by latest
  Volume 2 submissions from other OU's
- We can give credible explanations for gaps (after looking through the various management adjustments) that will work externally.
  Overall the OU submission for 2005 is very close to that of last year.The problem is with "new OU" project delivery and with strategic options/exploration follow-up.

We will show 2002 and 2005 gaps and external growth gaps tomorrow at CMD.

We will tell a confident story to the analysts .At EP Excom today there was significant discomfort with the 3 % growth target and with the 15 % ROACE promise.This is ,as you know ,because our current plan does not achieve these targets whilst you normally want to have some "headroom" between internal plans and external promises.
I am going to succeed with EP but at CMD we will need to own the external commitment for EP against the back ground of today's realities.The external environment will help us to have some reasonably logic explanations for the shortfall in promise.

Regards,
Walter

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6. 2002 expected to be below 2002 promise and below 2001 LE (corrected and unrestated for GUCO and Fletcher)
- UK operational performance
- slippage in strategic projects
(cost external promise was 9% growth from 2001 to 2002)

7. draft 01 Business Plan issues:

- shortage of tangible/bankable projects when compared to BP/EM
- increased investment for base business
- no real switch from oil to gas
- overall value erosion (cost pressures, base declines, NBD costs)
- mature production areas on the increase (Gabon, Oman, UK, GoM incl. equity DW)
- reduced strategic option potential

8. 01 Business Plan: 2-3% growth rate

- need acquisitions for higher growth rates (assets and companies)
- near term production flat (2001 - 2004/2005) with ongoing projects (post-FID) and "base" business activity
- 2% growth with pre-FID projects/development plus of existing discoveries / near field potential
- 3% growth based on "risked" success with strategic options and future exploration post-2005
- Nigeria > doubles production from 2001 to 2005
- proved reserves replacement will be below 1 unless we monetize Sakhalin, Kashagan, Kudu etc.

9. Next steps

10. Analyst schedules

EXHIBIT
Van der Vijver
9
2/1/07

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Excom Meeting
4 February 2002
Note for Discussion
Proved Reserves Replacement 2001

Achievements

	Unit	Proved Reserves 1.1.2001	Proved Reserves 31.12.2001	Actual Production 2001	Proved RRR	HCC-RRR (excl. A&D)
Oil/NGL	mln m^3	1552	1506	129	65%	58%
Gas	mrd sm^3	1593	1580	93	86%	42%
Total BOE	**bln boe**	**19.5**	**19.1**	**1.4**	**74%**	**52%**
AOSP	bln boe	0.6	0.6	-	-	-

- The total barrel of oil equivalent proved hydrocarbon reserves replacement ratio (HC-RRR) in 2001 is **74%**. (*2000 69%*). The three years average proved HC-RRR is **67%** (*2000 102%,* excluding AOSP) and the three years average proved developed HC-RRR is **79%** (down from *109%* in *2000)*
- The numbers above include a 6% contribution resulting from the Sakhalin consolidation.
- For 2001 the target RRR in the EP scorecard was 79% excluding A&D, or an addition of 1120 mln boe at target production. The actual addition was 710 mln boe, or 52% RRR at actual production, well below the scorecard target (range 50-110%). Performance by Region (DRAFT) is as follows:

	EPN	EPA	EPM	EPG	Options	
Target (excl A&D)	511	228	101	156	123	1120
Actual (excl A&D)	519	111	6	74	0	710
Delta	**8**	**-117**	**-95**	**-82**	**-123**	**-409**
A&D	47	295	-20	-15	0	307
Actual (incl A&D)	**566**	**407**	**-14**	**59**	**0**	**1018**

- The Options Proved Reserves target for 2001 consisted of Salym and NA Gas
- In EPN the negative revisions from Canada and Aera and the overall disappointing results from the UK were balanced by upward revisions in the Netherlands and Denmark and large first bookings in the USA
- In EPM results are suffering mainly from Gisco, Egypt (Obaiyed revised FDP) and PDO where new bookings are not likely to occur in the medium term.
- In EPA China (no booking in Changbei) and Brunei (legacy debookings) were outweighed by positive bookings in Malaysia and Woodside
- In EPG SNEPCO (Bonga SW) and Brazil (despite 6 discoveries) could not book reserves, only to be compensated by gas additions in SPDC and revisions in Venezuela

Issues
- SPDC, PDO and Abu Dhabi, representing 18% of EP's production, cannot book reserves for the foreseeable future as it is doubtful that the already booked reserves can be produced within the remaining license period. The reserves exposure in these OUs is over 1 bln bbls, and sensitive to OPEC constraint.
- Major new projects are very slow to book (particular gas related and MRH) and much of the 2002 RRR depends on it (Kudu, NLNG 4/5, Whale).

Attachment: External Auditors Report on end 2001 Proved Reserves

NOTE – 30 January 2002 CONFIDENTIAL

From:	Anton A. Barendregt	Group Reserves Auditor, SIEP EPB-GRA
To:	Lorin Brass	Director, EP Business Development, SIEP EPB
Copy:	Walter van de Vijver	EP Chief Executive Officer, SIEP
	Dominique Gardy	Chief Finance Officer, SIEP EPF
	Excom Members	SIEP EPA, EPB-X, EPG, EPM, EPN, EPT, EP-HR
	John Bell	Vice Pres. Strategy, Planning, Portfolio and Economics, SIEP EPB-P
	Han van Delden	Partner, KPMG Accountants NV
	Stephen L. Johnson	PriceWaterhouseCoopers

REVIEW OF GROUP END-2001 PROVED OIL AND GAS RESERVES SUMMARY PREPARATION

In accordance with prescribed US FASB accounting principles, SIEP staff have prepared a summary of Group equity proved and proved developed oil and gas reserves for the year 2001. The summary (Att. 3) forms part of the supplementary information that will be presented in the 2001 Group Annual Reports and has been prepared on the basis of information provided by Group and Associated companies. The submissions by these companies (excluding those by Shell Canada) are based on the procedures laid down in the Group 'Petroleum Resource Volumes Guidelines' which in turn are based on (but not identical to) the FASB definitions. Shell Canada's submissions are subject to their own procedures and reviews.

The end-2001 Group share Proved Reserves is summarised in the following table. The figures include the Canadian oil sands reserves (reportable as mining reserves) and the minority reserves in some consolidated companies (together 150 mln m3oe*).

Oil mln m3 Gas bln m3	1.1.2001 Proved Tot'l	2001 Prod'n	1.1.2002 Proved Tot'l	Repl.Ratio (RR) Tot'l	1.1.2001 Proved Dev'd	1.1.2002 Proved Dev'd	Rep. Ratio Dev'd
Oil+NGL	1646	129	1601	65%	711	689	83%
Gas	1593	93	1580	86%	737	729	91%
Total Oil Equivalent *	3189	219	3132	74%	1425	1394	86%

* 1 mln m3 oil equivalent (1 m3oe) = 1.03 bln sm3 of gas

I have reviewed the process of preparing the above summary of proved and proved developed oil and gas reserves in as far as these relate to companies outside Canada. This review included, where possible, a verification of the appropriateness of major reserves changes. The most significant conclusions are as follows:

A first time booking for the Bonga SW field (SNEPCO Nigeria) was not accepted by EPB-P staff because the proposed volumes (21 mln m3oe) were technically not mature and did not fulfil present reserves guidelines. This view is fully supported. Further reserves additions in Angola block 18 (where marginal reserves were booked for the first time last year) were also disallowed by EPB-P because the project is economically still marginal, while gas disposal could become a show stopper. This view is also supported. Without any material change in this latter project, reserves may need to be de-booked next year.

Group reserves guidelines have been reviewed against industry practice during 1998 and this has resulted in a 200 mln m3oe increase in Group share Proved reserves in mature fields in recent years. However, recent clarifications of FASB reserves guidelines by the US Security and Exchange Commission (SEC) have shown that current Group reserves practice regarding the first-time booking of Proved reserves in *new* fields is in some cases too lenient. The Group guidelines should be reviewed. First time bookings should be aligned closer with SEC guidance and industry practice and they should be allowed only for firm projects with technical maturity and full economic viability. ?

The widespread use of reserves targets in score cards affecting variable pay is seen to affect the objectivity of staff in some OUs when proposing reserves additions. Reserves coordination staff in EPB-P have been alert to this and have successfully met the challenges with which they were faced. However, a shift in score card emphasis from reserves booking to successfully meeting project milestones is recommended. No
exploration / appraisal

Awareness of Group and SEC reserves booking guidelines was seen to be less than desirable at senior levels in OUs and in support functions in the centre (RBDs, SDS, SEPTAR). This should be improved by issuing appropriate high level guideline summaries, organisation of workshops etc.

After some corrections, very good correspondence was obtained between annual production volumes as reported through the separate Finance (Ceres) and SIEP reserves systems. Both of these are reported (separately) in the Group annual report.

During 2001 I made Reserves Audit visits to a total of seven Group OUs. Audit opinions on these varied between 'satisfactory' and 'good'. As far as observed, most audit recommendations appear to have been followed in this year's submissions.

The overall finding from the audit visits and from the end-year review in SIEP is that the SIEP statements fairly represent the Group entitlements to Proved Reserves at the end of 2001. There is a possibility of a minor overstatement of Group Proved reserves in some fields where historically booked reserves are not fully in line with recent SEC guidance. However, this overstatement is likely to be offset by reserves in areas where current Proved reserves are probably too conservative (e.g. Brunei). The 2001 changes in the Proved Reserves can be fully reconciled from the individual OU submissions.

A more detailed list of findings and observations is included in Attachment 1.

A.A. Barendregt

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Attachments 1-7

Attachment 1 Main Observations End-2001 Reserves

Attachment 2 Significant Reserves Changes

Attachment 3 Group Proved Reserves Summaries

Attachment 4 Production Reconciliation Ceres vs. Reserves Submissions

Attachment 5 Proved Reserves Maturity – by OU

Attachment 6 Main Observations 2001 Reserves Audits

Attachment 7 Reserves Audit Plan 2002

Attachment 1

REVIEW OF GROUP END-2001 PROVED OIL AND GAS RESERVES SUMMARY PREPARATION

MAIN OBSERVATIONS

1. **Reserves Summary**

The 1.1.2002 Group share Proved Reserves can be summarised as follows:

Oil mln m3 Gas bln m3	1.1.2001 Proved Tot'l	2001 Prod'n	1.1.2002 Proved Tot'l	Repl.Ratio Total	1.1.2001 Proved Dev'd	1.1.2002 Proved Dev'd	Repl.Ratio Dev'd
Oil+NGL	1646	129	1601	65%	711	689	83%
Gas	1593	93	1580	86%	737	729	91%
Total Oil Equivalent*	3189	219	3132	74%	1425	1394	86%
Canada Oil sands	95		95				
Minority reserves	48		55				
Net Group m3oe	3046		2982				

* 1 mln m3oe = 1 mln m3 oil equivalent = 1.03 bln sm3 of gas

The Replacement Ratios mentioned above are with respect to total Group share reserves, i.e. including the Canadian oil sands and Minority reserves.

A full overview of end-2001 Proved and Proved Developed Reserves is presented in Attachment 3.1-2.

2. **Significant reserves changes**

Significant reserves changes during 2001 were as follows:

Acquisition of assets from Fletcher Challenge Energy led to Group share reserves increases in New Zealand (+35 mln m3oe) and Brunei (+5 mln m3oe). In the USA, the Pinedale (Rocky Mountain) gas acquisition added 10 mln m3oe. This was partly offset by a net divestment in Pakistan (-3 mln m3oe) and by a revision of the Oman Gisco gas processing agreement (-16 mln m3oe).

Technical reviews led to reserves additions in the Netherlands (+23 mln m3oe), in the USA (+24 mln m3oe), in Denmark (+11 mln m3oe) and in Sakhalin (+3 mln m3oe), whilst reductions were seen in New Zealand (-11 mln m3oe), Canada (-9 mln m3oe) and Egypt (-5 mln m3oe). New fields were booked in the USA (+10 mln m3oe) and Brunei (+5 mln m3oe). New field developments added developed reserves in the USA (+26 mln m3oe), Australia (+21 mln m3oe), SPDC (+17 mln m3oe of gas and NGL), Philippines (+13 mln m3oe) and Iran (+6 mln m3oe).

The reserves increase of +23 mln m3oe in the Netherlands was booked in the Groningen field. Field performance over the last ten years had allowed gradual increases in Proved developed reserves, but total Proved reserves were maintained unchanged. Booked undeveloped reserves (e.g. as a result of very low pressure compression) became thus indefensibly low and this has now been rectified.

Further maturing of gas utilisation and development in SPDC (Nigeria) is allowing gradual increases in Proved developed and total gas reserves. Proved condensate (NGL) reserves do also increase, but these have to be largely offset by corresponding reductions in Proved oil reserves because of the overall constraint in offtake rate and licence duration (see also below).

A tabulation of these and some other changes is given in Attachment 2.

3. **Shell Canada's Athabasca Oil Sands**

The 95 mln m3 oil volumes from Shell Canada's Athabasca Oil Sands Project (AOSP) are not strictly oil and gas reserves as defined by the US Securities and Exchange Commission (SEC). Hence, they will be excluded from the Group's submission of Proved oil and gas reserves to the SEC. They are also mentioned separately in the Group Annual Report.

4. **Angola block 18**

A total of five discoveries were made in the Angola block 18 area during 1999 and 2000. Preliminary economics showed development to be marginal to unattractive and the 1.1.2001 booking of Proved reserves could only be justified through a notional small scale creaming project in the two largest accumulations. One further appraisal well and sidetrack during 2001 allowed in principle an increase in these reserves by an enlargement of the 'proved area'. However, a VAR3 review in December 2001 showed project economics still to be 'marginal at best', while the continued lack of a viable gas disposal solution was seen as a potential show stopper. Hence, a further increase in reserves was not accepted by EPB-P and the possibility was recognised that, without further changes, the project reserves may have to be de-booked next year. This view is also supported.

5. **SNEPCO fields**

A significant increase in Proved reserves (+19 mln m3 oil, +2 bln sm3 gas) was proposed by SNEPCO (Nigeria) through a first time booking of reserves in their new discovered Bonga SW field (one discovery well in 2001). After a review of the available evidence and following advice from the Group Reserves Auditor and SEPCO's Reserves Manager, the reserves coordination function in SIEP EPB-P has declined to accept this proposal. Considerations were that the project is still immature (failed a VAR2 in Sept 2001) and is not properly defined (no dynamic simulation studies, well targets, forecasts or cost estimates), while its development is uncertain (other fields could be developed in its stead). In addition,

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the seismic response is generally of insufficient quality to support a large enough area as (SEC defined) 'proved area' on which to base Proved reserves. This view is fully supported.

It was furthermore noted that SNEPCO, upon seeing the Bonga SW reserves addition not accepted, withdrew a negative correction to Bonga Main reserves (-2 mln sm3 oil, -2 bln sm3 gas), emanating from a 2001 study which showed these volumes to be non-producible within the prevailing PSC licence. In addition, the technical basis for the reserves in the Erha field, at its first time booking in 1999, was said by SNEPCO staff to be of lower quality than that for Bonga SW. A SEC reserves audit is planned for 2003. Advancement of this audit is being considered.

6. **Production licence duration constraints**

Externally reported Proved and Proved Developed Reserves need to be confined to those volumes producible within the duration of current production licences, or their extensions if there is a right to extend. With progressing maturity, a number of OUs are seeing their possibilities for increasing Proved Reserves severely curtailed because any increase in field volumes cannot be produced within (generally constrained) future offtake profiles and licence durations. With ongoing annual production, these OUs will in fact see their remaining Proved reserves decline in future years until either offtake rates can be increased or until licence extensions have been agreed with Authorities. OUs most affected by this are SPDC (Nigeria), Shell Abu Dhabi and PDO (Oman) and, to a lesser extent, Malaysia, Syria, Denmark and Venezuela. At present, some 300 mln m3oe Proved field volumes (10% of the Group Proved Reserves portfolio) are reported by OUs as being non-producible within existing licences.

For a proper estimation of Proved reserves (which have to fulfil the criterion of 'reasonable certainty') it is important that OUs faced with the above constraints make realistic assumptions regarding their future production profiles. The selected build-up and plateau levels should preferably be in line with base case Business Plan assumptions and with profiles used for the SEC 'Standardized Measure' submission. In addition, post-plateau tail-end profiles should be technically defensible. It is noted that PDO still maintain a 850 kb/d plateau in their forecast, in spite of recent problems in maintaining that production level. SPDC seem to have included LNG trains 4&5 in their condensate forecast, while the associated gas reserves have not yet been included in gas reserves because of lack of market definition.

At present, the Group reserves guidelines do not provide any guidance about what assumptions to take for future forecasts in these cases. This should be rectified. Following that, the assumed forecasts should be reviewed with the OUs concerned.

During this year's reserves submission and accumulation process, the critical information about OU assumed production profiles could in some cases only be made available to the auditor after repeated requests and in a late stage, thus leaving insufficient time for a comprehensive review. This should be remedied in future submissions by ensuring that full life cycle production profiles are requested from and made available by OUs in an early stage.

7. **Group Guidelines – mature fields**

Group Guidelines for externally reported Proved reserves (Ref. 3) have historically been somewhat different from Proved reserves definitions as applied by the oil industry (Refs.1, 2). The reason for this was that the Group have long based their Proved reserves estimates on probabilistic methods, using the 85% confidence level criterion. This was found to lead to too conservative estimates in mature fields (in comparison with industry practice) and the guidelines were therefore changed for these fields in 1998. The updated guidelines prescribe that, in mature fields, externally reported Proved and Proved Developed Reserves should be brought closer to, or made equal to Expectation Reserves. Significant Group share Proved Reserves additions (+200 mln m3oe) have thus been booked by many OUs between 1998 and 2000.

A method of visualising the relative positions of OUs is through plotting the ratio between Proved and Expectation reserves versus average OU maturity. The latter is defined as cumulative production as a fraction of total life cycle Expectation Ultimate Recovery. Plots showing the OU positions for Developed and Undeveloped Oil+NGL and Gas reserves are presented in Attachments 5.1-5.2. From this it can be seen that most mature OUs show Proved / Expectation ratios close to 1 for their developed and undeveloped reserves. Most notable exceptions are:

- BSP, where Proved reserves have to be agreed with the Government (a reserves audit is planned for 2002),
- SEPCo, where undeveloped proved reserves are depressed because of low SEC proved areas in Pinedale, Brutus and Mars
- BEB, who tend to maintain unrealistically high Expectation reserves (much of it to be SFR),
- Expro UK, where uncertainties in undeveloped reserves are large in Schiehallion and some tight gas fields.

8. **Group Guidelines – first time booking of new fields**

Group guidelines for fields at the other end of the maturity spectrum, i.e. new discoveries, have historically been less well defined. Probabilistic P85 estimates were generally used (which for sparsely appraised fields tended to be larger than the SEC guidelines allowed), but there was often no clarity as to the appropriate moment when first-time booking of reserves could be made. This situation improved somewhat in 1993 when the requirement for technical and commercial maturity was first introduced in the Group reserves guidelines. This was later strengthened by adding the requirement that large or frontier projects should 'in principle' first pass a VAR review (preferably VAR3 – Concept Selection) before any reserves could be booked. Large projects of a downstream nature (e.g. LNG plants), which would not be subjected to a VAR review, would 'in principle' need to wait until FID.

The experience since the introduction of these new guidelines has been that the large established OUs (SEPCo, Shell UK Expro, NAM) tended to follow these guidelines, generally deferring first time bookings for new fields until at least a proper Development Plan had been prepared and commercial viability had been assured. The approach followed by smaller OUs and SDS has in some cases been more aggressive, even to the point where technically and/or commercially immature projects, some of those not even passing VAR2 or VAR3 reviews, were put forward as reserves. The main drive behind this appears to be a lack of awareness or indeed a disregard for the guidelines, coupled with a strong drive from score card reserves targets.

The SEC Proved reserves guidelines, which all oil- and gas producing companies with a stock listing in the USA must adhere to, prescribe that there must be a 'serious commitment' by the company to develop the reserves concerned. According to recent SEC clarifications (Refs. 4, 5) this should mean AFE, FID, the signing of fabrication or sales contracts or at least a firm plan that is likely to become implemented. The SEC often reminds the industry that individuals responsible for Proved reserves reporting and certification may be subject to 'potential civil liability' in case of non-adherence of their rules. They also reserve the right to challenge reserves submissions by companies and to force companies to re-state their Proved reserves when necessary.

The observation can also be made that, for first reserves bookings, industry practice tends to follow the SEC guidelines more closely than some of the Group cases mentioned. Examples are BP (who have not yet booked any reserves for Angola Block 18), Exxon and also SEPCo, both of whom tend to book Proved reserves only at or close to FID.

The auditor's conclusion is therefore that a tightening of the Group guidelines with respect to the timing of first reserves bookings is required. Particularly large or frontier developments must have successfully passed appropriate milestones (VAR3 review or a serious financial or contractual commitment) before first reserves bookings can be made for the project. This implies that economic viability must pass project screening (i.e. not just commercial viability) since only project viability can assure that the project is likely to become implemented. It also implies that identified show stoppers must have been resolved since these bring implementation in possible jeopardy. Smaller new fields in mature areas should have at least a documented Development Plan, with identified well targets and robust economics, before reserves can be booked. The guideline documents should be adapted accordingly.

The tightening of guidelines for first time booking of Proved reserves should not lead to a drive to book in first instance Expectation reserves only and let Proved reserves follow later (cf. SK-8 volumes booked by SSPC). If no Proved reserves can be booked then the development is technically or commercially not yet mature and no reserves, neither Proved nor Expectation, should be thus booked (Ref. 3). Exceptions to this could be made for smaller projects within existing mature fields.

It should be understood that tightening of the first time booking guidelines, necessary as they are from a SEC perspective, may affect reserves already booked in some major new fields (cf. Ormen Lange – Norway with 17 bln sm3, NAM's Waddenzee reserves with 4 bln sm3, Angola with 12 mln m3 and possibly Gorgon – Australia with 86 bln sm3 Group share Proved reserves).

9. **Reserves Addition targets in Score Cards**

Group Proved Reserves receive increasingly close attention by Group Management. Reserves addition targets are set annually, both to OUs and to SIEP Directorates and these are reflected in individual and collective score cards affecting variable pay and bonuses of staff involved. This is leading to a noticeable increase in attempts to book reserves which are not technically or commercially mature and which do not fulfil Group reserves guidelines, cf. the new field bookings in Angola and Nigeria.

It is the auditor's opinion that the setting of reserves targets through variable pay score cards represents a potential integrity issue in the reserves estimation process. Objective judgment cannot always be assured if the pay of staff is influenced by the volumes of reserves that are booked. Although the Group reserves reporting system does provide for a variety of checks and balances (most notably that by the EPB-P reserves coordination), their effectiveness cannot always be complete, particularly not for the smaller reserves changes (cf. Erha field). Nevertheless, it was seen that the objectivity of the EPB-P staff was beyond question and that they successfully met the challenges with which they were faced.

A notable effect of setting reserves addition targets seems to be that they become targets in themselves and thus seem to deflect attention away from the real target, which should be advancement of development.

The recommendation is therefore to de-emphasise specific reserves addition targets in score cards and to strengthen targets relating to advancement of field development, e.g. the passing of clearly identifiable project milestones. These could be specific VAR reviews (with e.g. VAR3 becoming the milestone at which reserves can be booked, see also below) or other project decision points (e.g. FID).

10. **Awareness of Group guidelines**

The annual updates of the Group reserves guidelines documents are generally distributed to staff responsible for reserves estimation and reporting in the OUs and NVOs. This distribution tends to exclude staff at senior levels, both in the OUs and in the central support functions (RBDs, SDS, SEPTAR etc). There is evidence that this has led to a lack of awareness of the principles and constraints in the reserves booking process in these functions. It is recommended that this be remedied, e.g. through workshops, high level guideline summaries etc.

11. **Criterion for commerciality**

According to present Group guidelines, Proved reserves should fulfil the criterion for commerciality, i.e. a positive NPV for a sufficiently wide range of uncertainty scenarios, including the Proved case. This criterion is more lenient than that for economic viability, which is used for project screening. The distinction between the two criteria was introduced in 1993 in order to avoid too rapid reserves swings for projects that had become marginal. However, first-time reserves bookings had to 'demonstrate positive profitability' before they could be booked (Ref. 6). This requirement has gradually become ignored and uneconomic projects that only pass the commerciality test have been allowed as first-time bookings (cf. Angola block 18). This implies that reserves are being booked for projects that, being uneconomic, are not likely to be implemented, which is in conflict with SEC requirements (see above). The requirement that first-time bookings can only be made for projects that are economic (and thus likely to become implemented) should therefore be re-enforced in the guidelines.

The two criteria (for commercial and economic viability) used to be based on the same oil price assumption ($14/bl MOD flat). This was changed in 2001 when the price assumption for project screening was raised to $16/bl MOD flat (publicly announced in 2001), whilst that for reserves commerciality was kept at $14/bl. This introduced an inconsistency because the reserves commercially criterion could now, under some conditions, become less lenient than that for projects. During reserves audits it was found that this has created confusion among staff in some OUs and from this perspective it would be desirable if the two price assumptions would be made equal again. It is the auditor's understanding that a revision from $14/bl to $16/bl is being considered. The effect on reserves is likely to be limited in most cases, except for PSCs and other 'innovative contracts', where booked reserves volumes would reduce because they tend to be inversely proportional to the assumed oil price.

12. **Annual production – consistency between Ceres and Reserves**

Group share annual hydrocarbon production is reported separately through the Ceres system by Group Finance and through the reserves submissions accumulated by SIEP. Both reports find their separate ways into the Group annual report and it is therefore important that the two reports are consistent. OUs are strongly advised (and indeed forced by a joint submission sheet) to coordinate their respective submissions to Ceres and reserves. However, the experience is still that inconsistencies continue to arise. Where significant, these inconsistencies have been addressed and a good match between the two has been obtained, see Attachment 4.

A remarkable observation is that in previous years any consistency errors tended to occur in the reserves submissions, but this year most of them occurred in the Ceres returns. One explanation is that known errors in previous quarters' Ceres returns had not been corrected, thus affecting the year-end total. The improved guidelines for reserves submissions (bringing clarity on e.g. conversion factors) could provide a further explanation.

13. **SEC Reserves Audits**

SEC Reserves Audits are carried out by the Group Reserves Auditor in all OUs every 4-5 years. All audits carried out during 2001 resulted in either 'satisfactory' or 'good' opinions (3 and 4 OUs respectively). A summary of audit findings is presented in Attachment 6. As far as can be observed, most audit recommendations appear to have been followed in this year's submissions. The forward Audit Plan is given in Attachment 7.

14. **Electronic Workbooks**

As in previous years, much benefit was derived from the SIEP-developed electronic workbooks through which OUs had to make their submissions. In spite of being somewhat hampered by lack of staff continuity, EPB-P staff have made a significant effort this year to ensure that submissions were properly challenged and that the accumulation process was completed accurately and on time. For this they are commended.

Recommendations to SIEP Reserves Coordination: Action parties?

1. Change the Group reserves guidelines such that first reserves bookings for large and/or frontier projects can only be allowed after either successfully passing a VAR3 or another clear milestone implying project viability and commitment. Smaller fields in mature areas should as a minimum have a documented FDP.
2. In the Group reserves guidelines, include guidance on assumptions to use in future production profiles when these become important for OUs with constrained production licence durations. With such guidance, review the present assumptions used by e.g. SPDC and PDO. ? who
3. De-emphasise reserves addition targets in individual and collective score cards and strengthen targets for reaching project development milestones (VAR reviews, FID, etc). // both
4. Spread the awareness of reserves booking principles and constraints to senior levels in OUs and central support functions (RBDs, SDS, SEPTAR etc), e.g. through workshops or high level summaries. // OB
5. A revision of the oil price assumption for reserves commerciality ($14/bl MOD flat) to bring it back in line with that for projects' economic viability screening ($16/bl MOD flat) is encouraged.
6. Ensure that proved future production profiles for licence constrained OUs are made available to the auditor in a timely manner, in order to allow him to asses the validity of Proved reserves.

References

1. 'Statement of Financial Accounting Standards No. 69', FASB, November 1982
2. 'Statement of Financial Accounting Standards No. 25', FASB, February 1979
3. 'Petroleum Resource Volume Guidelines', SIEP 2001-1100
4. SEC Website: "Issues in the Extractive Industries" (dated 31st March 2001): www.sec.gov/divisions/corpfin/guidance/cfactfaq.htm#p279_57537
5. "Understanding US SEC guidelines minimizes reserves reporting problems", T.L.Gardner, D.R.Harrell, Oil&Gas Journal, Sept 24, 2001.
6. 'Petroleum Resource Volume Guidelines', SIPM EP93-0075, May 1993

Attachment 2

SIGNIFICANT 2001 PROVED AND PROVED DEVELOPED RECOVERY CHANGES

(Shell Group share)

MAJOR TECHNICAL REVISIONS					
Country	Oil+NGL (10^6 m^3)		Gas (10^9 sm^3)		Description
	Dev'd	Total	Dev'd	Total	
Netherlands				+23	Groningen review
Australia	+3		+18		Perseus devmt
Nigeria (SPDC)	+11		+6		Commissioning of gas plant
Nigeria (SPDC)		+15			Condensate devmt Soku + Nun River (offset by oil, see below)
Philippines	+2		+11		Malampaya on stream
USA (SEPCo)		+9		+1	Holstein FID (first booking)
USA (SEPCo)	+7	+2	+2	+1	Brutus development
USA (SEPCo)	+5	+3	+2	+2	Mars field performance and drilling results
USA (SEPCo)	+4		+1		Crosby development
USA (SEPCo)	+4		+1		Oregano development
USA (SEPCo)		+9		+7	Various field reviews and drilling results
Denmark		+7		+0	Halfdan FDP approved (improved recovery)
Argentina	+0	+0	+6	+3	San Pedrito development
Netherlands			+6		Small fields development
Iran	+6				Soroosh on stream
Brunei (BSP)		+2		+3	Bugan discovery / appraisal
Malaysia		+0		+5	Lower abandonment pressure E11/F13W (offset by licence)
Denmark	+3	+3	+1	+1	Proved growth to Expectation (audit recommendation)
Russia Sakhalin		+3			Review (new reservoir model + external reserves audit)
Egypt		-1		-4	Obaiyed field performance
Canada	-0	-1	-6	-9	Sable review
New Zealand	-2	-2	-9	-9	Maui C sands revision
Nigeria (SPDC)		-17		+6	Field reviews and forecast review (backed out by NGL)
Total Major Techn'l	**+43**	**+32**	**+39**	**+30**	

OTHER MAJOR CHANGES					
Country	Oil+NGL (10^6 m^3)		Gas (10^9 sm^3)		Description
	Dev'd	Total	Dev'd	Total	
New Zealand	+7	+10	+16	+25	Acquisition of Fletcher Challenge equity (Maui + Pohokura)
New Zealand			+6	+6	Re-instatement of pre-paid Maui gas
USA (SEPCo)		+0		+10	Pinedale acquisition
Brunei (FCE)		+1		+5	Fletcher Challenge acquisition
Abu Dhabi	+5	+6			Introduce ADCO NGLs as reserves
Malaysia		-0		-4	E11/F13W reserves pushed beyond licence
Pakistan			-3	-3	Dissolution of PSP, acquisition in Bhit, Bhadra fields
Abu Dhabi	-4	-5			Oil profile adjusted for OPEC cuts (licence constrained)
Oman (Gisco)	-4	-4	-16	-17	New GISCO contract, incl PSC effects
Total Other Major	**+4**	**+8**	**+3**	**+18**	

OTHER MINOR CHANGES AND TOTAL					
	Oil+NGL (10^6 m^3)		Gas (10^9 sm^3)		Description
	Dev'd	Total	Dev'd	Total	
Other Minor Chgs	**+60**	**+44**	**+43**	**+32**	
Grand Total Chgs	**+107**	**+84**	**+85**	**+80**	
Production	**-129**	**-129**	**-93**	**-93**	

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Attachment 3

OIL + NGL (10^6 m3) — All volumes net Shell Group Share

Country Name	Proved Resvs 1.1.2001	Rev'ns and Reclass-ific'ns	Improv-ed Recov-ery	Ext'ns and Discov-eries	Purch-ases in Place	Sales in Place	Prod'n (avail. for sales) 2001	Proved Resvs 1.1.2002	Beyond end of licence	Proved Dev'd Resvs 1.1.2001	Transf. Undev to Dev'd	Revis-ions	Prod'n (avail. for sales) 2001	Proved Dev'd Resvs 1.1.2002	Minority Resvs incl. 1.1.2001	Minority Resvs incl. 1.1.2002	R/P Tot (yr)	Repl'mt Ratio TotRes (%)	Repl'mt Ratio DevRes (%)
Australia (SDA)	29.04	1.21					3.55	26.7		11.08	2.66	2.1	3.55	12.29			0	34%	134%
Australia (WPL)	17.04	2.41	.8				2.18	16.07		5.61	1.91	1.51	2.18	6.86	.1		8	147%	157%
Brunei	69.36	4.48	1.25	2.74			5.59	72.24		34.88	3.6	2.77	5.59	35.66			13	152%	114%
Brunei (FCE)		.11			.89		.04	.95				.35	.04	.31			24	2475%	875%
China	5.97	1.44					1.36	6.05		5.27	.56	.35	1.36	4.82			4	106%	67%
Malaysia	26.85	-.28	1.27	.99			3.46	25.36	14.84	13.76	2.58	.72	3.46	13.6		.17	7	57%	95%
New Zealand	5.	-3.81	.23		10.		1.46	9.96		2.26		4.82	1.46	5.62			7	440%	330%
New Zealand (Pecten)	.74	-.74								.62		-.62							
New Zealand (SPM/ex-FCE)					1.9		.27	1.63				1.33	.27	1.06			6	704%	493%
Philippines	3.5	-.16	.23				.03	3.54			2.18		.03	2.15			110	233%	7267%
Thailand	15.35	.73					.94	15.14		4.02	1.15	.14	.94	4.37			16	78%	137%
Angola	11.85							11.85											
Argentina	3.54	.18		.07		2.26	.14	1.39		1.84	.47	-1.71	.14	.46			10	-1436%	-806%
Brazil (Pecten)	.92						.09	.83		.92			.09	.83			9	0%	0%
Cameroon (Pecten)	5.17	.04	.00	.16			1.1	4.33		5.	.27	-.05	1.1	4.12	1.03	.87	4	24%	20%
Congo (DR - Zaire)	3.04	.11		.08			.18	3.05		2.11		.05	.18	1.98			17	106%	28%
Gabon	18.94	.36	.17			.02	3.22	16.23		17.08	.58	.24	3.22	14.68	4.74	4.06	5	16%	25%
Nigeria (SNEPCO)	89.54	.43						89.97											
Nigeria (SPDC)	434.17	-1.97					14.54	417.66	83.96	116.88	14.69	-.29	14.54	116.74			29	-14%	99%
Venezuela	35.55	3.15					2.53	36.17	6.77	11.29	2.82	1.17	2.53	12.75			14	125%	158%
Abu Dhabi	97.7	1.04					5.45	93.29	59.32	81.18	1.21	.64	5.45	77.58			17	19%	34%
Bangladesh																			
Egypt	5.89	-1.03		.03			.81	4.08		3.47	.02	.3	.81	2.98			5	-123%	40%
Iran	31.59	1.87						33.46			5.64			5.64					
Oman (PDO)	179.4	-8.43	6.22	1.51			16.4	162.3	49.7	80.		2.2	16.4	65.8			10	-4%	13%
Oman Gisco	18.48	-3.27					2.56	12.65		16.76		-3.72	2.56	10.48	2.77	1.9	5	-128%	-145%
Pakistan																			
Russia (Sakhalin Assoc.)	15.1	-13.79					1.31			5.88		-4.57	1.31				0	-1053%	-349%
Russia (Sakhalin Consol.)		30.94						30.94				8.45		8.45		13.92			
Syria	15.72	1.91					2.81	14.82	1.7	11.35	1.82	-1.35	2.81	9.01			5	68%	17%
Austria	.23	.02		.01			.03	.23		.19	.02	.03	.03	.21			8	100%	167%
Canada	56.67	-.48		.01	.01	.01	3.23	53.17		26.88	.8	.06	3.23	24.52	12.49	11.26	16	-15%	27%
Canada (AOSP)	95.4							95.4							21.08	20.2			
Denmark	43.54	6.73	9.27				7.54	52.	10.89	32.95	4.78	5.96	7.54	36.15			7	212%	142%
Germany	3.05	.25					.33	2.97		2.91		.29	.33	2.87			9	76%	88%
Netherlands	4.96	-.33					.59	4.04		3.69		-.09	.59	3.01			7	-56%	-15%
Norway	32.76	1.52					5.19	29.09	.28	23.58	3.56	.26	5.19	22.21			6	29%	74%
UK	102.25	-.63	1.35	2.68			18.06	87.59		75.58	7.5	-4.13	18.06	60.89			5	19%	19%
USA (Aera)	69.09	-5.43	.08			.48	6.71	56.55		57.25	5.83	-4.05	6.71	52.32			8	-87%	27%
USA (SEPCo)	97.17	4.78		22.14	.47	.11	17.11	107.34		56.82	19.97	9.58	17.11	68.26			6	159%	173%
USA (TMR)	.98					.97	.01			.61		-.6	.01				0	-9700%	-6000%
Total excl Can. AOSP	1,550.35	23.36	20.93	30.42	13.26	3.85	128.82	1,505.64	227.46	710.72	84.62	22.14	128.82	688.67	21.03	32.18	12	65%	83%
Grand Total	1,645.75	23.36	20.93	30.42	13.26	3.85	128.82	1,601.04	227.46	710.72	84.62	22.14	128.82	688.67	42.11	52.38	12	65%	83%

GAS (10^9 sm3) — All volumes net Shell Group Share

Country Name	Proved Resvs 1.1.2001	Rev'ns and Reclass-ific'ns	Improv-ed Recov-ery	Ext'ns and Discov-eries	Purch-ases in Place	Sales in Place	Prod'n (avail. for sales) 2001	Proved Resvs 1.1.2002	Beyond end of licence	Proved Dev'd Resvs 1.1.2001	Transf. Undev to Dev'd	Revis-ions	Prod'n (avail. for sales) 2001	Proved Dev'd Resvs 1.1.2002	Minority Resvs incl. 1.1.2001	Minority Resvs incl. 1.1.2002	R/P Tot (yr)	Repl'mt Ratio TotRes (%)	Repl'mt Ratio DevRes (%)
Australia (SDA)	176.917	.901					2.408	175.41		18.051	13.548	.453	2.408	29.644			73	37%	581%
Australia (WPL)	40.184	.376					1.511	39.049		8.002	5.928	.552	1.511	12.971			26	25%	429%
Brunei	99.899	1.547	.48	3.257			4.722	100.461		37.929	1.765	1.685	4.722	36.677			21	112%	73%
Brunei (FCE)		1.393			4.801		.348	5.646			.8	2.672	.348	3.124			16	1722%	998%
China																			
Malaysia	171.791	-6.396	4.675	.23			5.99	164.31	58.513	50.965	2.123	-2.595	5.99	44.503		2.829	27	-25%	-8%
New Zealand	14.811	-3.912	1.713		25.433		4.363	33.687		10.529		14.085	4.363	20.251			8	530%	323%
New Zealand (Pecten)	1.755	-1.755								1.448		-1.448							
New Zealand (SPM/ex-FCE)					5.26		.489	4.771				3.344	.489	2.855			10	1076%	684%
Philippines	16.914	-.303	1.151				.044	17.718			10.755		.044	10.711			403	1927%	24443%
Thailand	6.189	1.581	-.007				.429	7.334		2.633	.13	.254	.429	2.788			17	367%	90%
Angola																			
Argentina	9.389	.301	-.016	3.163		.06	.146	12.631		.066	6.043	-.066	.146	5.907			87	2321%	4101%
Brazil (Pecten)	5.141						.343	4.798		5.141			.343	4.798			14	0%	0%
Cameroon (Pecten)																			
Congo (DR - Zaire)																			
Gabon																			
Nigeria (SNEPCO)	7.02							7.02											
Nigeria (SPDC)	85.71	5.729					2.266	89.173		34.014	10.291		2.266	42.039			39	253%	454%
Venezuela																			
Abu Dhabi																			
Bangladesh	4.825	.344					.424	4.745		2.262		.135	.424	1.973			11	81%	32%
Egypt	27.881	-5.241		2.697			2.565	22.772		13.506	.299	-.151	2.565	11.089			9	-99%	6%
Iran																			
Oman (PDO)																			
Oman Gisco	55.207	-14.136					5.707	35.364		44.76		-14.116	5.707	24.937	8.281	5.306	6	-248%	-247%
Pakistan	9.866	-.006			1.816	5.134	.219	6.323		3.158		-2.939	.219				29	-1518%	-1342%
Russia (Sakhalin Assoc.)																			
Russia (Sakhalin Consol.)																			
Syria	.704	-.186					.186	.332		.337		.06	.186	.211			2	-100%	32%
Austria	1.596	-.14		.093			.204	1.345		1.494	-.092	-.046	.204	1.152			7	-23%	-68%
Canada	84.699	-8.465		.779	.334	.234	6.341	70.771		66.735	.588	-5.186	6.341	55.776	18.608	14.982	11	-120%	-73%
Canada (AOSP)																			
Denmark	29.352	2.255	-.247				3.187	28.173	2.288	18.45	3.464	2.132	3.187	20.859			9	63%	176%
Germany	55.988	3.336					4.425	54.899		44.352	.164	1.388	4.425	41.479			12	75%	35%
Netherlands	399.851	21.604	1.06	1.651			16.066	408.1		200.347	5.612	.876	16.066	190.769			25	151%	40%
Norway	89.781	.934					1.818	88.897	10.555	36.892	.005	-.034	1.818	35.045			49	51%	-2%
UK	98.606	.339	.259	4.408			12.351	91.261		67.46	7.194	-.502	12.351	61.801			7	41%	54%
USA (Aera)	1.287	-.814	.001			.009	.054	.411		.906	.056	-.67	.054	.318			8	-1522%	-1137%
USA (SEPCo)	96.317	3.993		10.872	10.056	.244	16.441	104.562		66.406	10.915	5.995	16.441	66.875			6	150%	103%
USA (TMR)	1.142					1.129	.013			.893		-.88	.013				0	-8685%	-6769%
Total excl Can. AOSP	1,592.822	3.278	9.069	27.15	47.499	6.811	93.06	1,579.948	71.356	737.016	79.588	5.008	93.06	728.552	26.889	23.116	17	86%	91%
Grand Total	1,592.822	3.278	9.069	27.15	47.499	6.81	93.06	1,579.948	71.356	737.016	79.588	5.008	93.06	728.552	26.889	23.116	17	86%	91%

Atachment 3 – 2001 Group Reserves Submissions

FOIA Confidential Treatment Requested

Attachment 4

OIL + NGL

Country	Original CERES mln bbl		Original CERES 10^6m3	Org'l Resvs Subm'n	Org'l Resvs Subm'n 10^6m3	Difference	Final CERES mln bbl	Final CERES 10^6m3	Final Resvs Subm 10^6m3	Difference 10^6m3	Comment
Australia (SDA)				3.55					3.55		
Australia (WPL)				2.18					2.10		
Australia Total		36.078	5.74		5.73	.01	36.070	5.74	5.73	.01	Rounding error? - not corrected
Brunei (BSP)				5.59					5.59		
Brunei (FCE)				.04					.04		
Brunei Total		35.47	5.64		5.63	.01	35.47	5.64	5.63	.01	Rounding error? - not corrected
China		8.516	1.35		1.36	-.01	8.533	1.36	1.36		Q1 error in Ceres - corrected
Malaysia		21.78	3.46		3.46		21.78	3.46	3.46		OK
New Zealand				1.46					1.46		
New Zealand (SPM/ex-FCE)				.27					0.27		
New Zealand Total		10.875	1.73		1.73		10.875	1.73	1.73		OK
Philippines		.165	.03		.03		.165	.03	.03		OK
Thailand		5.91	.94		.94		5.91	.94	.94		OK
Argentina		.907	.14		.14		.907	.14	.14		OK
Brazil (Shell Oil WH)		.56	.09		.09		.56	.09	.09		OK
Cameroon (Shell Oil EH)		6.956	1.11		1.1	.01	6.956	1.11	1.1	.01	Ceres figure incorrect (Govt penalty in Dec) - not changed
Congo (DR)		1.123	.18		.18		1.123	.18	.18		OK
Gabon		20.105	3.2		3.22	-.02	20.259	3.22	3.22		Error in Ceres - corrected
Nigeria (SPDC)		91.42	14.54		14.55	-.01	91.42	14.54	14.54		Reserves submission corrected
Venezuela		15.808	2.53		2.53		15.888	2.53	2.53		OK
Abu Dhabi		34.306	5.45		5.45		34.306	5.45	5.45		OK
Egypt		5.125	.81		.81		5.125	.81	.81		OK
Oman	103.14			16.4					16.40		
Oman Gisco	16.091			2.56					2.56		
Oman Total		119.231	18.96		18.96		119.231	18.96	18.96		OK
Russia (Sakhalin Holding)	8.255			1.31					1.31		
Kazakhstan (Temir)											
Russia Total		8.255	1.31		1.31		8.255	1.31	1.31		OK
Syria		17.669	2.81		2.81		17.669	2.81	2.81		OK
Austria		.2	.03		.03		.2	.03	.03		OK
Canada		20.321	3.23		3.23		20.321	3.23	3.23		OK
Denmark		47.423	7.54		7.54		47.423	7.54	7.54		OK
Germany		2.003	.32		.33	-.01	2.003	.32	.33	-.01	Error in Ceres - not corrected
Netherlands		3.71	.59		.59		3.71	.59	.59		OK
Norway		32.641	5.19		5.19		32.641	5.19	5.19		OK
UK		113.574	18.06		18.06		113.574	18.06	18.06		OK
USA (SEPCo)				17.11					17.11		
USA (Aera)				6.71					6.71		
Shell Oil (TMR)				.01					0.1		
USA Total		149.891	23.83		23.83		149.891	23.83	23.83		OK
Total		810.102	128.81		128.83	.02	810.273	128.83	128.82	.01	

GAS

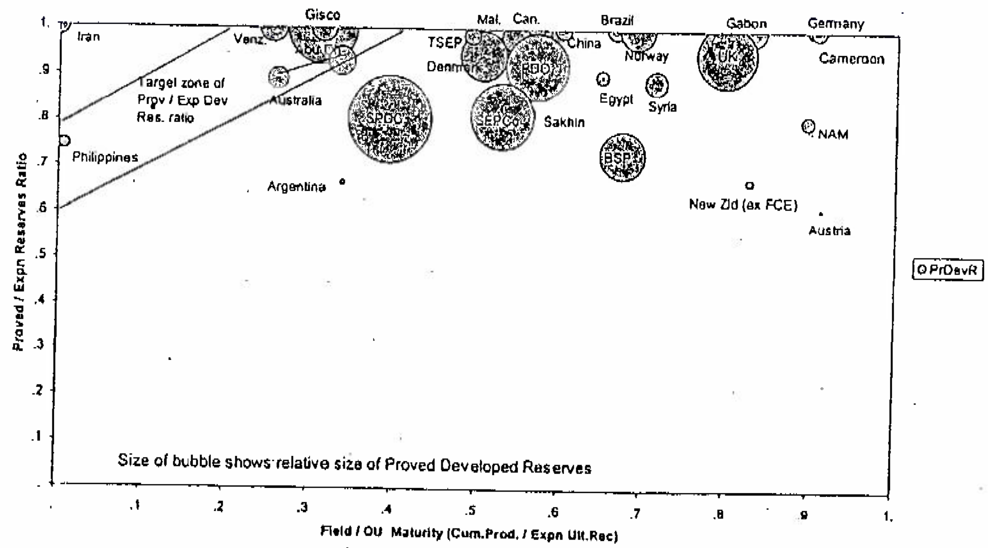
Country	Org'l CERES 10^9sm3	Org'l Resvs Subm'n	Org'l Resvs Subm'n 10^9sm3	Difference	Final CERES 10^9sm3	Final Resvs Subm'n 10^9sm3	Difference	Comment
Australia (SDA)		2.408						
Australia (WPL)		1.511						
Australia Total	3.919		3.919		3.919	3.919		OK
Brunei (BSP)	4.722	4.722			4.722			
Brunei (FCE)	0.231	.348			0.348			Error in FCE Ceres - corrected
Brunei Total	4.953		5.07	-.117	5.07	5.07		
Malaysia	5.99		5.99		5.99	5.99		OK
New Zealand		4.363			4.363			
New Zealand (SPM/exFCE)		.489			0.489			
New Zealand Total	4.052		4.852		4.852	4.852		OK
Philippines	.044		.044		.044	.044		OK
Thailand	.429		.429		.429	.429		OK
Argentina	.146		.146		.146	.146		OK
Brazil (Shell Oil WH)	.343		.343		.343	.343		OK
Nigeria (SPDC)	2.381		2.266	.115	2.266	2.266		Error in Ceres - corrected
Bangladesh	.424		.424		.424	.424		OK
Egypt	2.582		2.565	.017	2.565	2.565		Error in Ceres - corrected
Oman Gisco	5.707		5.707		5.707	5.707		OK
Pakistan	.219		.219		.219	.219		OK
Syria	.186		.186		.186	.186		OK
Austria	.204		.208	-.004	.204	.204		Error in Resvs submission - corrected
Canada	6.297		6.341	-.044	6.337	6.341	-.004	Delay error in Foothills prod; Resvs vol = SCL press release!
Denmark	3.187		3.187		3.187	3.187		OK
Germany	4.425		4.425		4.425	4.425		OK
Netherlands	16.066		16.066		16.066	16.066		OK
Norway	1.818		1.818		1.818	1.818		OK
UK	12.351		12.351		12.351	12.351		OK
USA (SEPCo)		16.441						
USA (Aera)		.054						
Shell Oil (TMR)		.013						
USA Total	16.514		16.508	.006	16.508	16.508		Error in Ceres - corrected
Total	93.037		93.064	-.027	93.056	93.06	-.004	

Attachment 4 - 2001 Production reconciliation – Ceres vs Reserves

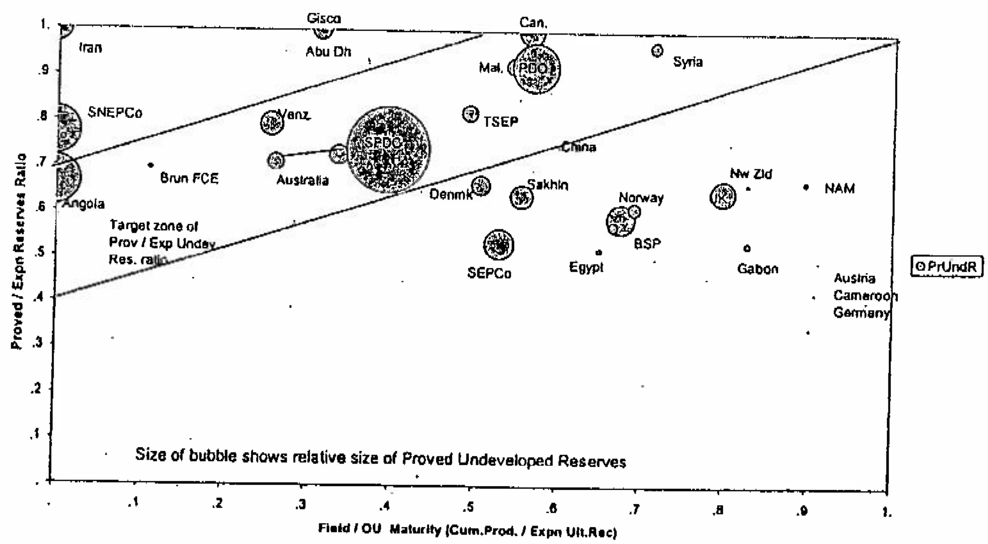
FOIA Confidential Treatment Requested

Attachment 5.1

1.1.2002 DEVELOPED OIL+NGL RESERVES
Fields / OUs Proved / Expectation ratios vs maturity

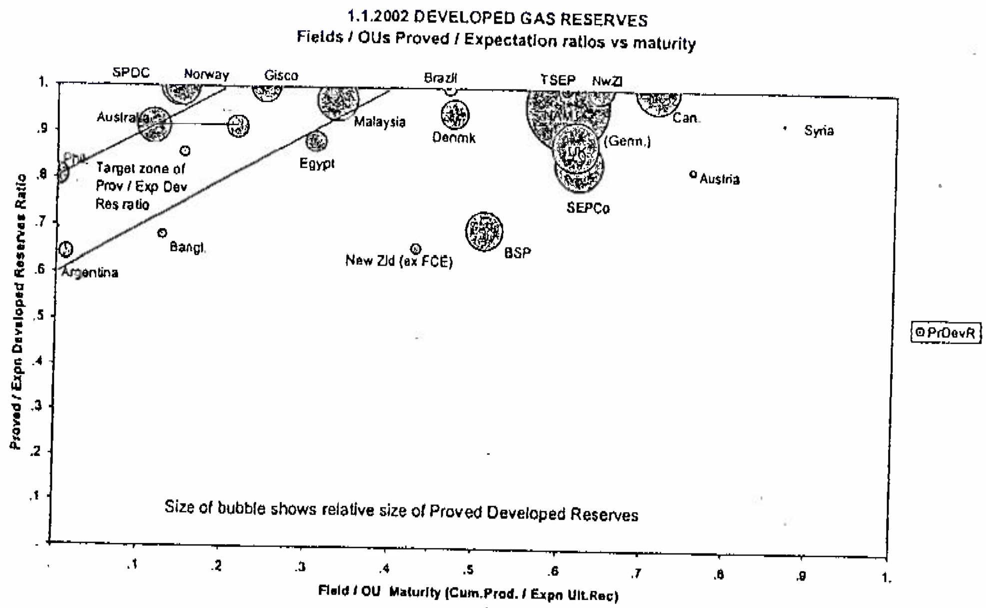


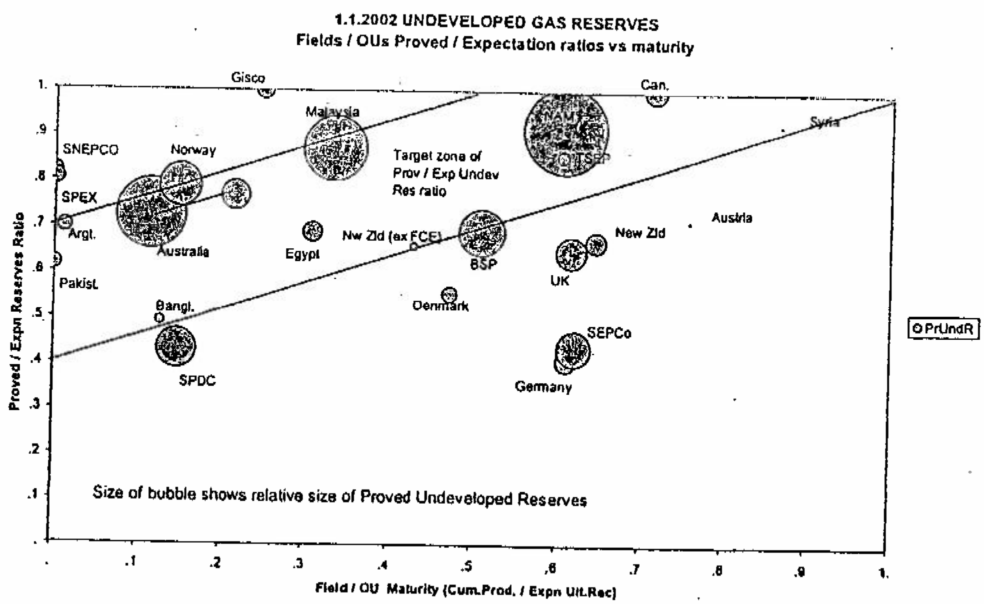
1.1.2002 UNDEVELOPED OIL+NGL RESERVES
Fields / OUs Proved / Expectation ratios vs maturity



Maturity of Proved Oil+NGL Reserves - by OU

Attachment 5.2





Maturity of Proved Gas Reserves - by OU

Attachment 6

2001 RESERVES AUDITS - MAIN OBSERVATIONS

UK (Shell Expro): Shell UK Expro follow very well established and documented procedures in their annual reserves reporting process. An example is the strict discipline enforced by Shell Expro's data base, which contains activities based reserves, forecasts and cost estimates. The Expro guidelines contain a strong recommendation that all Proved developed reserves must be set equal to Expectation developed estimates, regardless of field maturity. This approach is too rigorous for newly developed fields where uncertainties can still be considerable. There is thus a possibility of a slight overstatement of Proved Developed reserves. Proved undeveloped reserves are low compared to Expectation in some fields, but these uncertainty margins are justified. Overall audit opinion is good.

Netherlands (NAM): NAM follow well prescribed procedures in their annual reserves reporting process, as shown through annual reserves challenge sessions, the high-quality reserves data base and the comprehensive ARPR documentation. Proved volumes in the Waddenzee fields, which are affected by the Dutch government moratorium on drilling, can be maintained as reserves (current guidelines, no restriction on licence duration), but need continuous review. Some fields contain too low Proved vs Expectation ratios. The method of booking NAM/Shell share reserves in UGS fields should be reviewed critically. Overall audit opinion is good.

Germany (DSAG/BEB): BEB is commended for their well organised data base of reserves data, with flexible facilities to satisfy all reserves reporting requirements. BEB procedures for declaring Proved and Proved Developed reserves are in line with Group guidelines. However, reported Expectation reserves tend to contain highly uncertain and poorly supported elements, which should be re-classified as SFR. Group internally reported Expectation reserves are therefore likely to be overstated. There is a possibility of a slight overstatement of Proved (Developed and Undeveloped) reserves in some new gas fields due to the too rigorous use of Expectation / P50 volumes, rather than P85 volumes in these fields. Overall audit opinion is good.

Denmark (SOGU): SOGU follow well prescribed and documented procedures in their annual reserves reporting process, as shown by their well organised spreadsheet system of tracking reserves volumes components and their changes. Since Maersk's Proved Reserves estimates tend to be too conservative and often not up-to-date, SOGU have devised a commendable method of allowing these to 'grow' towards Expectation levels with increasing field maturity. Some assumptions in this method are still somewhat conservative, thus leaving scope for increasing the Proved Developed Reserves. Overall audit opinion is good.

New Zealand (SPM/STOS): STOS prepare well-documented annual reserves evaluations in their producing fields. There is an urgent need for a reserves update for Maui gas, where negative field evidence in the last few years (drilling, production performance) has made a downward correction highly likely. STOS have also identified an urgent need for a field review in Kapuni, where significant additional gas could be present. Take-or-pay gas paid for but not taken by the gas buyers in Maui should be retained in reserves until actually produced and not excluded as at present. Overall audit opinion is satisfactory.

China (SECL): Undeveloped reserves should be based on a full (not a partial) set of future development activities and their uncertainties. This could lead to an increase in undeveloped reserves. A properly documented audit trail note should be prepared. Overall audit opinion is satisfactory.

Austria (RAG): RAG reserves still appear to show remnants from the previous Mobil reserves guidelines. Many undeveloped reserves volumes are not yet based on identified future well activities. There also appear to be some undocumented 'legacy' reserves, which may need to be de-booked after study. The quality of the audit trails should be improved by properly documenting critical stages of the reserves estimation process. Overall audit opinion is satisfactory.

In addition, a brief review was made of the reasons underlying the 17 mln m3 increase in Group share Proved reserves booked at end 2000 by **SVSA in Urdaneta West**. This represented a significant increase (+78%) of SVSA's reported Proved reserves and was deemed a subject for review by the Group reserves auditor. Documentation received during 2001 showed that these reserves additions were based on increasing the number of drainage points and lowering well inflow pressures through artificial lift in the tight Icotea/Misoa and Cogollo/Rio Negro reservoir, thus maximising oil recovery within the reservoir abandonment pressure window. Management commitment to this additional development was already given during 2000 and activities were started during 2001. Hence, these reserves additions could be supported.

Attachment 7

COUNTRY	Size**	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Comments
MALAYSIA	L		X				X				A				15-19 Apr 2002
BRUNEI	L		X				X				A				22-26 Apr 2002
BRAZIL (Pecten)	M/S										P1?				Not yet accepted
SYRIA	M/S	X			X						A				2-5 June 2002
PAKISTAN	M/S					$					A1				Sept 2002
IRAN	L							$			A1				Oct 2002
USA (AERA)	L					$					A1				11-15 Nov 2002
ANGOLA	M/S								$		A1?				Dependent on project progress
NIGERIA - SNEPCO	L					$		X			P?				To be considered
ABU DHABI	L			X				X				P			
NIGERIA -SPDC	L	X				X		X				P			
OMAN	L			X				X				P			
EGYPT	M/S		X					X				P			
VENEZUELA	L				$			X				P			
ARGENTINA	M/S			X				X				P			Combine with Venezuela
CAMEROON (Pecten)	M/S											P1			
AUSTRALIA	L				X				X				P		
NORWAY	L				X				X				P		
USA (SEPCo)	L								X				P		
PHILIPPINES	M/S					$		X					P		
THAILAND	M/S		X					X					P		
KAZAKHSTAN-OKIOC											$?		P1?		
RUSSIA - SALYM												$?	P1?		
GABON	M/S			X					X					P	
BANGLADESH	M/S					$			X					P	
RUSSIA - SAKHALIN	M/S					$			X					P	
NAMIBIA												$?		P1?	
NETH. NAM	L	X				X				X				P	
GERMANY	L	X				X				X				P	
UK	L			X		X				X				P	
DENMARK	L	X				X				X				P	
CHINA	M/S		$							X					
AUSTRIA	M/S			X						X					
NEW ZEALAND	L				X					X					
CANADA	L														No direct involvement
CHAD	M/S			X											Divested 2000
KAZAKHSTAN-TEMIR	M/S							$							Divested 2000
USA (ALTURA)	L					$									Divested 2000
ZAIRE	M/S		X												To be divested?

P = Proposed
A = Accepted
X = Completed
()1 = First audit
$ = First SEC resvs subm'n
* = First SEC subm'n via SIEP

** L : > 30 mln m3oe ss
M/S : < 30 mln m3oe ss

Audit frequency:

Large OUs once every 4 years,
Medium/Small OUs every 5 years,
First audit within 2 yrs after first submission.

Exceptions possible in case of:
- major reserves changes,
- critical audit reports etc,
- when combinable with other audits.

Attachment 7 - SEC Reserves Audit Plan 2002

FOIA Confidential Treatment Requested

30/01/02

Reserves presentation

- **Proved reserves 31.12.2001**
  - Overview
  - Main changes
  - Variances vs Target
- **Main issues**
  - New fields
  - End of License
  - SEC guidelines
- **Way forward**
  - Target 2002
  - Reserves roadmap

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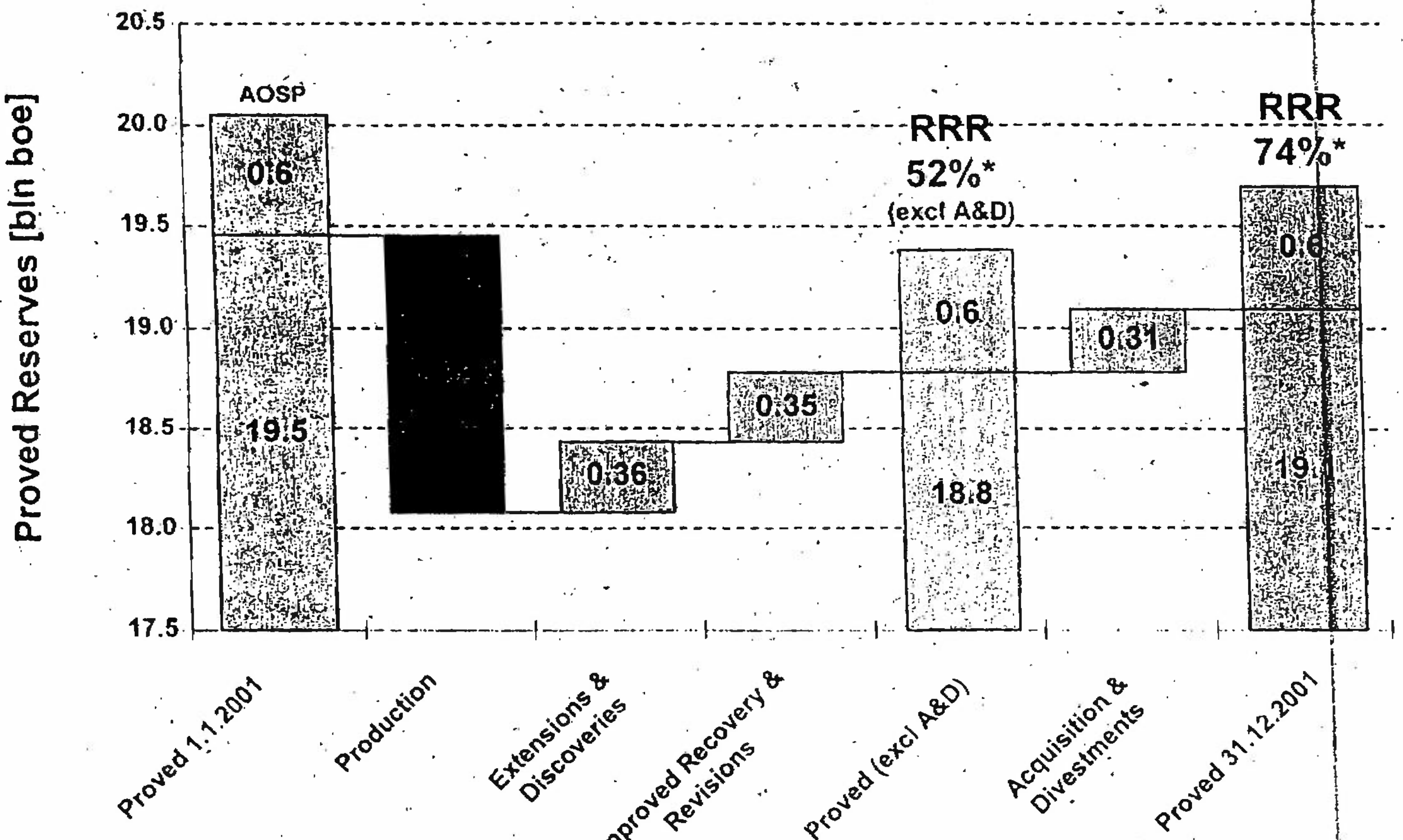
Total BOE Proved Reserves 2001



*Including 6% through Sakhalin consolidation

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MAIN CHANGES

			OIL/GAS
• **Extensions & Discoveries:**		**+357 mln boe**	**191/166**
– USA	+205	Holstein, Kepler, etc	
– UK	+44	Penguins, Carrack, etc	
– Brunei	+37	Bugan, Seria	
• **Acquisitions & Divestments:**		**+307 mln boe**	**59/248**
– NZ, Brunei	+296	Fletcher, with 44 still to be divested	
– USA	+64	Pinedale	
– Pakistan, Argentina, TMR	-59		
• **Revisions & Improved Recovery:**		**+354 mln boe**	**279/75**
– Netherlands	+130	Groningen	
– Denmark	+113	Halfdan, Dan West	
– Sakhalin	+88	Consolidation (45% Ashtok)	
– Canada	-50	Sable	
– New Zealand	-51	Maui –91 + pre-paid gas + Kapuni	
– Oman Gisco	-107	Accelerated repayments	
• **Production:**		**1377 mln boe**	**810/567**
• **Developed Reserves Additions**		**1187 mln boe**	**671/447**

– Australia, Philippines, Argentina, SPDC, Iran, Denmark, UK, USA

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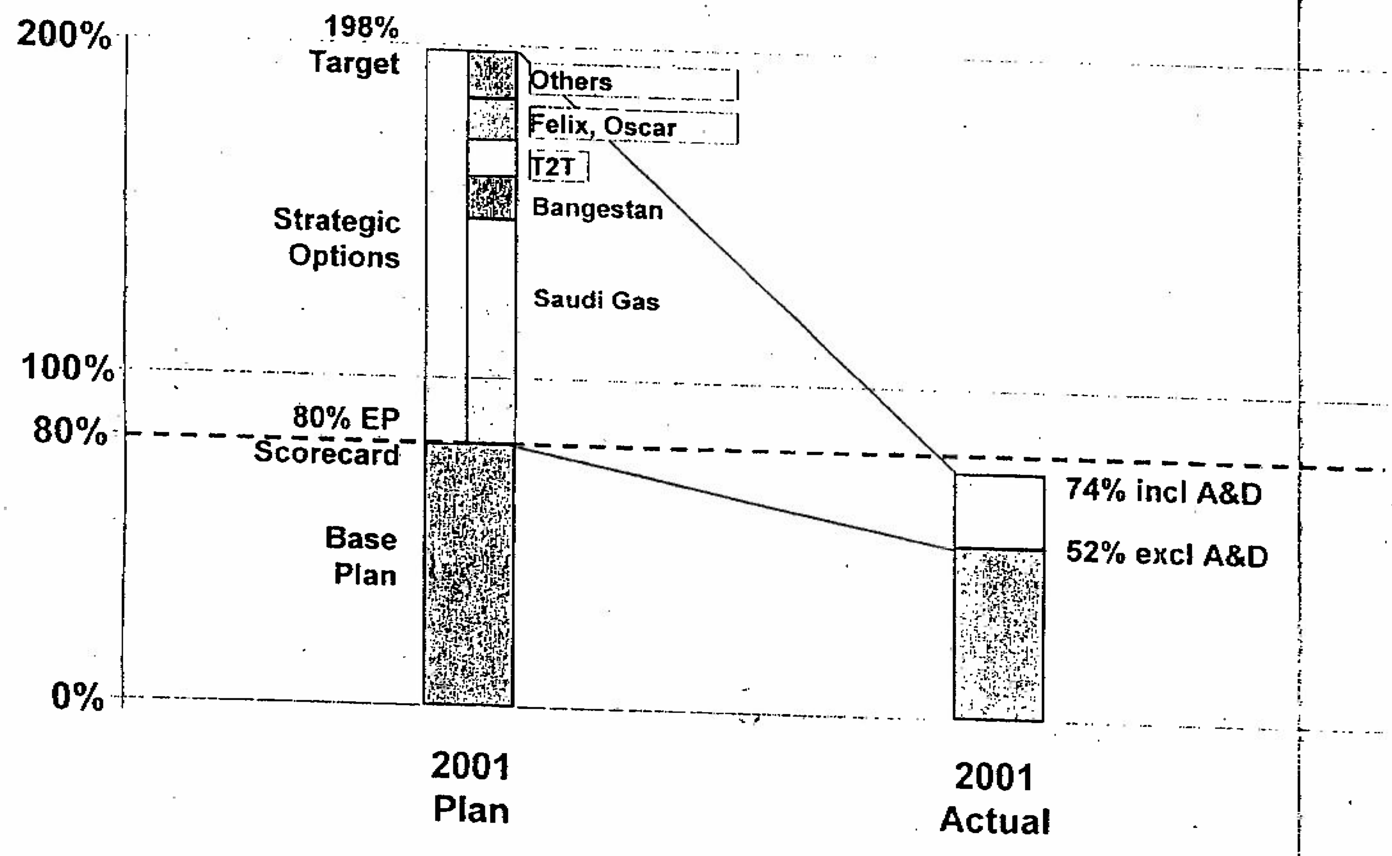
2001 RRR Target vs Actual



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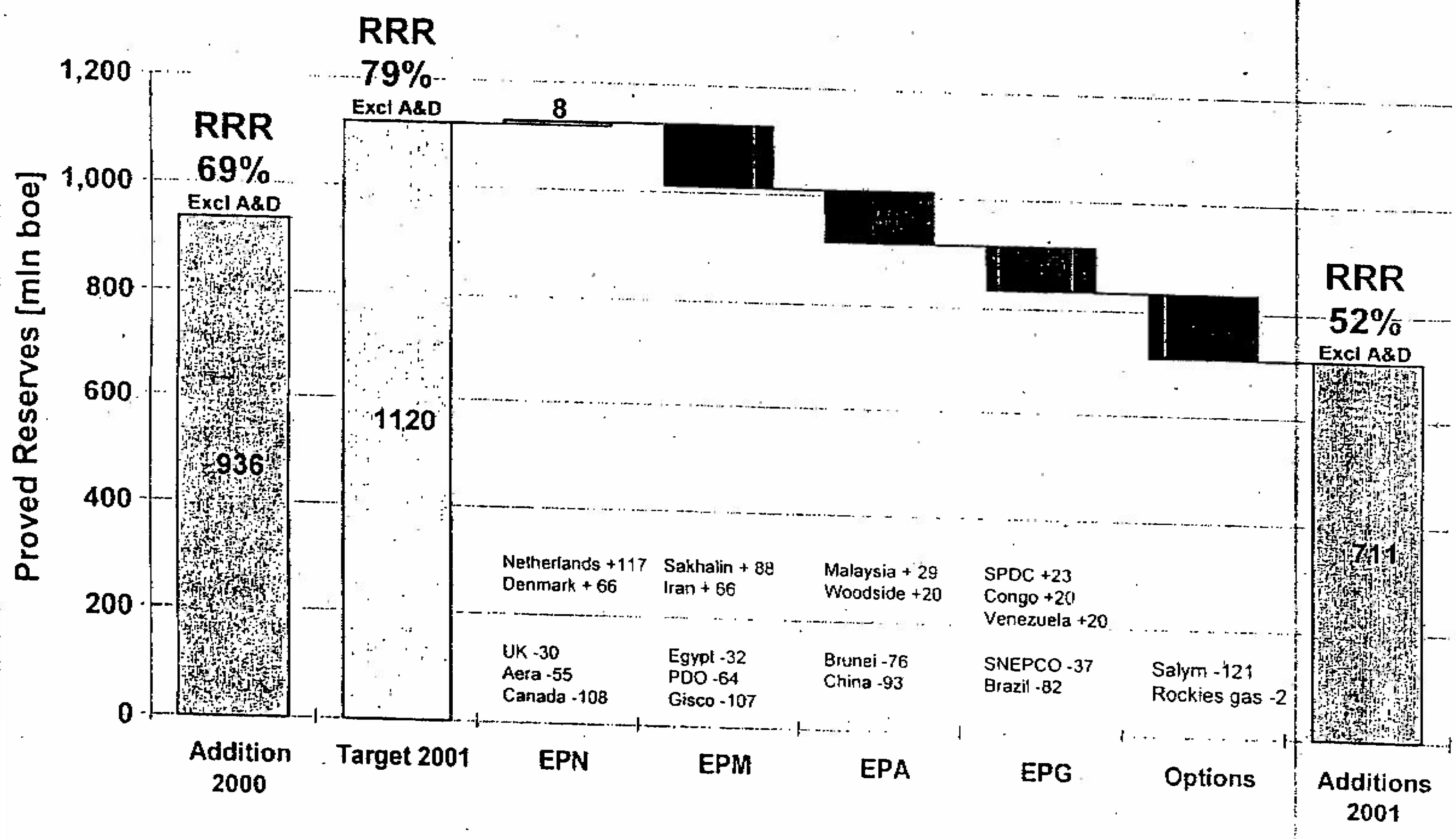
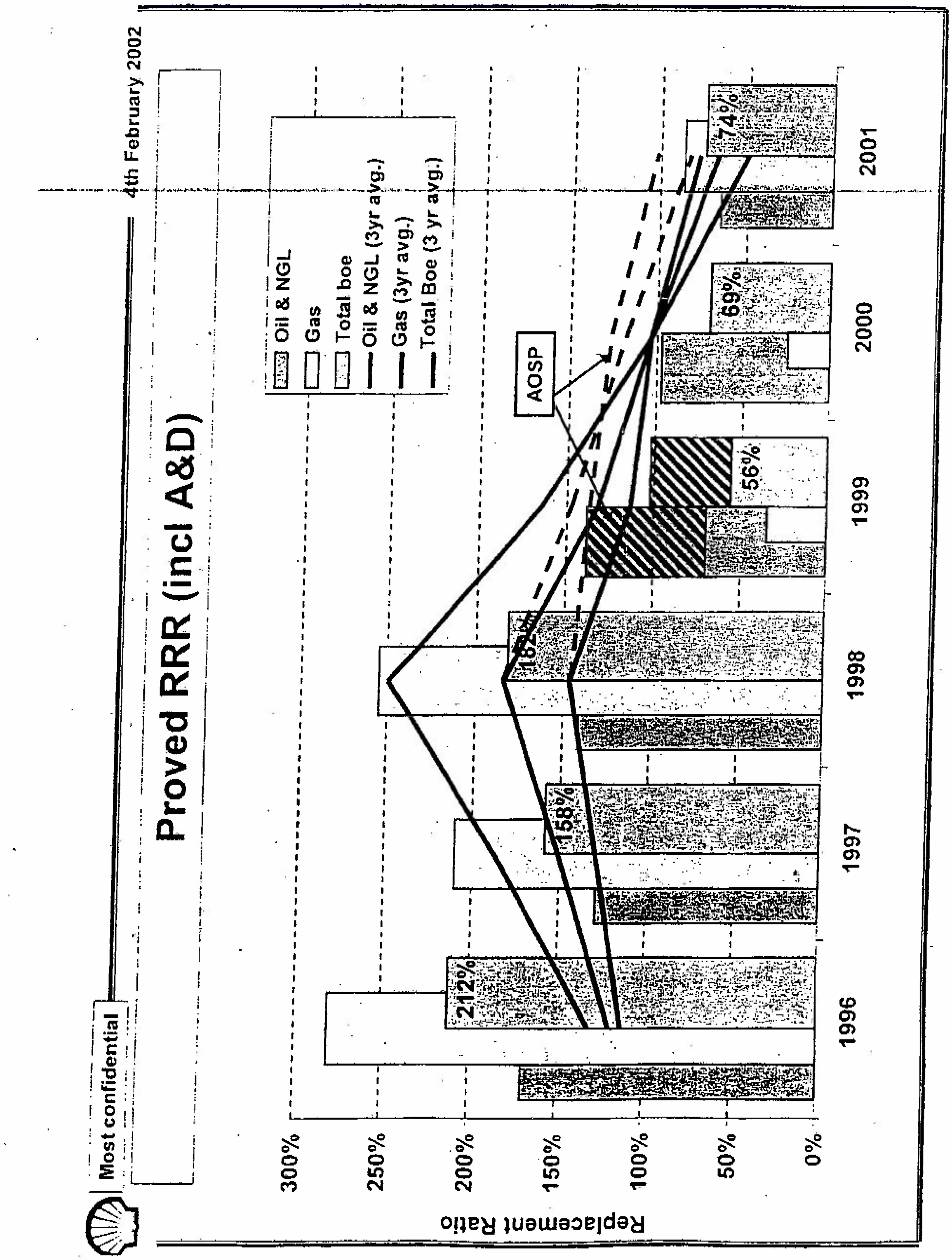
2001 Reserves Actual versus Target




Proved RRR (incl A&D)
4th February 2002
Most confidential
Oil & NGL
Gas
Total boe
Oil & NGL (3yr avg.)
Gas (3yr avg.)
Total Boe (3 yr avg.)
AOSP
Replacement Ratio
300%
250%
200%
150%
100%
50%
0%
212%
158%
182%
56%
69%
74%
1996
1997
1998
1999
2000
2001

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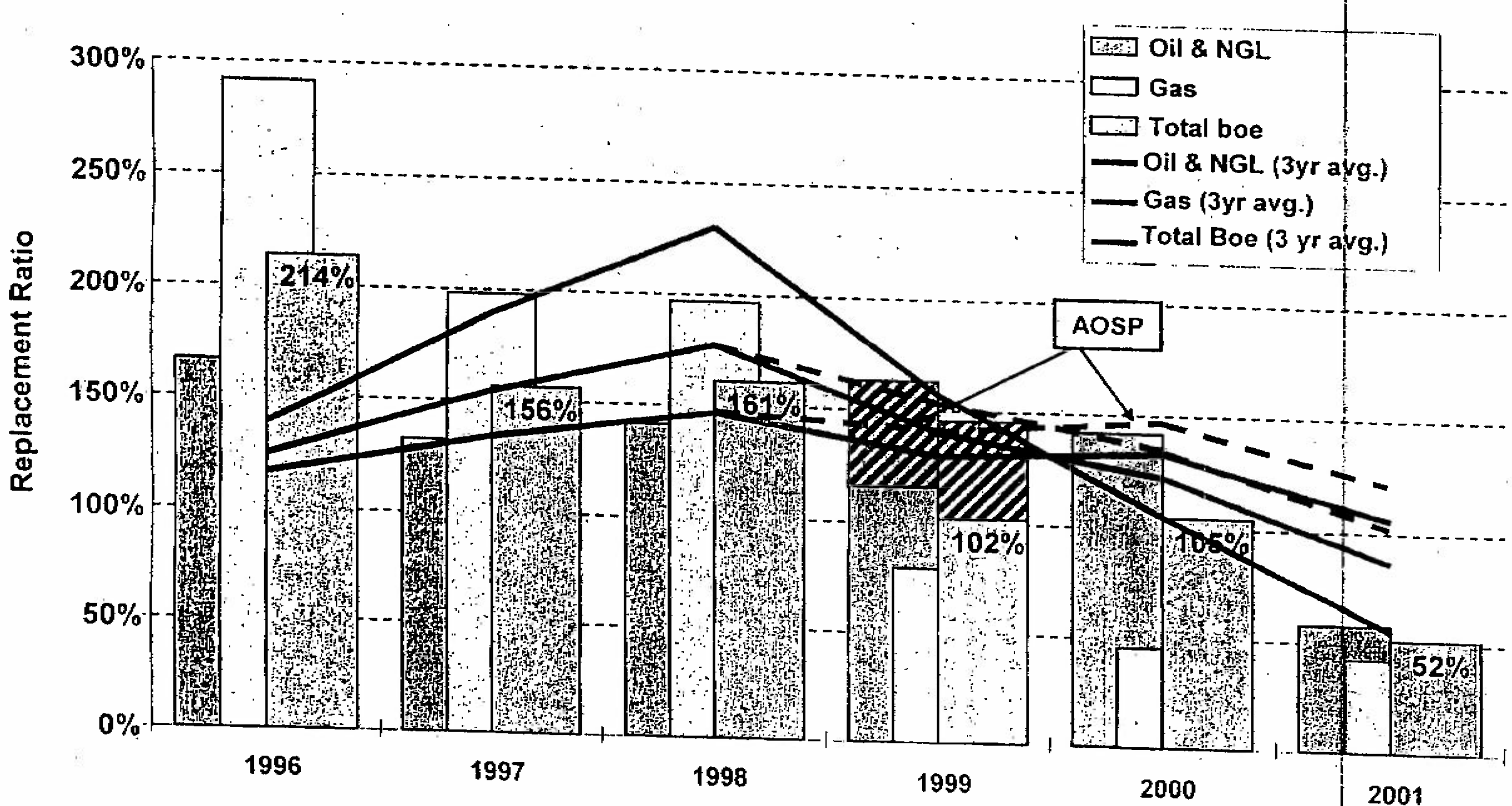
4th February 2002

Proved RRR (excl. A&D)



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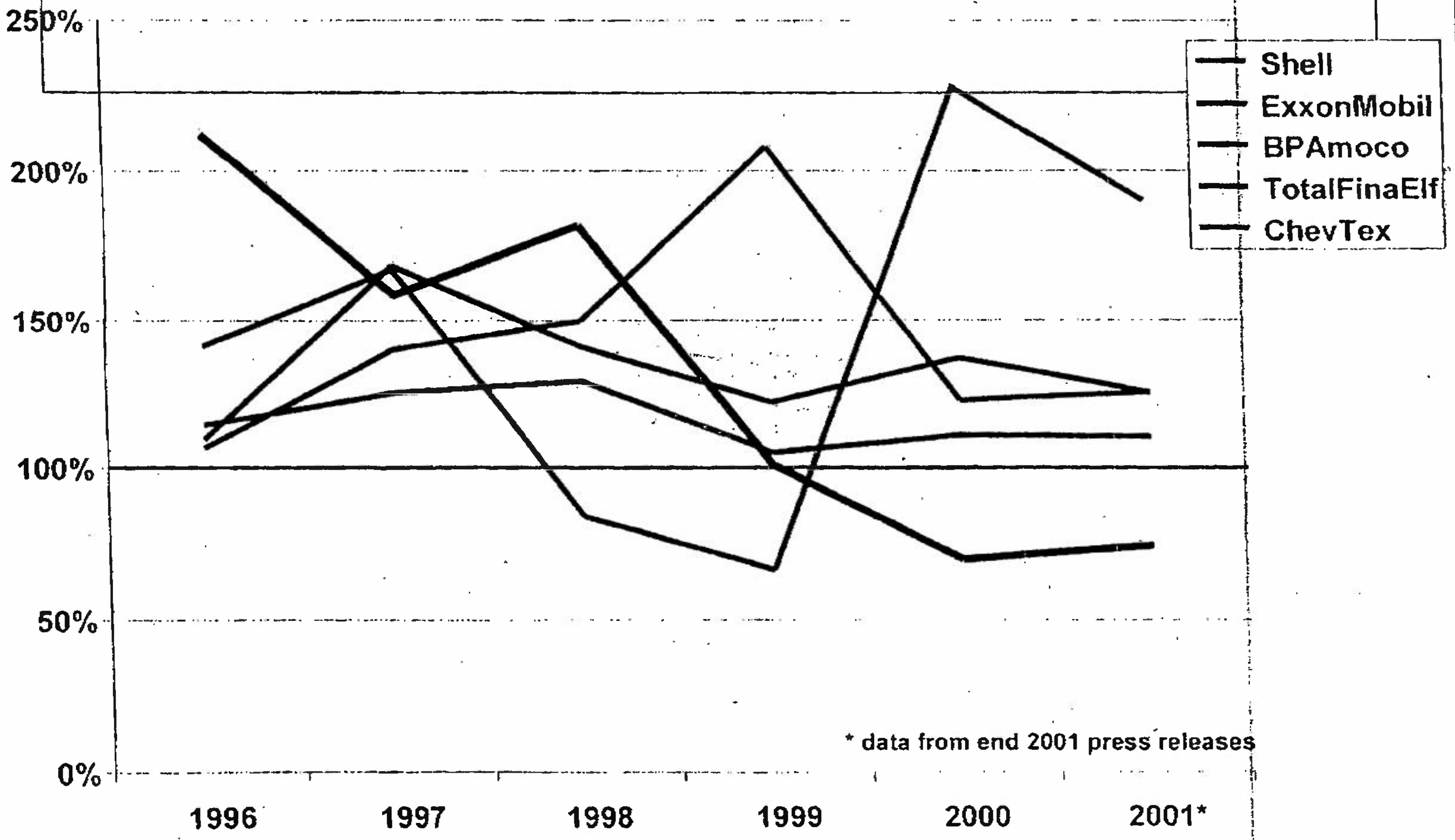
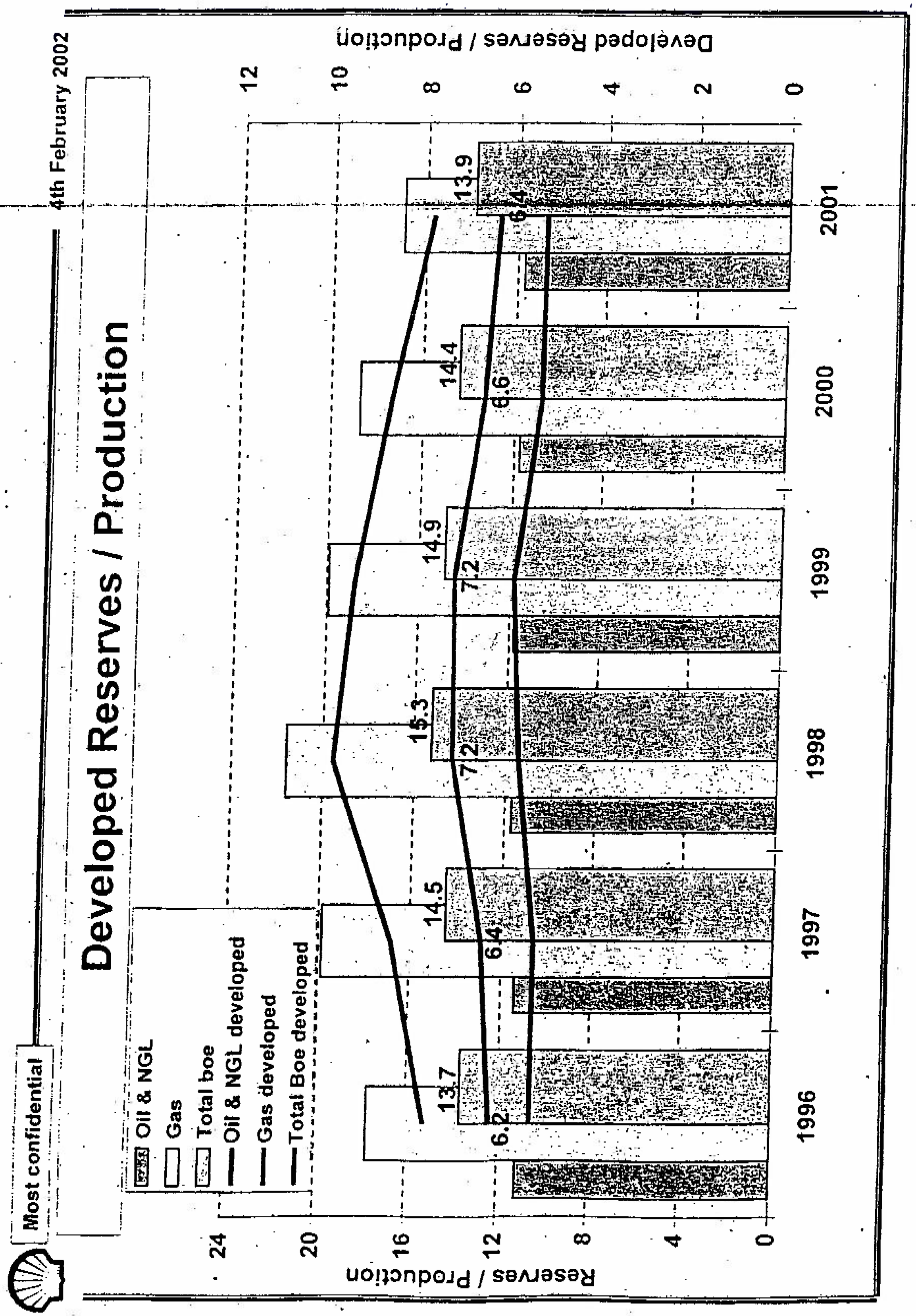
Majors Proved Reserves Replacement Ratio [boe]




Most confidential
4th February 2002
Developed Reserves / Production
Oil & NGL
Gas
Total boe
Oil & NGL developed
Gas developed
Total Boe developed
Reserves / Production
Developed Reserves / Production
24
20
16
12
8
4
0
12
10
8
6
4
2
0
1996
1997
1998
1999
2000
2001
13.7
6.2
14.5
6.4
15.3
7.2
14.9
7.2
14.4
6.6
13.9
6.4

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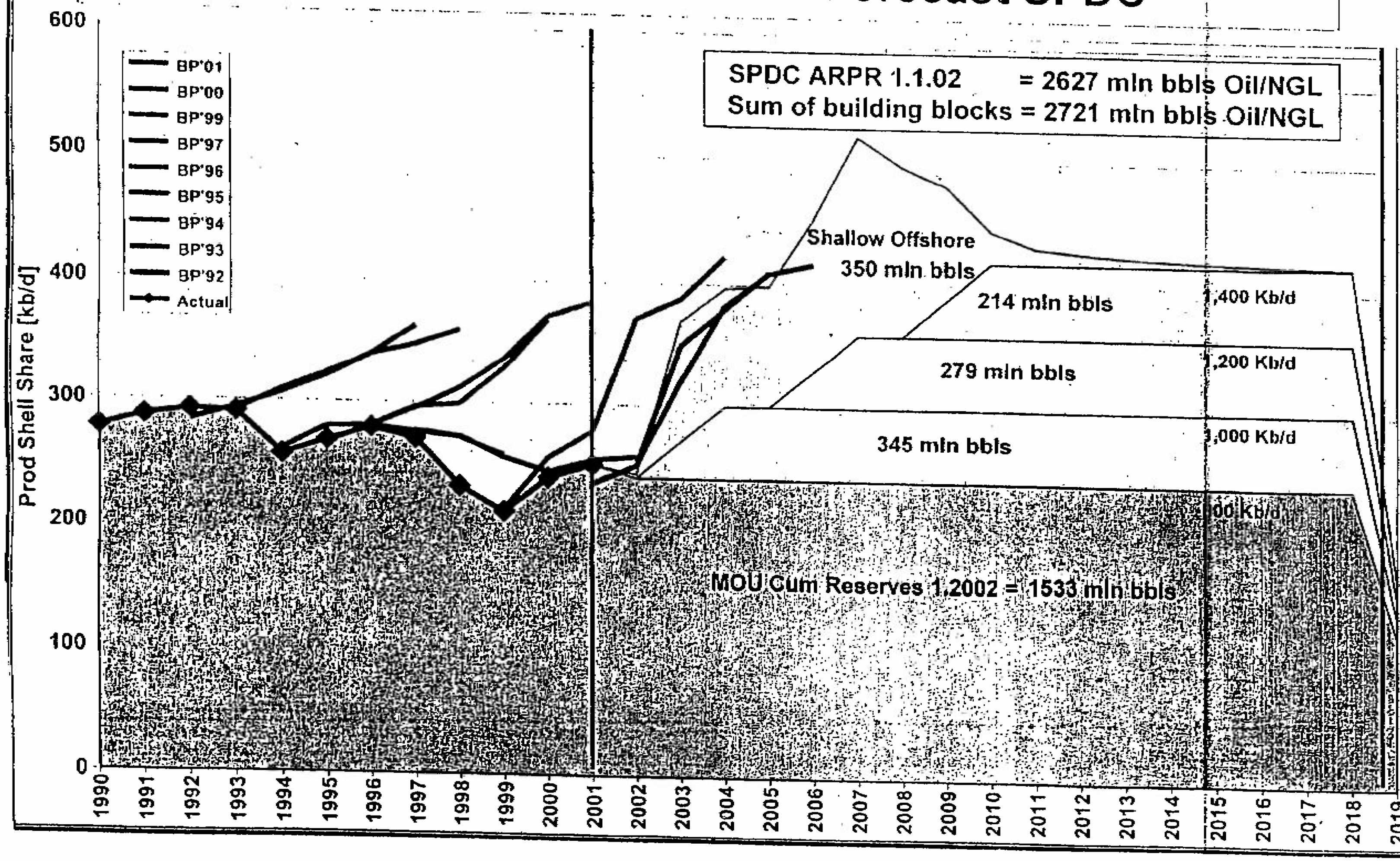
Proved Oil/NGL Reserves Forecast SPDC



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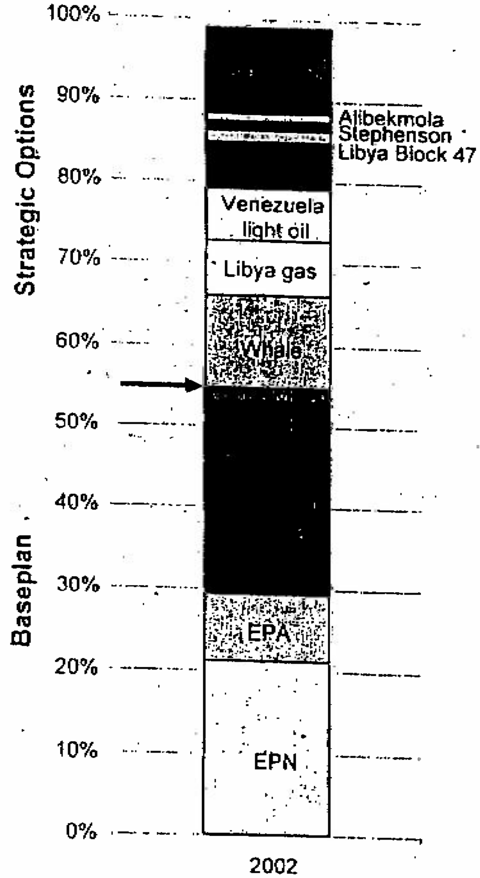
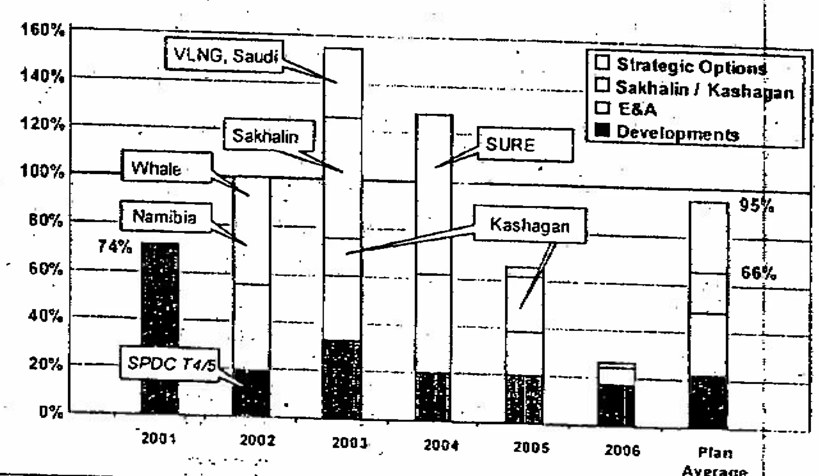
2002 RRR Target of 100%: a Challenge



- **LE Baseplan Variances**
  - Oman no booking: -70 mln bbls
  - Brazil, Angola freeze: -70 mln bbls
  - SNEPCO: +50 mln bbls
  - Canada, T4/5 not in target: + 100 mln bbls
- **Almost 50% from Strategic Options New Business and Frontier**
  - KUDU: not proven technique
  - Whale, Libya: MRH access
  - WE Pipeline?



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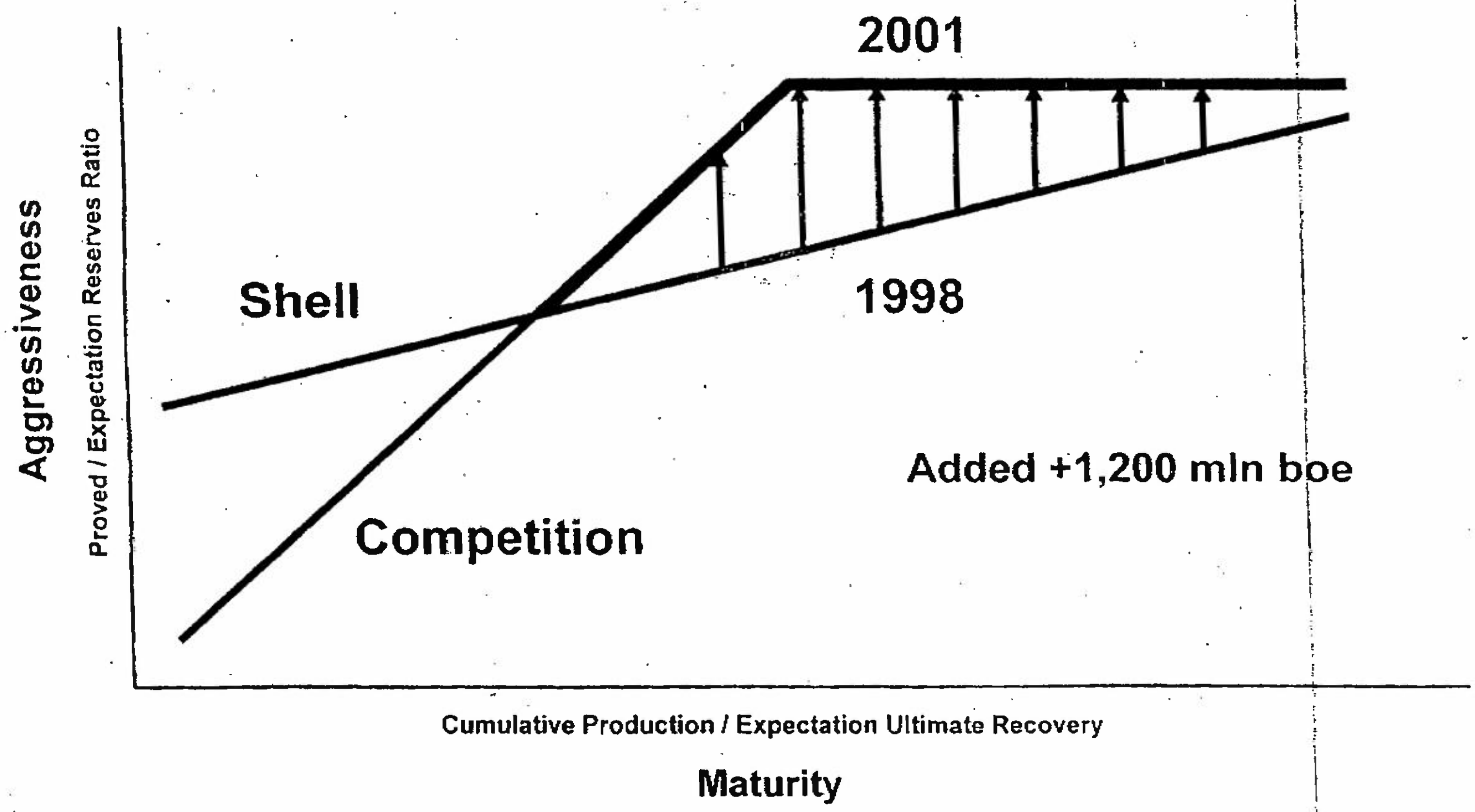
Mature Fields : OUs Follow Guidelines Universally



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New Fields : Guidelines currently too lenient

- **SEC clarifications**
  - insisting on full project maturity
  - company commitment
  - absence of possible show stoppers

- **New Fields** -800 mln boe
  - Gorgon
  - Ormen Lange
  - Block 18
  - Vincent/Enfield
  - Waddenzee

- **End of License** -1,300 mln boe
  - Oman
  - Abu Dhabi
  - SPDC

2002+ RRR Management

- **Shell guidelines need sharpening / clarifying**
  - New Fields
  - End of License
  - Commercial versus Economic

- **Raise awareness of SEC clarifications**
  - OUs / RBA Focal points / EPT / SDS
  - Establish links between EPB-P, HMF and V2V
  - Reserves summit Q2 '02 – EPB-P & Auditor to host

- **Tie Projects to Maturation at Capital Allocation**
  - Incomplete OU returns in 2001
  - For 2002: full picture of resource maturation linked to projects

- **Roadmap for Big Ticket Bookings**
  - Kudu, Train 4/5, Whale, West-East pipeline, Kashagan, Sakhalin LNG

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BACK-UP

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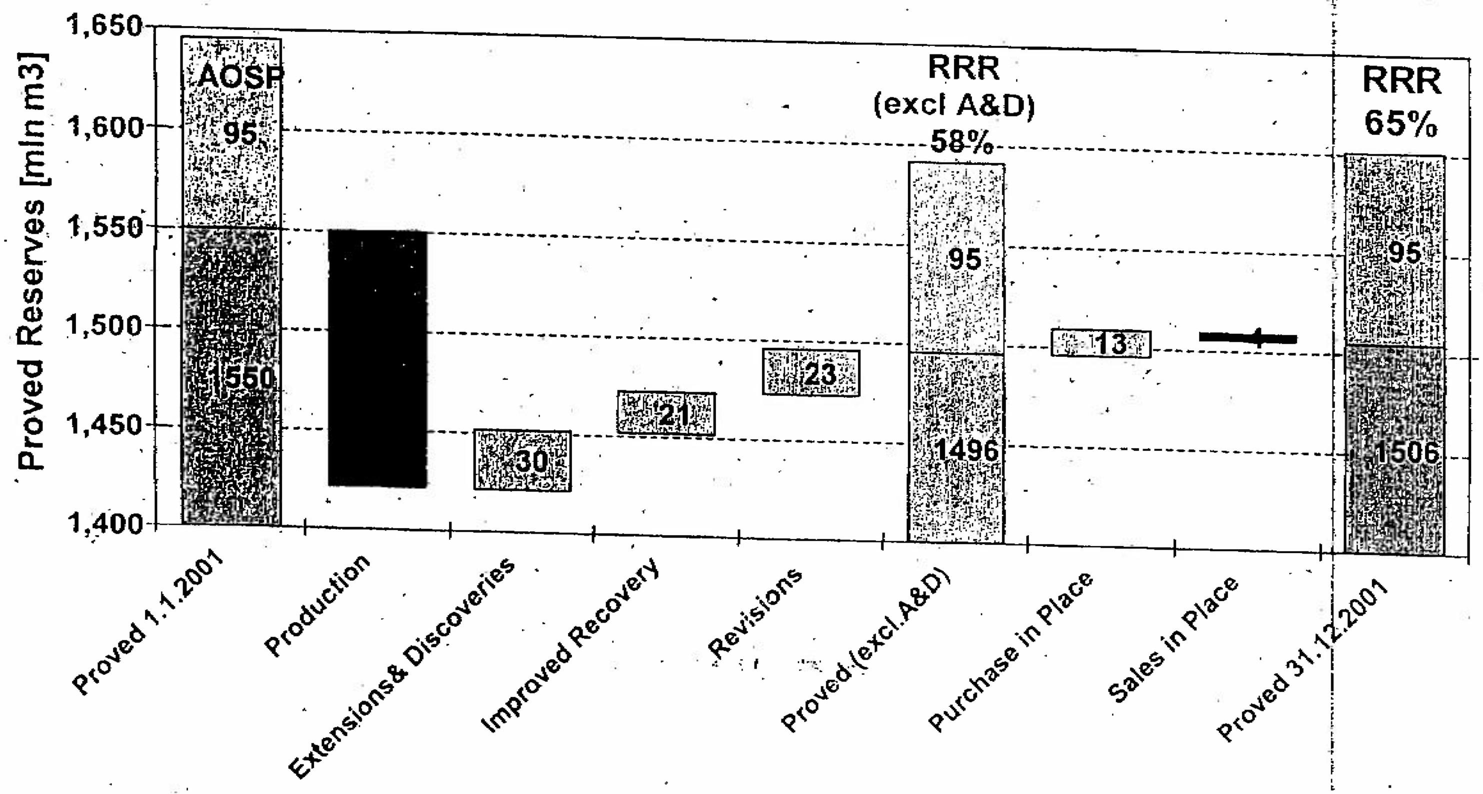
Proved Oil/NGL Reserves 2001



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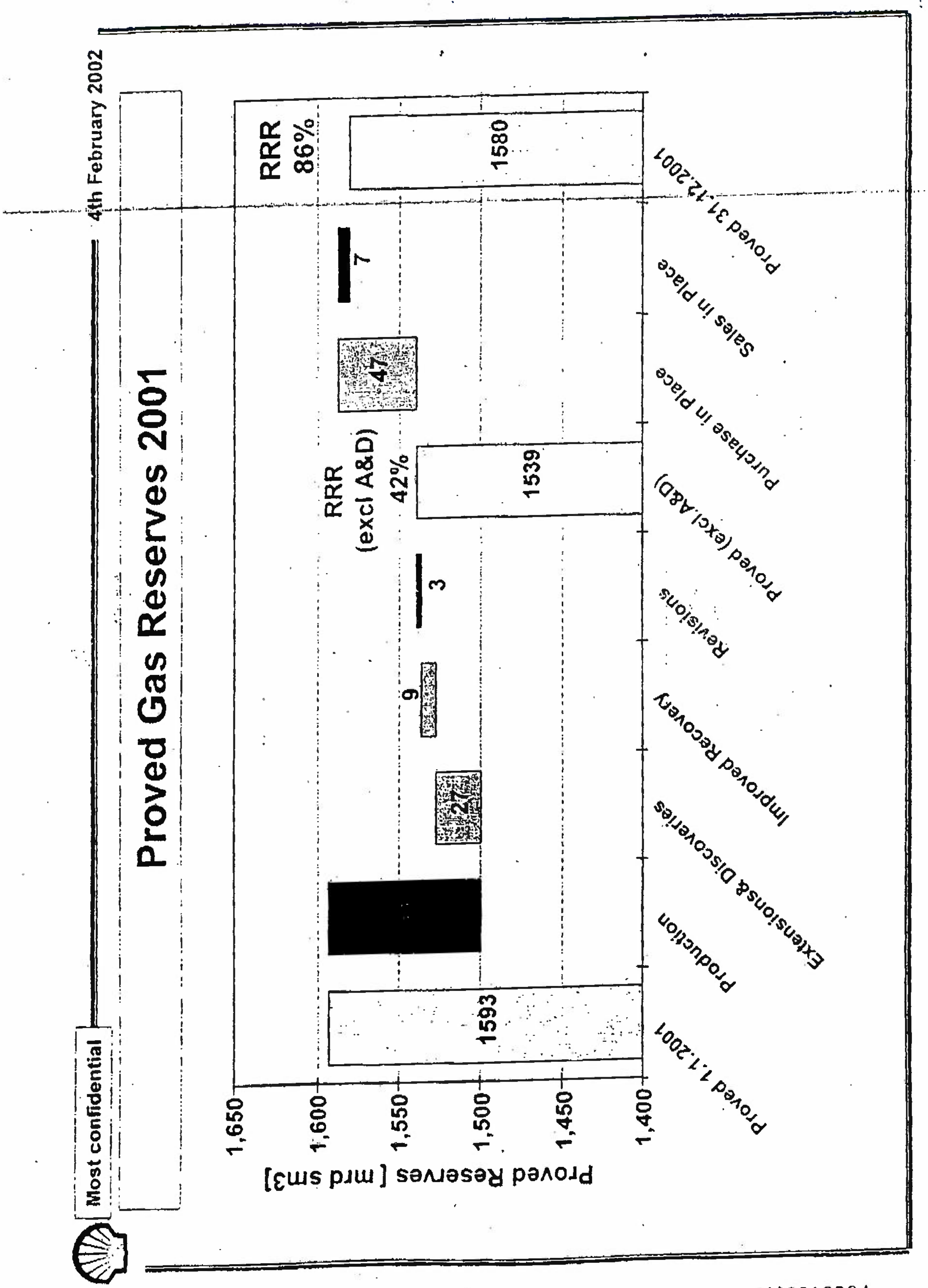

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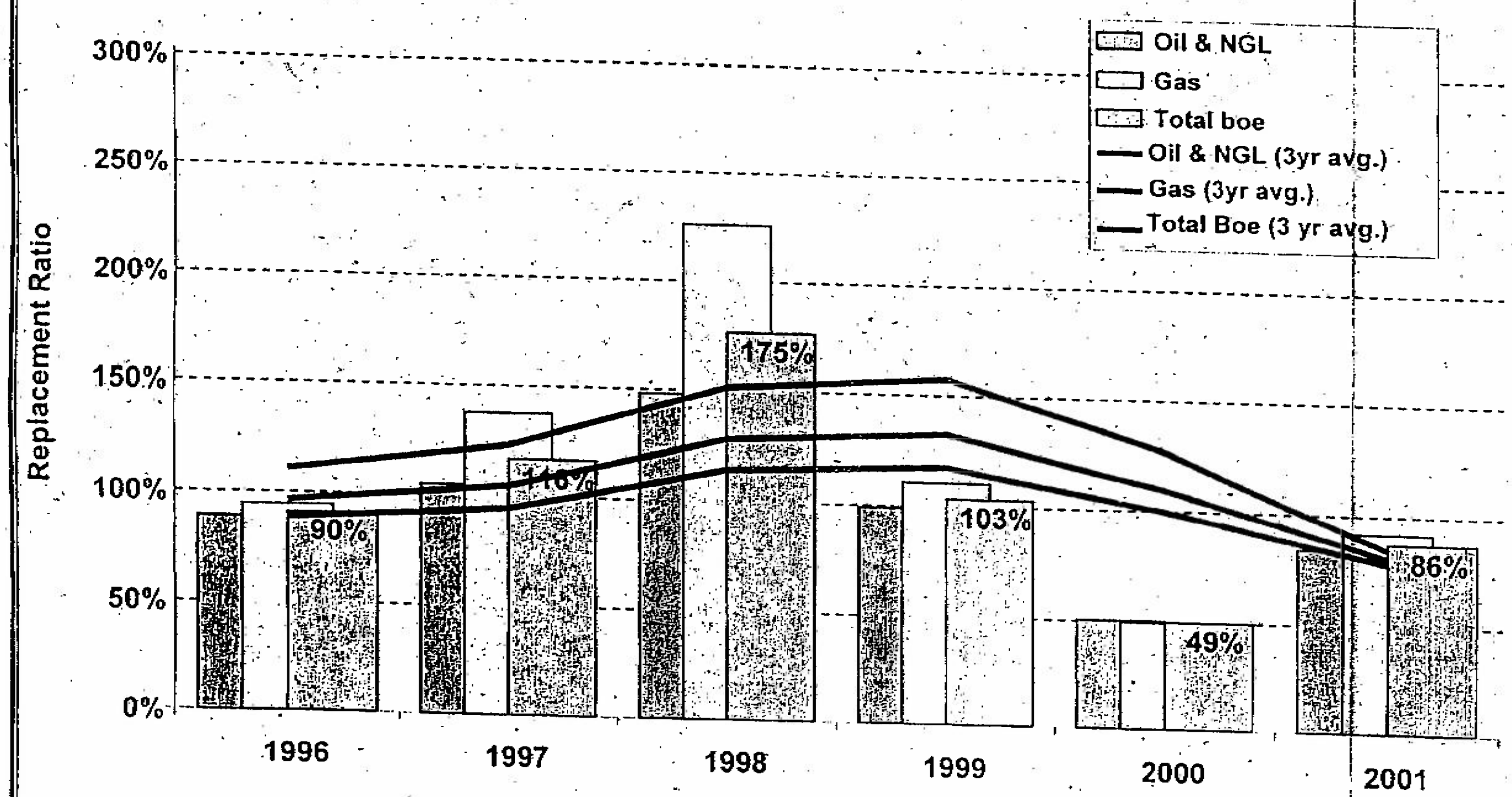
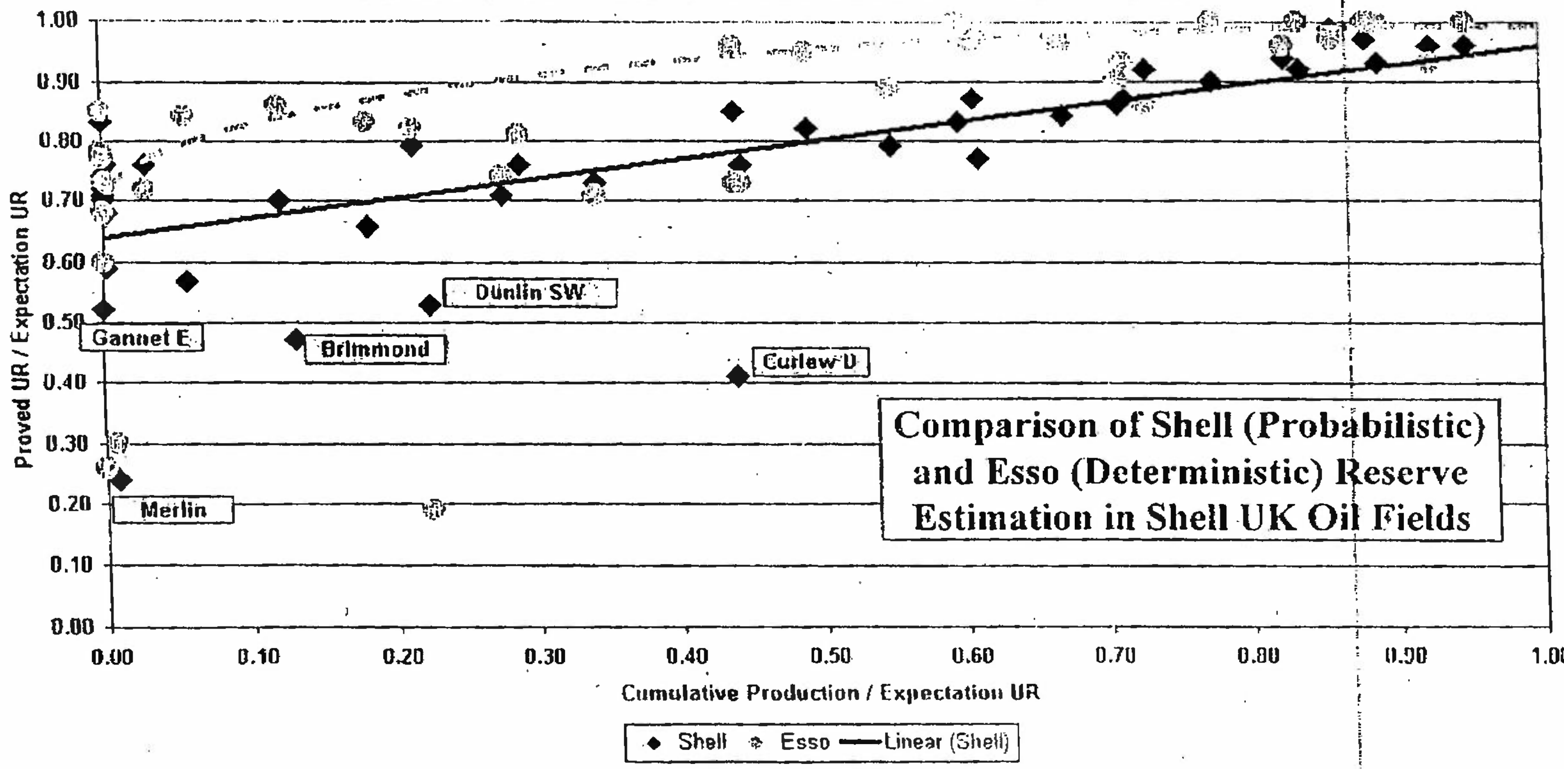
Proved Developed RRR



P/E versus Field Maturity



New Fields : Guidelines currently too lenient

SEC clarifications in 2001 clearly insist on full project maturity, company commitment and absence of possible show stoppers

Item	SEC	Group
'Proved Area'	Not below 'Lowest Known Hydrocarbons' (LKH) level in reservoir; Laterally confined to 'legal location' (US only – min. well spacing), unless seismic amplitude and log support; Proven producibility from production test or analague log and core data; Proven continuity of production.	Below LKH OK if supported by pressure evidence (not always from same reservoir); Laterally confined to fault block or other area with continuous good quality seismic amplitudes (BTC method preferred); Producibility from production test or wireline test or log and/or core analogy. Group practice still probabilistic P85 estimates in some cases.
'Improved Recovery'	Successful pilot project in that specific rock volume in the field	Assessment of uncertainties (VOI) Confirmed in analogous reservoirs; Project FID available/expected without pilot
'Reasonable Certainty'	Requires a serious commitment to develop (AFE, FID, MOU or contracts, firm plans); No 'reasonable doubt' (show stoppers!) Market must be 'reasonably certain'.	'Technically and commercially mature' (economic viability not necessary!); In principle a successful VAR3 or FID; 'Reasonable expectation that a plan can be matured with time'; Commitment by including development or its preparation in Business Plan; Market (expected to be) available

New Fields – Reserves at Risk

- **Australia (SDA) – Gorgon** **- 550 mln boe**
  - Market SE Asia
- **Norway – Ormen Lange** **- 100 mln boe**
  - Instability
- **Angola – Block 18** **- 75 mln boe**
  - VAR3: Marginal economics, gas disposal solution
- **Australia (WEL) – Vincent/Enfield** **- 50 mln boe**
  - No economic development
- **Netherlands – Waddenzee** **- 25 mln boe**
  - Government

End Licence – Reserves at Risk

- **SPDC, PDO and SAD represent 18% of EP production, here proved reserves can no longer be booked due to license constraints**
- **Oman PDO (2012)**
  - Proved forecast assumes flat 850 kbpd production
    - Exploration & Improved Recovery +48 mln bbls
    - Adjusted short-term forecast -53 mln bbls
  - RISK: production adjustment becomes long-term **-100 mln bbls**
- **Abu Dhabi (2014)**
  - Proved forecast includes 50% growth to 1,500 kbbpd plateau
    - NGL of GASCO included (+15 kbpd) + 37 mln bbls
    - 50% increase delayed from 2006 to 2010: - 30 mln bbls
  - RISK: production stays flat **- 200 mln bbls**
- **Nigeria SPDC (2019)**
  - Proved forecast includes 70% growth to 1,400 kbpd plateau
    - Gas getting hooked up +35 mln boe
    - Oil/NGL forecast under pressure -12 mln boe
  - RISK: production stays flat **- 1,000 mln bbls**

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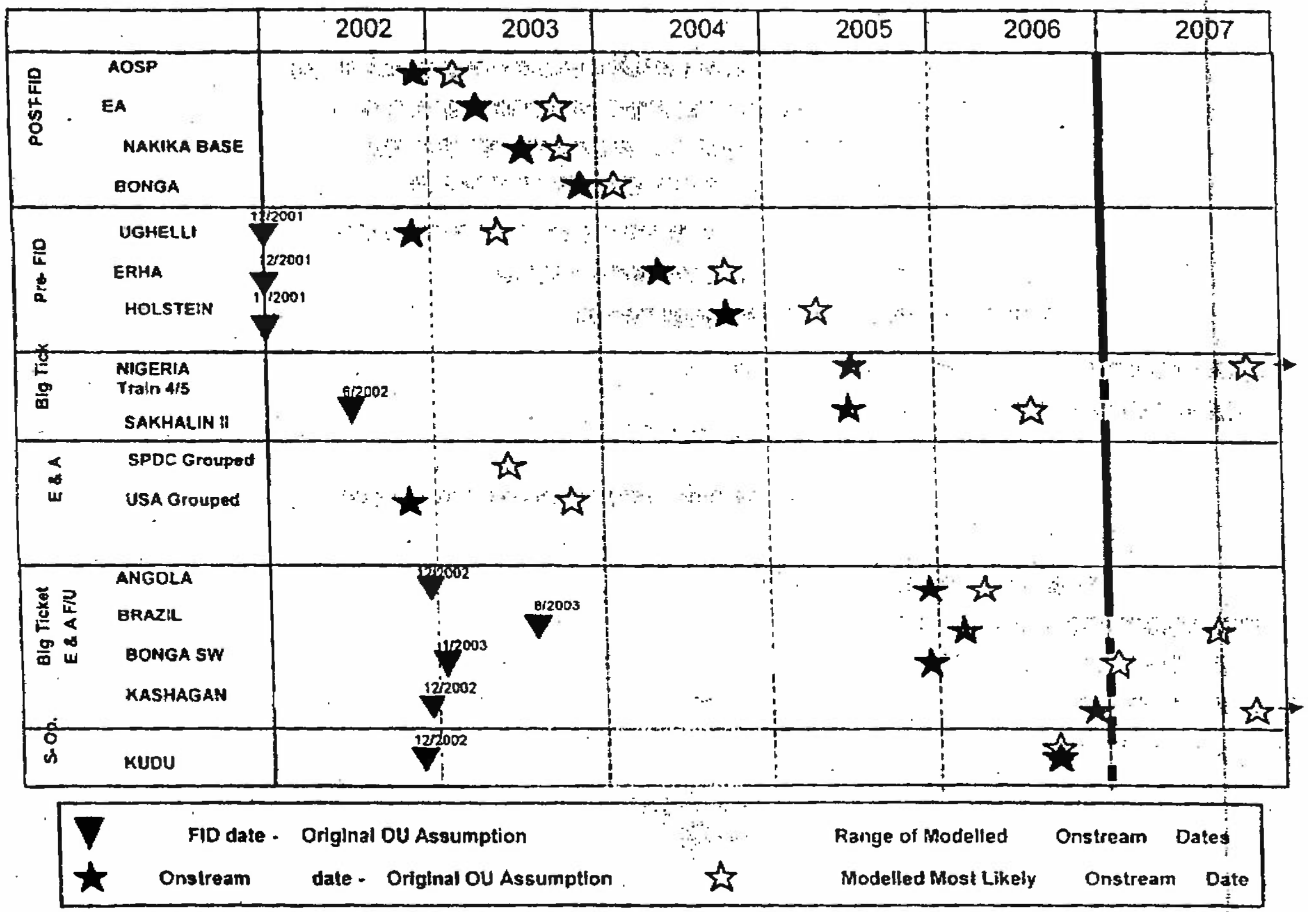
4th February 2002

Major Project Assumptions



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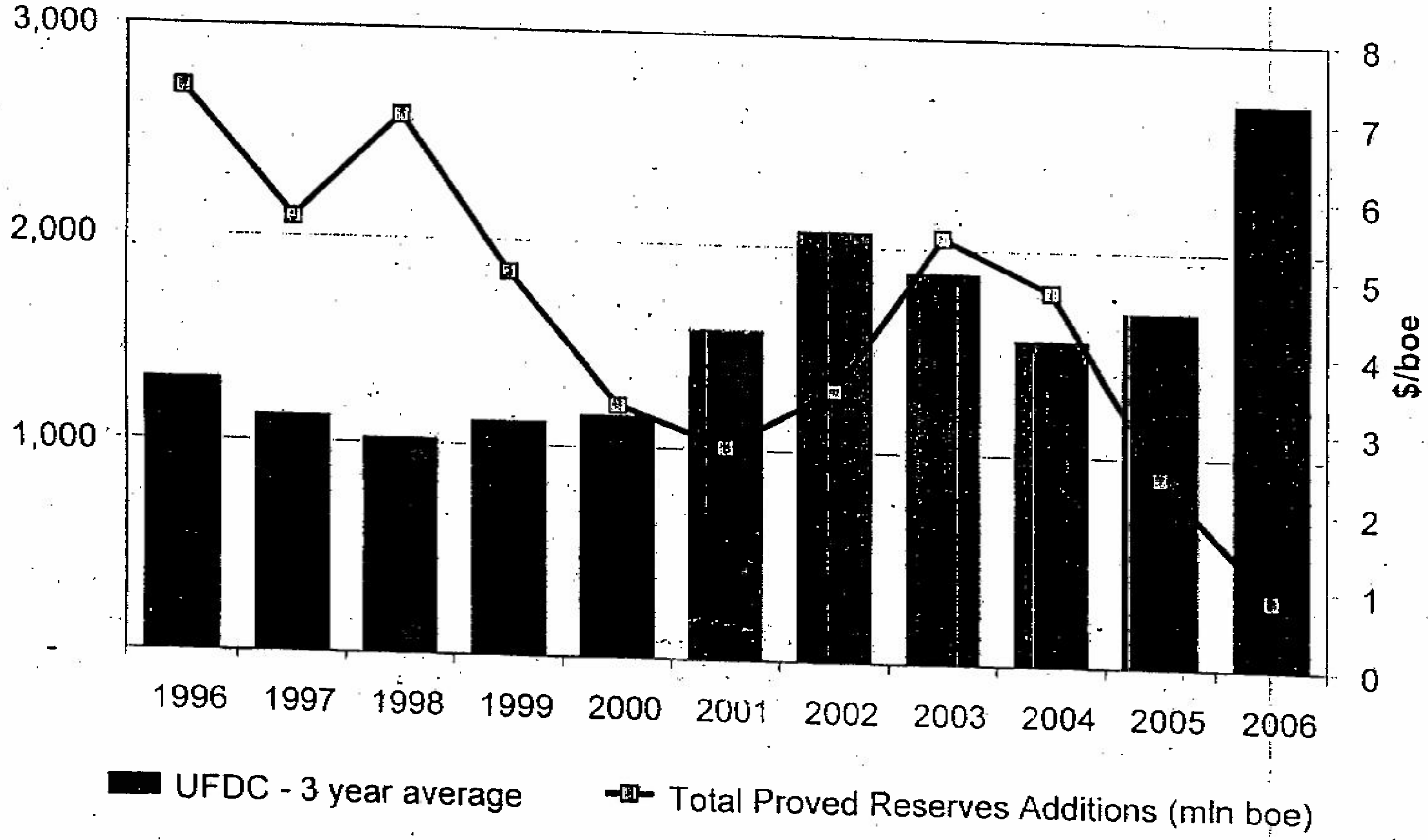
Unit Finding and Development Costs - Proved Reserves



Unknown

From: Brass, Lorin L.L.
Sent: 20 February 2002 07:02
To: Gardy, D.; Cook, Linda Z.; Megat, Zaharuddin Z.; Warren, Tim T.; Sprague, Robert M.; WARD, BRIAN B.J.; Darley, John J.; Bichsel, Matthias M.; Dubnicki, Carol C.; VanDeVijver, Walter W.
Subject: Note For Information - Reserves - CMD - February 2002

CMD_NFI_FINAL1_RRR.ZIP CMD note tachments final.ZIP

Excom,

The following was the NFI to CMD regarding our Reserves situation. I should've put in Excom preread for last Monday but forgot. At the end are some of the "action items" identified, but clearly there are more.

EXHIBIT
VanderVijver
11
2/1/07

DB 07635

Note For Information
CMD 11th February 2002
EP Hydrocarbon Resources Update 1/2002

This note summarises the end 2001 Group resources situation, cleared by external audit, and in part reported in the Q4'01 and FY'01 press release. All numbers include the effects of A&D activities unless otherwise indicated.

Summary

The total barrel of oil equivalent proved hydrocarbon reserves replacement ratio (RRR) for 2001 was **74%** (52% excluding A&D), leading to a proved RRR three year rolling average, including AOSP additions (mining reserves) in 1999 of 81%, 101% excluding A&D). The 2001 RRR is below the results quoted by our main competitors (BP 191%, XOM 110%), and highlights a portfolio that is under-performing in terms of adding reserves through exploration and maturing existing scope. Future RRR performance over the plan period relies on the delivery of 'big ticket' bookings, *e.g.* Kudu, Sakhalin LNG and Kashagan.

Our overall resource base contains some 20 bln boe of proved reserves (c.f BP 16 bln boe, XOM 22 bln boe) , some 13 bln boe of expectation reserves (of which some 8 bln boe currently fall outside of license expiry), some 17 bln boe of discovered Scope for Recovery (SFR). Our total discovered resources base is thus ca. 50 bln boe (c.f. XOM 70 bln boe) and additionally we have some some 27 bln boe of undiscovered SFR. Together with any volumes resulting from new exploration licenses and acquisitions these volumes represent a significant opportunity to increase our proved reserves replacement performance and the EP organization is being geared up to tackle each and every element.

Reserves and Resources

2001 Actual Additions (See Table 1)

The Group proved reserves base at end 2001 is 19.1 bln boe (19.7 incl. AOSP) and remains split at 50:50 oil/gas. The 2001 proved RRR of 74% amounts to a reserves addition of 1020 mln boe, which in Figure 1 is broken out by type of revision;

- 360 mln boe of Discoveries & Extensions, mainly in USA, UK and Brunei
- 350 mln boe of Revisions & Improved Recovery, mainly Netherlands, Denmark and Sakhalin offsetting negatives from Canada (50 mln boe based on field performance), New Zealand (50 mln boe based on studies on Maui field) and Oman Gisco (110 mln boe as a consequence of the renegotiation of the GISCO contract and acceleration of repayments)
- 310 mln boe of Acquisitions & Divestments, mainly Fletcher and Pinedale.

The proved **oil** RRR is 65%, taking the 3 year average to 102% including mining reserves and 77% without, and the proved gas RRR is 86% contributing to a 3 year

DB 07636

average of some 50%. During 2001 there were no changes to the reserves for AOSP. Including AOSP, the three year average proved boe RRR is 81% (101% excl A&D) and excluding AOSP, the equivalent numbers are 67% (86%).

The Total Resource base (the sum of expectation reserves and commercial discovered SFR) has increased by 2.7 bln boe to 49.4 bln boe (see Table 2); this includes a 1.3 bln boe addition from Venezuela Urdaneta West which falls outside of the current licence period. It should be further noted that total resources include some 1.1 bln boe from the consolidation of Sakhalin.

The Unit Finding and Development Cost (UFDC) for 2001 defined as the exploration and development cost incurred ($6.1bln) divided by Group oil and gas additions, excl. purchases and sales, (0.73 bln boe) now stands at $8.3/boe for the year 2001, and $4.8/boe on a 3-year rolling average base (up from $3.50/boe in 2000, see Figure 2). An increase in UFDC was forecast at the time of developing the Business Plan in 2000 when it was recognised that there would be a lag between stepping up capital spending and the increase in subsequent reserves bookings. Together with the lower than planned bookings in 2001 this impacts directly on our competitive position on this indicator where, up until this year, we were the leading player. The Unit Finding Cost (funding share) is $1.0/boe yielding a 3-year average of $0.62/boe, reflecting a continuation of an improving trend. Unit Finding Costs on a proved reserves additions basis are $ 3.8/boe.

Comparison versus Business Plan

The EP scorecard target for 2001 was 80% (excl. A&D and strategic options), or 1120 mln boe at target production. The actual addition excl. A&D and strategic options was 710 mln boe, or 52% RRR at actual production. The main contributors to the lower than planned RRR are detailed in Figure 3.

None of the strategic options associated with reserves bookings in 2001 materialised, e.g. Saudi Gas, T2T, Salym, Bangestan, China, Libya.

Total SFR maturation to expectation reserves over 2001 was 0.92 bln boe or 2.2% of the commercial SFR.

Exposures

Securities and Exchange Commission (SEC) Alignment

Recently the SEC issued clarifications that make it apparent that the Group guidelines for booking Proved Reserves are no longer fully aligned with the SEC rules. This may expose some 1,000 mln boe of legacy reserves bookings (*e.g.* Gorgon, Ormen Lange, Angola and Waddenzee) where potential environmental, political or commercial 'showstoppers' exist.

End of License

In Oman PDO, Abu Dhabi and Nigeria SPDC (18% of EP's current production) no further proved reserves can be booked since it is no longer 'reasonably certain' that the proved reserves will be produced within license. The overall exposure should the OU business plans not transpire is 1,300 mln boe. Work has begun to address this important issue.

DB 07637

Appraisal

Historical Perspective

In 1999 - 2001 the proved reserves additions have not fully replaced production and the 2001 3-year rolling average RRR's no longer benefit from the recent 'bookings rich' period of 1996-98 (see Figures 4/5, reflecting performance with and without the effects of A&D and showing the impact of AOSP). Over that period, substantial proved reserves additions were realised from major discoveries (Australia,Gorgon, SNEPCo (Bonga), total 1.2bln boe), major revisions (Venezuela 0.3mln boe) and new business (Oman GISCO, 0.4bln boe). In addition, in 1998 significant bookings were made by bringing proved reserves closer to expectation in mature fields (total 1.2 bln boe) - this action brought us to industry standard from a much more conservative position.

Competitive Landscape

The Group RRR of 74% is low in comparison with competitors who all posted RRRs in excess of 100% (Figure 6). The competitors are able to draw benefit from portfolios which, following the rounds of industry rationalisation, appear to offer wider choices in key exploration and scope maturation targets.

2002 and Beyond: Outlook for RRR

The outlook for Group reserves replacement in 2002 and beyond remains challenging (see Figure 7);

- We can expect fewer additions through the base plan, because of OUs affected by 'end of license', OUs with limited remaining exploration potential and the challenge to find ways to increase expectation reserve levels in mature fields.
- And an increased reliance on strategic options and other big-ticket bookings. Control on timing of these bookings is an issue, as they are commonly occur in frontier areas (Kashagan), face fierce competition for markets (T4/T5, Sakhalin LNG), rely on emerging technologies (Kudu, SURE), or are in areas with limited control (Saudi, Whale). The subsequent reserves booking profile may be "lumpier" than in the past and these major bookings will require additional steer to ensure delivery of new reserves within the tighter SEC framework.

Actions taken

In Q4 2001 and Q1 2002 a number of actions have been initiated to address this emerging issue;

- even greater focus is being placed on succeeding in exploration, a key challenge is to focus on the maturation of our 27 bln boe of undiscovered scope for recovery
- similarly EP is refocusing the organization to reinstate Technical and Operational Excellence across the whole of its core operations; hydrocarbon resources maturation is a key element of this drive
- EP is looking again at the opportunities to accelerate the maturation of our 17 bln boe of discovered scope for recovery and specifically with GP looking at the opportunities to monetize gas SFR

DB 07638

- Stepping up the drive to extend licenses e.g. in Abu Dhabi, Nigeria, Brunei, Oman and open up the opportunity to move the 8 bln boe expectation reserves which currently fall outside of license expiry back into our within license resource base and ultimately move to proved reserves.

Conclusion

Our reserves replacement performance over the past few years clearly illustrates the emerging problems with our resource base and is becoming a source of competitive disadvantage. Over the plan period, the challenge will be to secure sufficient volumes from major bookings to supplement additions from a base plan portfolio and ensure that existing exposures, if they transpire, are adequately offset.

However, we do have some nearly 50 bln boe of SFR and expectation reserves currently outwith license in our overall resource base which presents a significant opportunity. We are refocusing our efforts on exploration and will pursue more aggressively the transfer from SFR to reserves but this will not be sufficient to reverse the trends – success in major strategic options in MRH's or a major acquisition is necessary.

DB 07639

Table 1 : Summary of 2001 Reserves/Resources Replacement

proved RRR

	Production	1 year 2001				3 year 1999-2001			
		Incl A&D		Excl A&D		Incl A&D		Excl A&D	
		Incl AOSP	Excl AOSP	Incl AOSP	Excl AOSP	Incl AOSP	Excl AOSP	Incl AOSP	Excl AOSP
Oil/NGL	0.81	65%	65%	58%	58%	102%	77%	130%	106%
Gas	0.57	86%	86%	42%	42%	50%	50%	55%	55%
Total BOE	1.38	74%	74%	52%	52%	81%	67%	101%	86%

Production	2002 Target	
	Incl A&D	Excl A&D
0.83	91%	49%
0.58	113%	69%
1.41	100%	57%

Additions bln boe

	Production	1 year 2001				3 year 1999-2001			
		Incl A&D		Excl A&D		Incl A&D		Excl A&D	
		Incl AOSP	Excl AOSP	Incl AOSP	Excl AOSP	Incl AOSP	Excl AOSP	Incl AOSP	Excl AOSP
Oil/NGL	0.81	0.53	0.53	0.47	0.47	0.82	0.63	1.05	0.86
Gas	0.57	0.49	0.49	0.24	0.24	0.28	0.28	0.31	0.31
Total BOE	1.38	1.02	1.02	0.72	0.72	1.12	0.92	1.39	1.18

Production	2002 Target	
	Incl A&D	Excl A&D
0.83	0.76	0.41
0.58	0.66	0.40
1.41	1.42	0.81

Resources (bln boe)	2000	2001	Delta
SFR (com discovered)	14.1	16.7	
Expectation (incl proved)	32.6	32.7	
Total	46.7	49.4	2.74
less Urdaneta West (license)			1.28
Resources added (net)			1.46
Production			1.38
Resources added (gross)			2.84

Reserves (bln boe)			Proved		Developed
Balance 31.12.2000			20.1		9.0
Additions	Extensions	0.36			
	Revisions	0.35		0.17	
	A&D	0.31			
	Transfer to Dev			1.02	
			1.02		1.19
Production			-1.38		-1.38
Balance 31.12.2001			19.7		8.8

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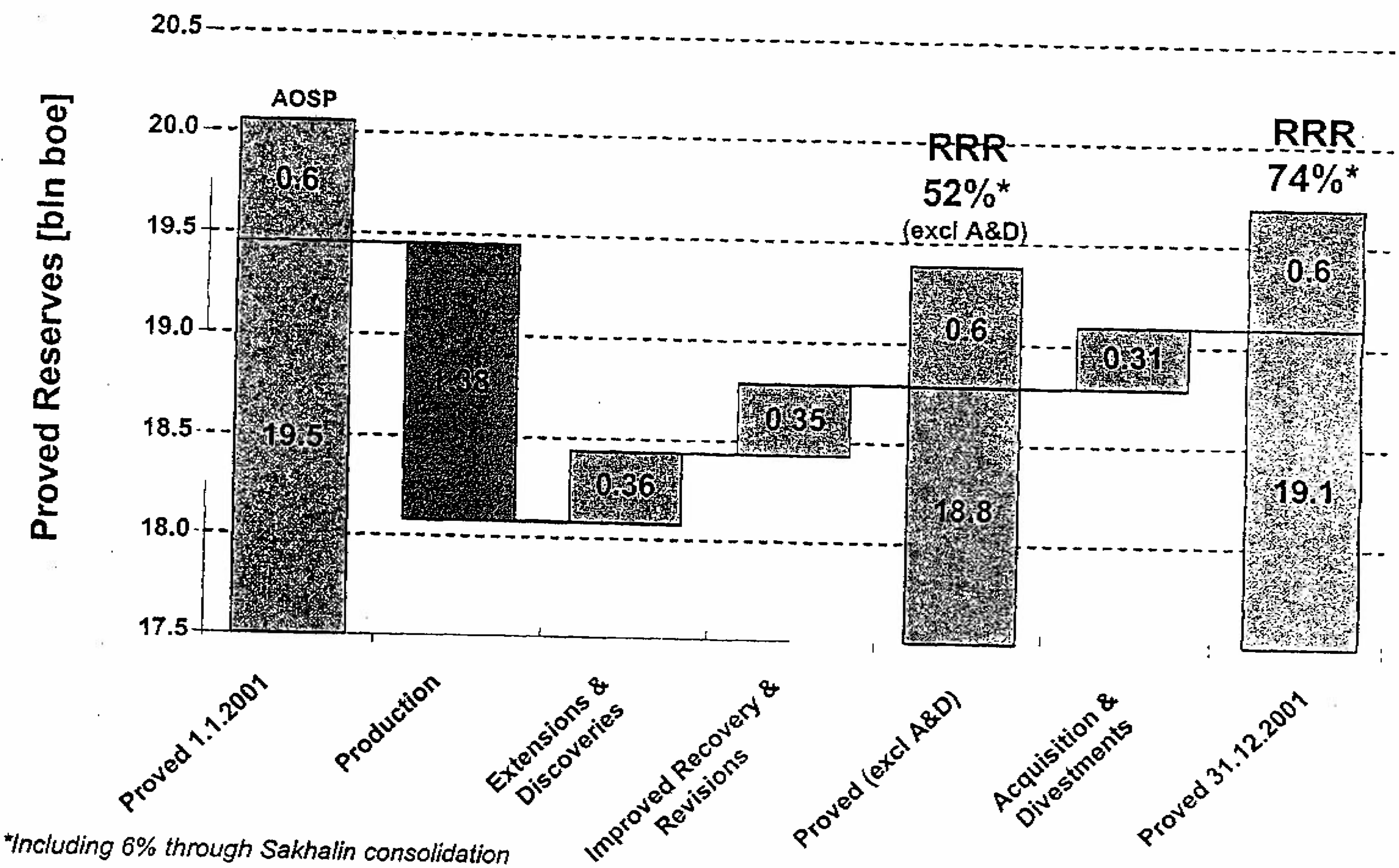
Table 2: Total Resource Base as at 31.12.01

bln boe	Oil&NGL		Gas		Total	
Proved Developed	*4.3*		*4.4*		*8.8*	
Proved Undeveloped	*5.7*		*5.2*		*10.9*	
Total Proved		**10.1**		**9.6**		**19.7**
Expectation minus Proved	*6.5*		*6.2*		*12.7*	
Total Expectation		**16.9**		**15.8**		**32.7**
(of which in license)	*(12.7)*		*(12.0)*		*(24.7)*	
SFR						
Proved techniques	*7.9*		*5.9*		*13.8*	
Unproved techniques	*2.7*		*0.2*		*2.9*	
Total Resources		**27.5**		**21.9**		**49.4**
Undiscovered	*15.6*		*11.9*		*27.5*	
Non commercial	*2.4*		*2.6*		*5.0*	
Total Volume		**45.5**		**36.4**		**81.9**

Table 2 *Total resource base at 1.1.2002. AOSP Mining reserves are included*

Figure 1: Total BOE Proved Reserves 2001



*Including 6% through Sakhalin consolidation

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Figure 2 : Finding and Development Cost

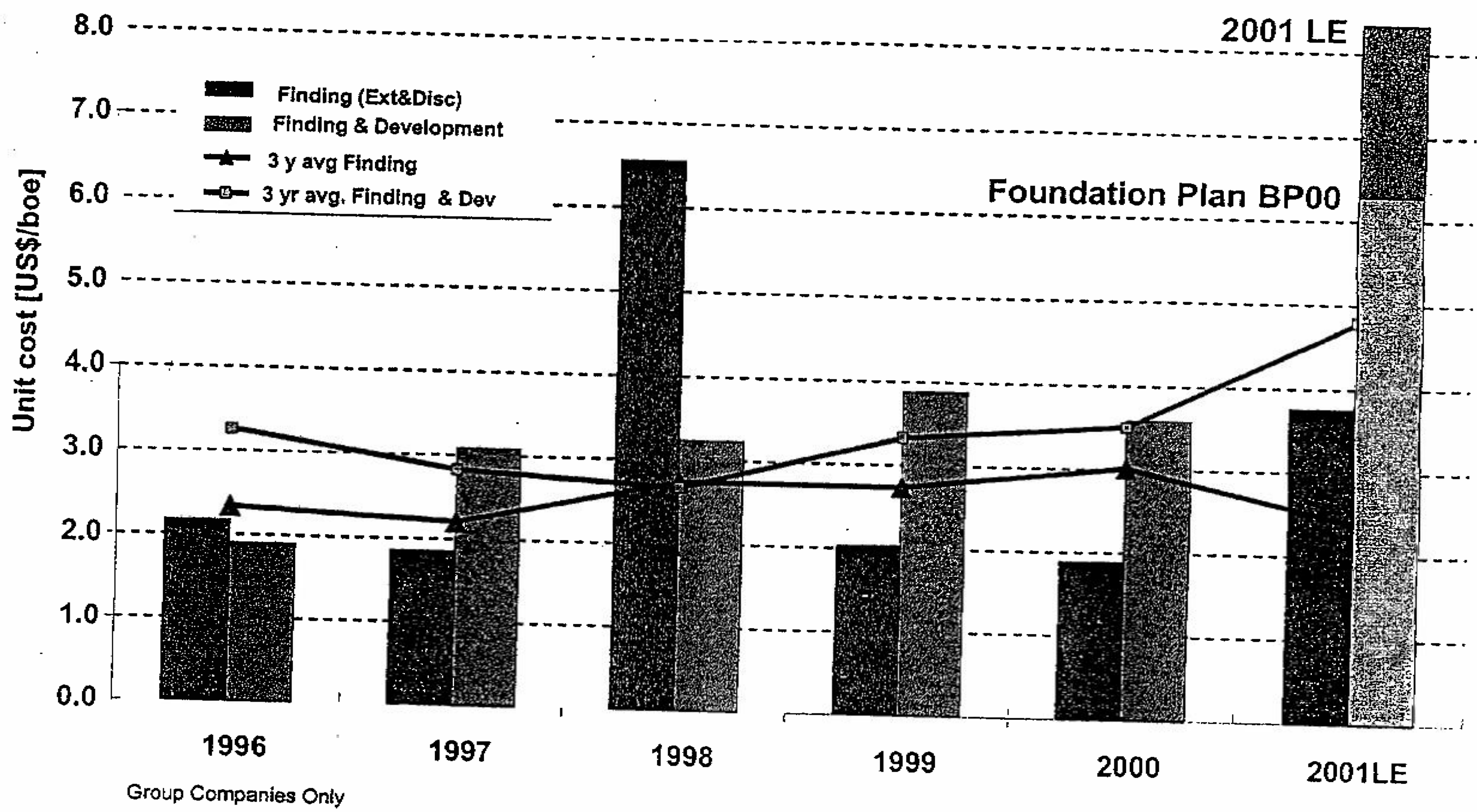

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Figure 3 : 2001 Reserves Actual versus Target

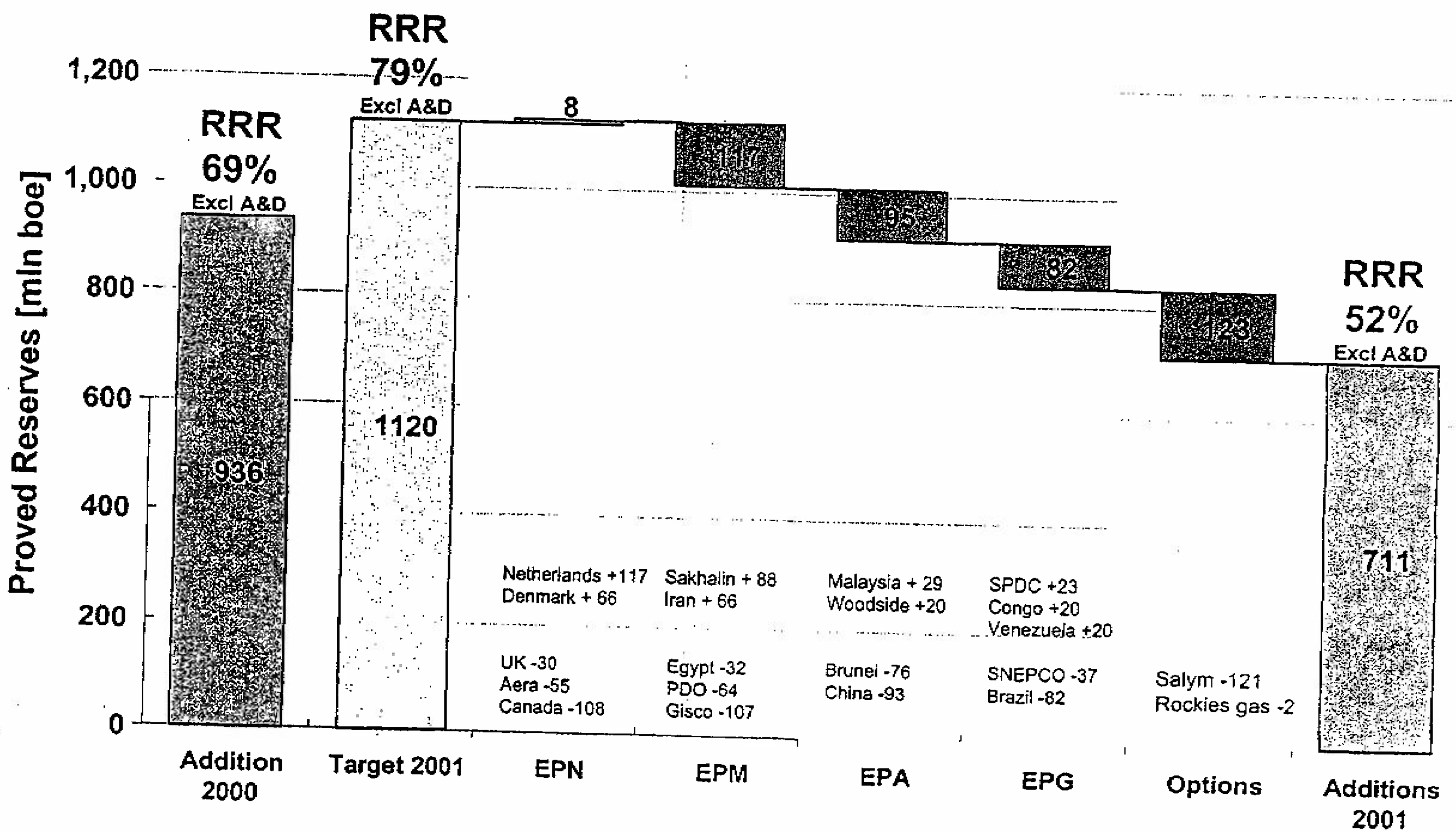

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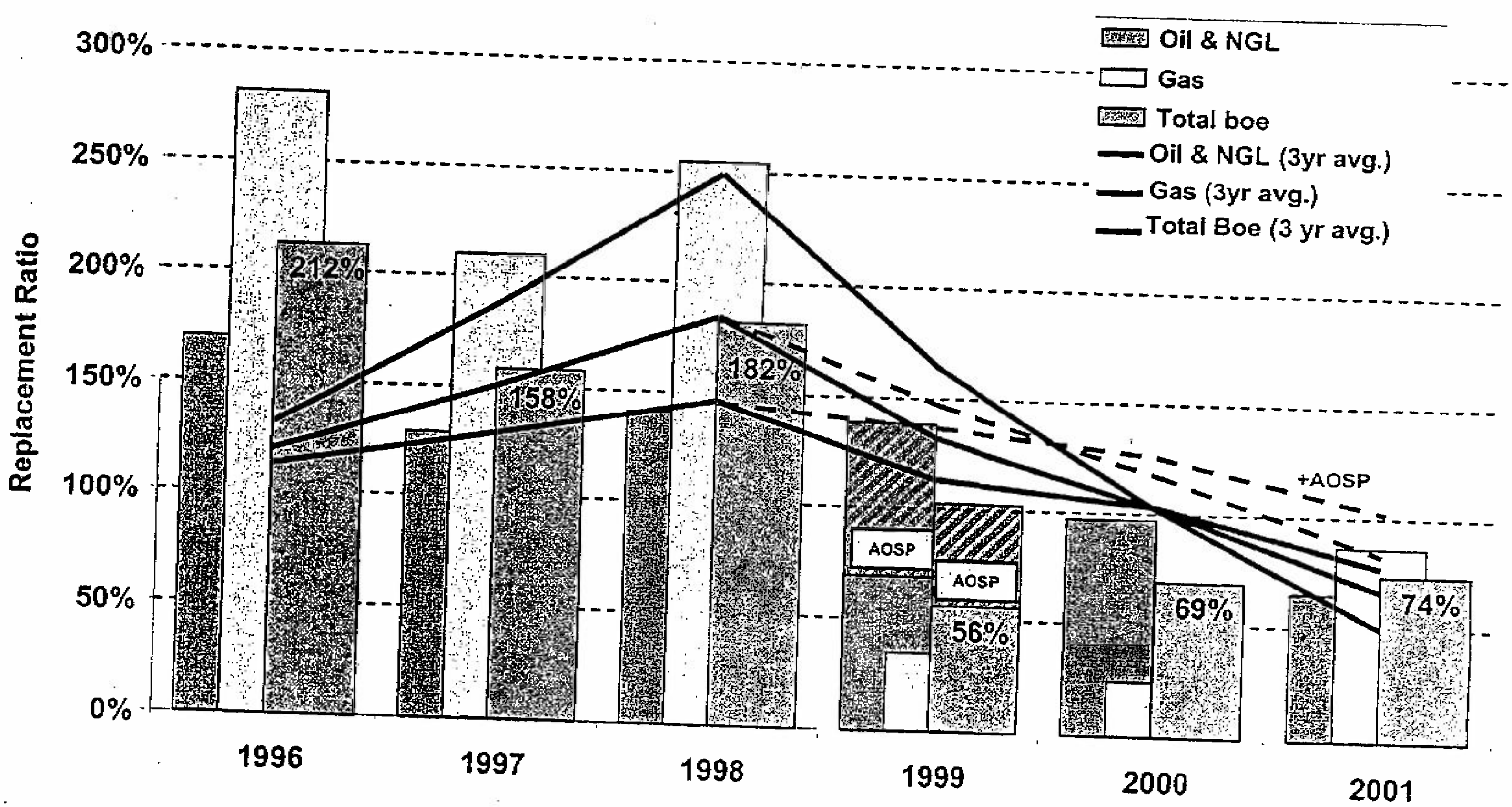
Figure 4 : Proved RRR (incl A&D)



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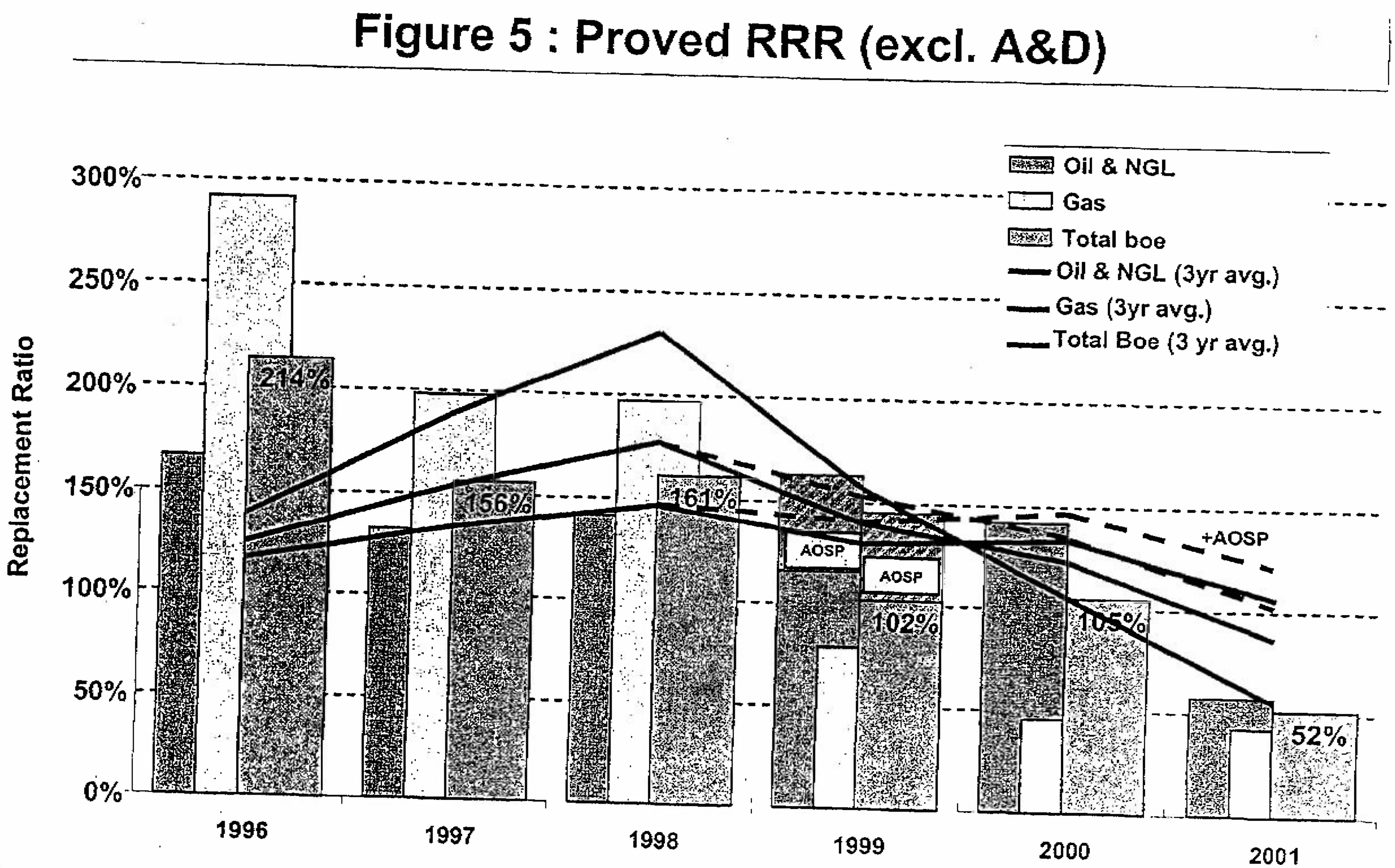

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Figure 6 : Majors Proved Reserves Replacement Ratio [boe]

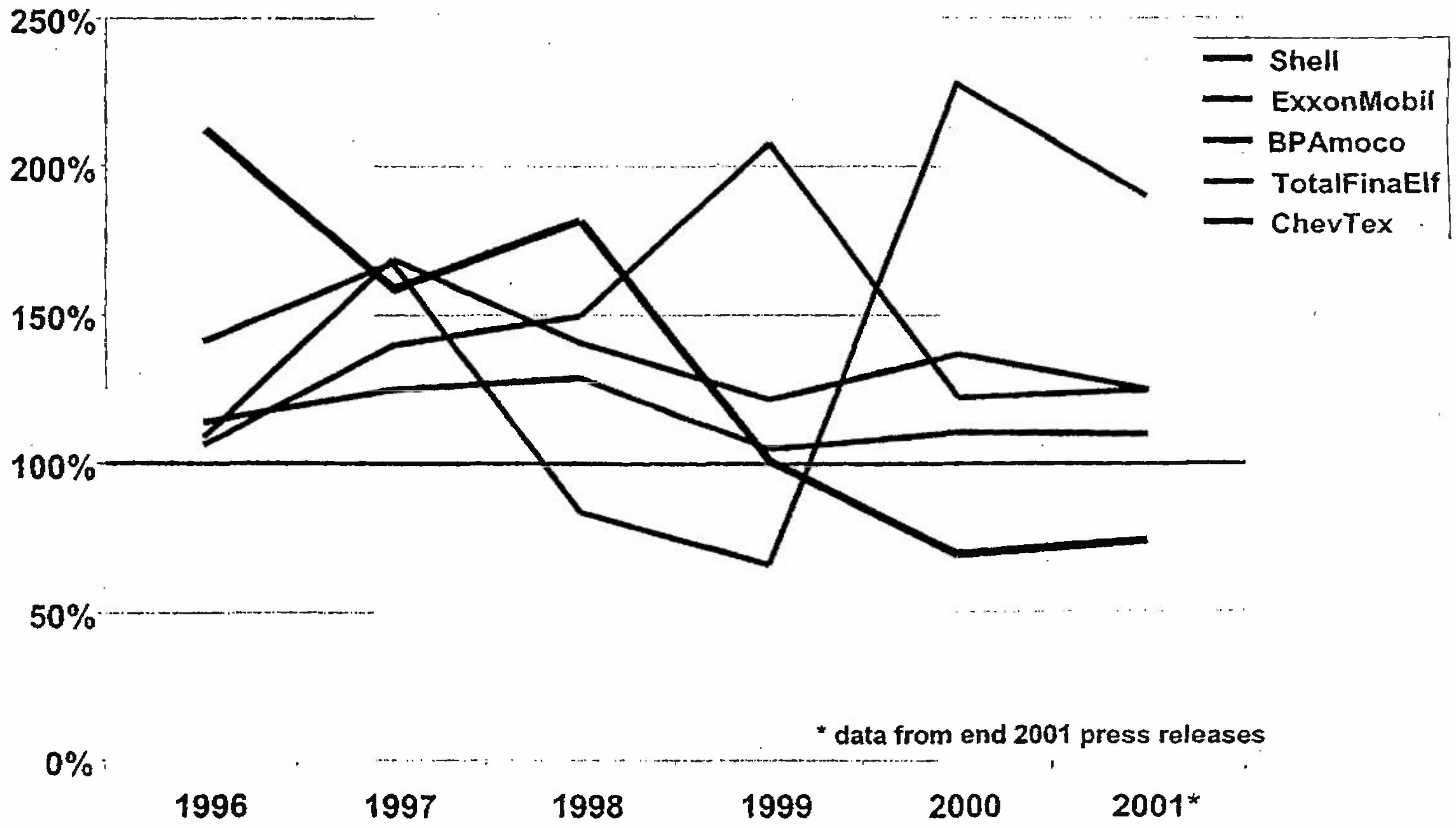

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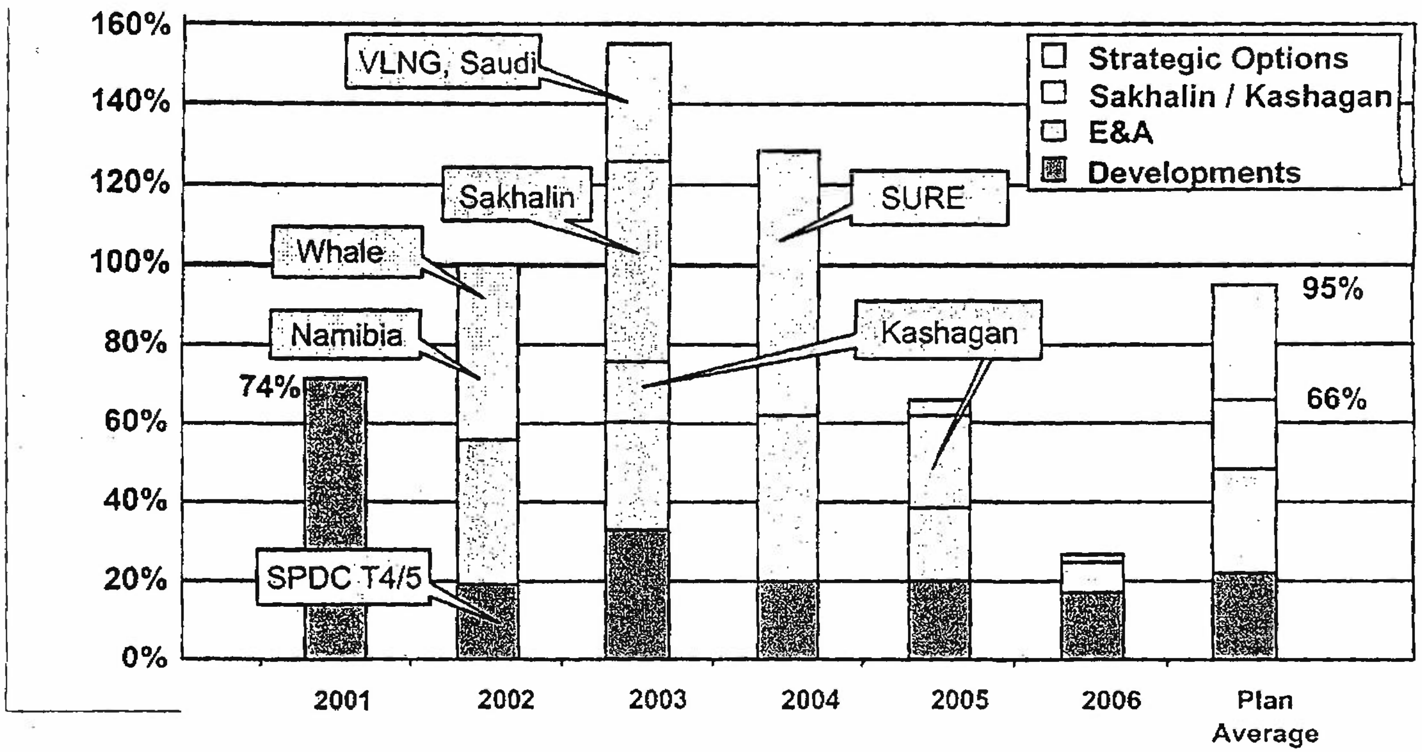
Figure 7 : BP'01 Planned Reserves Replacement



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DB 07648

Oman Visit 8-11th May 2002

Introduction

I visited Oman from 8-11th May (last visit was in September 2001). The objectives were to carry out an overall "health check" on the management team and on the overall state of the business.
The programme included sessions with the individual management team members, the Omani Staff Committee and Government officials (Minister of Oil & Gas, Minister of National Economy, Chairman of PDO/Undersecretary of MOG).
Also various briefings on topical issues were included (including watching an on-line bid for a $ 150 million Gas Plant in Saih Nihayda!) and a talk to all SG3 above staff (some 250) completed the well-organized programme.

Summary

Overall my patience has been tested too long with PDO and it's management, progress over the last year (is it not just about delivered production!) has been less than expected, less than promised and less than could have been possible. Changes will have to be made.

Highlights/lowlights were:

- Leadership at the top is very poor and not aligned. There are poor team dynamics and a lack of forward vision/direction/focus to the organization
- Production continues to slide (now some 770,000 b/d oil versus 800,000 b/d year average target with formally agreed "stretch" of 815,000 b/d) with totally unreliable monthly short-term forecasts
- Credibility of PDO, and therefore of Shell, is at a very low level. Confidence in forward action plan and production outlook needs to be achieved by end September latest (before October Board and prior to Government Budget finalisation in November).
  The situation with PDO obviously will also have a negative impact on OLNG where difficult negotiations are ongoing (intra-plant price, Train 3, mercury removal)
- High level of frustration in the organization (low morale), not just in Government and in management team!
- Omanisation talent pipeline below the "old guard" is still weak, some emerging talent at SG 2/3 but large talent pipeline with less than 5 years experience.
- Continued pressure on downward revision of reserves.

+ SAP is a success although there are still many issues at operational level (maintenance/well engineering) linked to purchasing/stocks/invoice backlogs
+ Top-down drive on "new" procurement business model is demonstrating real impact
+ Good progress on "government gas" related activity (capacity planning for growth, continued reserves growth)
+ Holistic review of asset portfolio (long-term reservoir management, issues, segmentation) finally kicked-off
+ New organization effective 1/5/02 should be more "fit for purpose".

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Company Direction

MD has "seen the light" last week and is trying to mobilize his leadership team (and simultaneously government!) from the starting point that the "company is in a mess" (quote) and that forward action should be focused on delivering new production from 7 strategic focus areas:

- Exploration (shift to near field exploration, near term oil)
- Output from study effort (some 80 man-years ongoing, Shell support up to 50 man-years)
- Reservoir and well management (focus on productivity enhancement, water injection, etc.)
- Reduction in drilling costs/timings
- Technology application
- EOR project delivery
- New contractor relationships (use their skills/technological capabilities and revise contracts).

MD claimed his management team was "confused" but on a journey from complacency to denial to confusion to transforming, i.e. progress is being made!

Although the above themes for production focus may be appropriate it will not deliver the "goodies" without addressing other activities:

- There is a distinct lack of focus in the organization with too many initiatives and "hobby horses" that should be killed off/deferred e.g.:
    - Long-term GW related activities (beyond "prudent operatorship")
    - Internal activities on power generation (outsourcing potential?)
    - CAO expansion in a low-tech world with a need for employment
    - Safety drive without focus on line responsibility/accountability
    - Culture of meetings/offsite sessions without clear agenda's/prioritisation
    - The business model for staff has to change. Staff currently move around too quickly (lack of continuity and lack of performance tracking) and the need for specialist skills (including progression/recognition/business needs) is not well communicated. Without this "new ways of working" PDO will fail.
    - Portfolio review needs to be integrated into the totality of the forward action plan and company direction also as:
        - Forward portfolio needs to be risk balanced (no over-reliance on EOR, continue selected infill drilling and new field hook-ups, focus on large assets for reservoir management)
        - Big issues such as depletion rates, voidage control, ESP's impact, management failures and learnings (Yibal "complications", reservoir pressures too low, lack of well drainage control) should be incorporated.
    - Clarity on resourcing strategy incl. Omanisation and use of contract staff should be dealt with pro-actively
    - Better alignment is needed (recognizing that PDO is not a Shell OU) with our global drive in EP
    - Better role definition is needed between the management team, foremost between MD and DMD

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HAG00110563

- A positive culture is needed; there is too much a blame culture and a looking backwards mentality top-down in the organization. Staff need to be energized and need to understand what's in it for them:
  - Company direction
  - Celebrate successes and recognize role models
  - Transition team needs to be strengthened to be more than an "enthusiastic group of staff" i.e. need to be seen an extension of PDO leadership.
  - Job satisfaction and pride
- Harweel and Mukhaizna development promises (each delivering 100,000 b/d by 2007/2008) appear to lack credibility and robustness. Are these being managed with the appropriate horsepower and transparency?

Operational Performance

- Given the historical emphasis on creaming for short-term production benefits and given the generally high uptime, there will be no quick wins on the production side. Whilst keeping the pressure on the organization, I expect that production will further slide before recovering. This will be a very difficult message to sell to the Government
- There appears to be a lack of focus on HSE, foremost in follow through of earlier improvement drives (STOP programme, vehicle monitoring equipment, accountability drive). Reporting LTIF/TRCF in two decimals is also quite unique!
- More needs to be done on pro-active engagement with Government on "big ticket" procurement items (strategy engagement, local content, evaluation standards), the "old way" in PDO will not work anymore
- Exploration is too much focussed on the reserves addition targets (70 mmbo/year, 1 Tcf gas/year) and should be more integrated with the business needs (UTC, production impact)
- Government Gas Organization appears somewhat slow on action w.r.t. mercury removal solutions; more pressure/focus needed?
- CBP (competency based progression) is off to a slow start in petroleum engineering
- Petroleum study effort can be better integrated with the operational/implementational phase of well engineering/petroleum engineering in PDO
- Extreme reliance on ESP's (approx. 45% of production): is the technical justification as artificial lift method as sound as the commercial one?
- Young Omani talent available but working in a difficult environment (low morale, many contractor staff). Large gap between "old guard" and the new generation, very few in between.
- Reserves will continue to be an area for exposure as aggressive bookings in the past have not translated (yet) in production.

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Government

- M.O.G. (Al-Ruhmy)
  Friendly discussion with the Minister. He clearly is under a lot of pressure personally and feels very frustrated with PDO's performance and PDO's management transparency.
  Although recognizing assistance from Shell over the last 9 months, he is quite naturally (also given his own credibility within the Government) questioning whether Shell is doing enough, foremost on petroleum engineering side. Also questioning large efforts ongoing by Shell in other ME countries (who is more important?) and likes to portray "PDO in trouble" being a Shell OU. Continued dialogue needed.

- M.O.G. (Shaban)
  Somewhat tense discussion with the Undersecretary influenced by MD presentation a few days earlier.
  It does not help that this relationship with the Minister is not very strong (he is HM appointee!) but he is a career member of the ministry and feels marginalized by Shell and the PDO MD.

- M.N.E. (Macki)
  Warm meeting with the Minister.
  He is prepared to wait for the new numbers in Q3 but still hopes to get 815,000 b/d plus for 2003 with subsequent upwards recovery to 850,000 b/d in later years.
  He reported that he receives a lot of challenge on Shell performance rather than PDO performance; he wants government to have increased responsibility on the good and bad things of PDO.
  Simply hopes that Shell will deliver.
  He admitted to increasing "social costs" in Oman, needing nearly $10/b price equivalent just to pay government/army employment bills! Obviously higher oil prices help to more than compensate for production shortfall in 2002.
  Some careful expectation management needed!

- General
  It appears that it is becoming politically less acceptable for the "old guard" to be seen to be too close to Shell.
  Given the "open-door" policy of the Government many messages from PDO reach the Government, tainted by the low morale in the organization.
  Although still good things happen in PDO (exploration successes, low deferments, procurement, etc.), the impact of not meeting production targets has had a dramatic effect on the overall confidence level towards PDO delivery.

Management Team PDO

The following are my summary observations on the management team:

Overall
The team is not cohesive and there are clear personal (unspoken) agenda's and not all providing the body language to be behind their MD.
Amazing how long several members were hoping that PDO was just experiencing a temporary "blib" in performance and that a few initiatives would fix it.

Ollereanshaw
A very capable individual in terms of broad business knowledge, tenacity and work capacity. It is evident that he attempts to drive improvement initiatives, however:

- He has a somewhat negative approach and does not engage well with his team, nor energizes the organization
- He is prone to "panic management", rapidly changing the direction, not adequately thinking through the consequences of his actions. Examples are messages to staff, behaviour at MOG, relationship with DMD (Lamki) and his recent "wake-up call" to MOG and to his management team
- He is a poor listener. Notwithstanding repeated messages on what needed to be done for a year, he chose his own approach and speed/scope of action.

He remains very keen to continue in his current role and is re-energized by events over the last week but the bottomline is that he lacks fundamental leadership characteristics.

Lamki (DMD)
Very impressive trackrecord in PDO and highly respected. He is a proud man and wants to leave a legacy behind in PDO. He is struggling accepting that avoidable mistakes were made in the last 5 years (Omanisation "effectiveness", organizational structure, lack of check and balance, lack of portfolio/reservoir management studies, drilling "unmanageable" wells, spreading too thin with too many initiatives) but these were somewhat masked by overall company success form the old modus operandi (infill drilling and new field hook-ups to increase production).
The latter may also explain why by some in the organization he is referred to as "the Wall". The relationship with Ollereanshaw is difficult.

Al-Hinai (Oil Director-North)
Lacks leadership skills and foremost deciveness, which he acknowledges. Has gone through a difficult period, as he was last year responsible for all operations in Oman, clearly a role that was beyond his capabilities.
He feels underappreciated by Shell management. He actually handles the situation very well and indeed should be supported, also given the overall work atmosphere and Omanisation shortfalls.

Al-Kharusi (HR)
Not well-motivated and struggling to follow through on actions/changes. Needs a stronger team below him.

Ruitenbeek (Technical Services Director)
On his way out to Brunei.
Although capable, he is far too defensive in his style and takes criticism far too personal and hence struggles with appropriate breakthrough changes.
Basically the job was beyond his capacity.

Peters (Oil Director-South, formerly Exploration-Director)
Significant challenge in his new role. Motivated to make it a success. Understandably still naïve and his tendency to overcomplicate team dynamics particularly vis-à-vis Omanis.
Overall this job is the test he needs to assess his overall capacity.

Eulderink (to replace Ruitenbeek)
Very encouraging start as Change Director, excellent people skills and pragmatic approach.
Clearly "right man in the right place and at the right time".

Al-Kharusi (FM)
Still somewhat remote from the remainder of the business. Needs stimulation/coaching to be effective.

Overall organizational "healthcheck"
From the above it is not too difficult to conclude that PDO does not have a high performing management team. More would be possible if the MD was better capable to understand individual issues and engage in a more transparent and consistent manner. Some of his management team were openly challenging the effectiveness of the MD and his credibility internally and externally.
The strength of the top leadership (SG2+) is also still uncertain.

Unknown

From: Van De Vijver, Walter SI-MGDWV
Sent: 29 May 2002 07:49
To: Watts, Phil B SI-MGDPW
Subject: RE: Reserves Replacement

Phil,

You will appreciate that this has my highest attention:

- remaining legacy proved reserves (de-booking risks)
- constraints on further appreciation
- negative impact of Oman and Nigeria growth absence (losing volumes to post leicense expiry dates)
- hit squads to find other growth opportunities on bookings
- impact of FID's

No easy shortterm fixes possible.organic (prior to Enterprice) RRR stands at approx. 50 % for 2002.
With Enterprise we will exceed 100%.
On agenda for 9/7.

-----Original Message-----
From: Watts, Phil B SI-MGDPW
Sent: 28 May 2002 10:59
To: Van De Vijver, Walter SI-MGDWV
Subject: Reserves Replacement

Walter,
You will be bringing the issue to CMD shortly. I do hope that this review will include consideration of all ways and means of achieving more than 100% in 2002 - to mix metaphors .... considering the whole spectrum of possibilities and leaving no stone unturned. Of course, it's the big FIDs that really make the difference. Also I'm wondering what Enterprise does to reserves life, replacement ratio and finding and development costs.

Phil Watts
Chairman of the Committee of Managing Directors
Royal Dutch/Shell Group of Companies
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Tel: +44 (020) 7934 5556 Fax: +44 (020) 7934 5557
Internet: Phil.B.Watts@SI.shell.com

EXHIBIT
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13
2/1/07

NI 000933

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Rec'd 3/8/02

Presentation Item: Sponsored by MGDWV

22 JUL 2002

NOTE TO CMD

Subject : RESERVES OUTLOOK

Date : 18th July 2002

FROM : MGDWV

TO : CMD and Mrs. J.G. Boynton

Please find attached a comprehensive note on the reserves position in EP.

Key objectives of this note are 1) to provide full transparency on the nature of our resource base, 2) to outline the challenges we face in maturing volumes to proved reserves, and 3) to indicate actions that will enhance performance.

Obviously reserves should be seen in the overall cycle of capital efficiency (F&D cost) and production growth and this will be further addressed in our upcoming business plan.

Supported by ____________________
W. van de Vijver

3/14% / 14 YR PROJ LIFE

(1) RETAIN SAKHALIN CONSOLIDATION MKT WILL SEE THROUGH

(2) W/ SAKHALIN & OTHERS -- ANSWER TO THIS IS NOT TO THROW MONEY AT IT. WE WILL BE PUNISHED BY THE MKT. THEY WILL NOT SEE SAKHALIN AS VALUABLE AT ALL IF IT DILUTES RETURNS FOR ~~[illegible]~~ >5 YRS + SELL LNG INTO COMMODITY MKT.

(3) NEED TO CHANGE THE GAME - GO FOR VALUE.

LON01210315

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14
2/1/07

Note for Discussion

RESERVES OUTLOOK

Executive Summary

Shell faces a challenge to achieve 100% organic Proved Reserves Replacement Ratio (RRR) over the coming years - particularly during 2002 and 2003 – and simultaneously to achieve its 3% p.a. production growth target whilst maintaining expenditure restraint.

One third of the total commercial hydrocarbon resource base of 76 billion boe is currently positioned beyond licence expiry. Other technical and commercial constraints further reduce the Scope For Recovery (SFR) portfolio that is available for maturation to Proved Reserves over the medium term, with the result that only 60 – 70% of production is likely to be replaced organically (i.e. excluding A&D) during the Plan Period. This equates to a shortfall of 2 - 3 billion boe Proved Reserves additions.

Until recently, the outlook for organic RRR in 2002 was bleak, at some 40%, but the Kashagan Declaration of Commerciality paves the way for around 380 million boe to be booked this year, raising the organic LE to 63%. This is some 540 million boe short of full organic Proved Reserves replacement, and there are only limited options available with which to materially reduce this shortfall. The Enterprise acquisition raises the total LE (including A&D) to 133%, potentially also providing organic upside (up to 5% RRR).

Accelerating the booking of Kashagan to 2002 weakens the outlook for 2003 to some 70% organic RRR - some 480 million boe short of full organic Proved Reserves replacement, with further downside in the event that Sakhalin does not go ahead. No mature projects are currently planned with Proved Reserves bookings in 2004 that could offer firm acceleration potential to cover the 2003 shortfall.

The OUs will continue to focus on the maturation of reserves, supported by input from RtL and T&OE initiatives. However, given the magnitude of the Plan Period shortfall, and the intangible nature of much of the Ultimate Recovery gains that we are aiming for, it is imperative that we press ahead with additional measures that will help to address the situation. One option for the short term could be the retention of Sakhalin as a consolidated entity, although this would serve only to temporarily mask our underlying problem. Clear focus must therefore remain on unlocking reserves beyond licence, particularly in SPDC, Abu Dhabi and possibly Oman, with every opportunity being taken to table this issue in negotiations with host governments.

Rule

1. Hydrocarbon Resource Base

At 1.1.2002, the Group's commercial discovered resource base was 51 billion boe (risked expectation basis, including oil sands and shales: Attachment 1a). This is believed to compare with ca. 70 and 60 billion boe for ExxonMobil and BP respectively, leaving us the least favourably positioned of the three to replace production. Nevertheless, when the (risked) Undiscovered SFR portfolio is added in, the total rises to 76 billion boe, indicating a total resource life at current production rates in excess of 50 years. On the face of it, there appears to be little cause for concern in terms of reserves replenishment.

However, one third of the commercial resource base is locked beyond the lifetime of current licences (Attachment 1b) and is largely inaccessible for the Proved Reserves inventory until licence extension is secured. In principle, projects could be executed to accelerate at least a portion of these resources to the within-licence period, but scope is severely limited in the two OUs that together account for 75% of the volumes concerned, SPDC and Abu Dhabi. In both cases production must increase substantially simply to produce the within-licence Proved Reserves that have already been booked. New bookings in these OUs will not be feasible at least until such production growth has occurred.

Consequently, licence expiry reduces the effective commercial resource base in the meantime from 76 to 50 billion boe. This licence-constrained volume includes 1.9 billion boe recovery from oil sands and shales, most or all of which is classified as mining resources under SEC rules. It also includes the consolidated volumes for Sakhalin - deconsolidation to 40% Group share will cause a reduction of 2.3 billion boe in the resource inventory (Attachment 1c).

Of the balance remaining after taking these factors into account (45 billion boe), approximately 10 billion boe can be classed as "challenging", being subject to commercial or technical risk (e.g. Pacific region gas market, heavy oil), or relying on substantial increases in production rate in order to be realized (notably SPDC and Abu Dhabi, Attachment 1d). In addition, reserves in Oman would be under threat if production rates cannot be sustained. Attachments 1e and 1f provide further detail on Reserves Life per OU, while Attachment 1g summarizes the main issues by OU.

In summary, although there is clear potential for longer-term growth, the effective resource base on which we rely for organic Proved Reserves Replacement over the next few years is restricted. As will be shown below, these restrictions make their presence felt in our ability to replace reserves in the short- to medium-term. Consequently our continuing production growth target will come under threat over time.

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TRANS 4/5

2. Outlook for 2002 and 2003

2.1 2002 Latest Estimate

Compared with the 2001 Business Plan (56% organic RRR) downward revisions to the 2002 LE have outweighed the positives of Angola Block 18 and the deferment of Sakhalin dilution (Attachment 2a). However, declaration of commerciality on Kashagan and the expected first phase of development FID should allow 380 million boe to be booked in 2002. On this basis the organic LE is 63%, above plan, although it should be noted that Kashagan was carried as a separate "big ticket" item in the Business Plan.

UFDC[1] would be approximately US$ 10.3 per boe, including Kashagan. Even if reserves could be fully replaced, the figure would reduce only to US$ 6.4 per boe, significantly above the US$ 3 – 5 per boe "comfort zone". BP, if they deliver on external reserves replacement promises, are likely to be at the lower end of that UFDC range, while ExxonMobil's recent performance (to 2001) is towards its upper limit.

Enterprise clearly dominates the A&D picture, driving a net RRR from A&D of 71%. Of the 600 mln boe Strategic Options originally in the plan for 2002 (a 42% contribution to total RRR), only 180 mln boe remain in the LE, mainly a risked volume associated with the "Whale" coded project which realistically is now unlikely to be secured this year.

2.2 2002 Upside

The focus on project delivery continues, augmented by T&OE (although quick wins are elusive at this early stage).

Further upside may stem from organic revisions to the acquired Enterprise portfolio. Review of their practices shows that they were conservative in their approach to SEC reserves declarations compared with Shell. Application of the Shell guidelines should yield a few tens of millions of barrels, possibly with more to come from the natural flow of revisions within the portfolio. The OU integration teams will pay particular attention to this as the year progresses. In the meantime, and subject to confirmation by receipt of more detailed plan data, it is assumed that Enterprise will provide some 50 million boe Proved Reserves additions in 2002 and in each successive year of the Plan Period.

With these upsides, and neglecting Strategic Options, the total LE (including A&D) for the year would approach 140% RRR, of which 66%+ would be organic.

[1] Unit Finding and Development Cost. Based on plan Capex and Expex, including estimates for Enterprise. UFDC figures are essentially similar whether expressed on GA or OA basis.

2.3 2003

The following is based on the Capital Allocation project definitions that are "current" and under discussion at the Capex and Expex Workshops, July 2002. As such, and since the Business Plan is some distance from being finalized, the view is subject to revision.

The unconstrained portfolio of "organic" projects available to be ranked for the 2003 plan would deliver 1530 mln boe Proved Reserves additions during the year (Attachment 2b), yielding 99% RRR and a UFDC of ca. US$ 7.7 per boe. The initial outlook is that this will reduce to somewhere in the range 45 – 70% RRR after the application of expenditure constraints, the bulk of the range being driven by the inclusion or otherwise of Sakhalin[2]. The upper end of the RRR range equates to a shortfall of some 480 million boe compared with full organic Proved Reserves replacement.

Again taking the upper end of the RRR range for illustration, this would correspond to a UFDC of approximately US$ 9.3 per boe, US$ 1.6 per boe higher than for the unconstrained portfolio. This figure is broadly in line with the expected result for 2002 and is still well above the level that our main competitors are likely to achieve. The increase in UFDC on applying expenditure constraints is explained by the fact that many of the projects that are likely to rank into the final programme have already had their corresponding reserves booked. ??

2.4 2003 Upside

Backfilling 2003 by accelerating bookings from later years might be feasible. However, currently there are no firm big-tickets of a size to compare with Sakhalin and Kashagan. Many of the projects that appear to make attractive targets for acceleration (due to their large associated resource volumes) are currently phased later because of overriding critical path constraints, not the least of which being completion of E&A activities in several cases (Attachment 2c).

There is scope to manage the overall situation for 2003 without accelerating from 2004 (Attachment 2d), with the two major potential contributors being project "Whale" and the retention of Sakhalin on a consolidated basis. Securing the former is not under our direct control, and the project probably would not qualify as "organic" growth. The latter (Sakhalin), whilst essentially being a "paper" gain, would in effect solve our reserves replacement issues at least until the end of 2004. Unpalatable though this might be in terms of financial performance and market exposure, acceleration of other projects could also be achieved only at a cost and with less assurance of delivery in view of POS (to FID) at this stage.

[2] Net of the effect of eventual deconsolidation to 40% Group share.

2.5 T&OE: Status of Global Hydrocarbon Resource Base Review

The Global Hydrocarbon Resource Base Review has been in progress for several weeks now. Its objective is to gain improved insight into the technical state of the Group's hydrocarbon resource base and the scope to improve recovery efficiency. The results and findings will drive future Technical and Operational Excellence initiatives.

Data is being gathered on all the major fields in the Group. At this stage the focus is on inventorising and categorising the major elements of the resource base with a view to identifying opportunities for improved recovery through comparative benchmarking and comparison with best practice. For example, it is expected to confirm that waterfloods in medium- to complex environments present both significant exposure and opportunity, albeit in the longer rather than the immediate short-term.

To date, twenty-two OUs have been engaged in the information and data gathering. On-site reviews have been completed on six of the twelve largest OUs – the remaining six will be completed by the end of July. Many issues related to the maturation of volumes into reserves and production have been identified from which a collective picture will emerge.

As part of the process, OUs are being challenged on their progress against plan for 2002 and 2003 reserves additions, and being offered support where required. However, at this stage it seems unlikely that this review will identify material opportunities to enhance the 2002 reserves replacement situation, although any opportunities uncovered on an exception basis will be pursued.

Data analysis and reporting will be completed in August/September. This is expected to identify Global Themes for the development and integration of best practice into OUs and help to ensure that the skills and technologies available within the Group are aligned with the OUs, projects and recovery processes from which we have the most to gain.

3. Outlook For Remainder of Plan Period

3.1 Historical Context

Over the last decade, Proved RRR has averaged 102%, 94% being "Core Organic" (i.e. derived from pre-existing business – Attachment 3a). Major revisions had been made in 1990 (Proved RRR of *330%*), on the back of which very few revisions were made in the subsequent five years – the majority of additions during this period came from E&A. 1996 – 1998 were the only recent years in which organic RRR exceeded 100%, the additions preparing Shell for its concerted effort to grow production in 2000 and beyond.

With the benefit of hindsight, some of the organic revisions made in recent years now appear somewhat aggressive: principally Australia (Gorgon, struggling to reach maturity) and SPDC (bookings continued on the back of expected production growth that has still to materialize, contributing to a bow-wave problem in the remainder of the licence). Factoring these out (Attachment 3b), the effective total Proved RRR over the last 10 years would be reduced from 102% to 88%. The underlying organic Proved RRR contribution from pre-existing businesses was 81%, of which 45% came from revisions and improved recovery and the remaining 36% from discoveries and extensions.

These observations help to set the scene for assessing performance going forward.

3.2 Plan Period

The following is based on the preliminary Capital Allocation ranking process and considerable further work remains to be done, particularly on building the programme for 2004 and beyond. Whilst changes in the detail can be expected as this takes place, they are unlikely to materially affect the broader conclusions.

The portfolio of projects submitted for Capital Allocation would deliver Proved RRR in the range 59 - 83% averaged over the Plan Period (2003 – 2007), the exact position in the range being determined primarily by expenditure constraints that have yet to be applied to 2004 and beyond. The upper end of this range would equate almost identically to actual "Core Organic" performance over the last 10 years (Attachments 3c and 3d).

Assuming a final outcome for the Plan in the range 60 - 70% RRR on average, this would clearly be well short of full organic reserves replacement, the deficit equating to 2 - 3 billion boe in Proved Reserves Additions. On this basis, and with corresponding expenditure likely to continue at or close to current ceilings, UFDC is unlikely to be brought significantly below US$ 7 per boe.

Consequently, for the short to medium term at least, we continue to rely on the delivery of new business to the portfolio to underpin long-term growth, whether this be from delivery of Strategic Options, A&D, or the release of licence-locked reserves.

3.3 Upside Potential

The additional 2 - 3 billion boe that is likely to be required to bridge the gap to 100% organic reserves replacement over the Plan Period represents a challenging target. Notwithstanding the continued efforts of the OUs to improve on production and recovery efficiency, augmented by RtL and T&OE, it is clear that we will rely on major initiatives to ensure that this target can be met. Of most significance are:

Licence Extensions

Estimates of the volumes that could materialize during the Plan Period are speculative. However, given that the total prize is a 26 billion boe resource volume, even a relatively modest "win" could make a major contribution to Plan Period organic RRR. Unlocking 10% of the licence-locked Expectation Reserves would yield a corresponding Proved Reserves addition in the order of 500 million boe, with the advantage that such a gain would hopefully be achieved at relatively low cost. Consequently the ongoing efforts to tap into this resource must continue, with every opportunity being taken to table the matter and apply leverage to our advantage in negotiations with host governments.

SPDC: End of Reserves Moratorium

So far, it has been assumed that the moratorium on new Proved Reserves bookings in SPDC Nigeria will remain in place throughout the Plan Period. However, if production growth is achieved as currently planned, scope may emerge to relax this. Without wishing to understate the challenges that we face in this regard, the total unconstrained SPDC portfolio of projects submitted for Capital Allocation has the potential to yield a further 970 million boe Proved Reserves over the Plan Period, generating a 13% p.a. average additional contribution to RRR and shaving US$ 1.0 per boe from average Group UFDC. To reiterate, however, we can only begin to tap into this additional volume after having first secured the production growth that is required to realize the reserves that have been booked already.

Sakhalin: Retain Consolidated

Discussed above (section 2.4). Of the total 2.3 billion boe resource base that would continue to be reflected in our consolidated accounts, some 900 million boe would come into the Proved Reserves inventory during the Plan Period, providing an average 12% p.a. contribution to RRR and a $US 0.4 per boe reduction in average UFDC.

4. External Storyline

4.1 2001 Investor Relations

Presentations to investors in 2001 highlighted the revised 3% a.a.i. hydrocarbon production growth rate 2000 – 2005, implying (if not specifically stating) that this would be achieved organically. We did not explicitly commit ourselves on RRR, but it has been noted externally that a figure of 140% p.a. would be required if we were to achieve this sustained rate of production growth and leave reserves life intact. Thanks mainly to bookings in 1996 – 1998, our oil reserves life of 12 years is now exactly in line with our peers, while our position in long-term gas extends reserves life on a boe basis to 14 years.

Inevitably the external community has detected from our relatively poor Proved RRR, and the resulting weakened UFDC performance, a risk that Shell will struggle to deliver its production growth target.

In discussing resource volumes, Shell has stressed that the total contribution of additions (particularly discoveries) to the "expectation" hydrocarbon resource base is a more reliable barometer for growth potential, thereby already distancing itself from the Proved RRR measure.

4.2 2002 Latest Estimate and Forward Plan

Notwithstanding the efforts that will continue to be made to improve on the outlook for 2002, we must prepare to deal with the fact that organic Proved RRR might not exceed 63% (with Kashagan), although 70%+ could be within reach after pursuit of possible gains from the Enterprise portfolio and other upsides in the overall portfolio.

A&D, of which by far the biggest contributor clearly is Enterprise, provides an additional 71% RRR and brings the total towards 140%, even if no Strategic Options are secured. This figure is consistent with our stated production growth ambition, if stated on a total basis.

Looking forward through the Plan Period, it is unlikely that the average organic Proved RRR will rise much above 70%, implying (with current expenditure ceilings) an average UFDC in the order of US$ 7 per boe.

4.3 2002 Investor Relations Script

In relation to RRR (and indirectly to production growth and UFDC performance), the following messages are proposed:

- Continue to stress the strength of the total resource base.
- Continue to highlight the major projects fuelling growth in the short and long-term.
- If required, acknowledge that organic RRR is less than 100% but distance ourselves from it as a reliable "instantaneous" measure of growth potential.
- Again if required, note that Shell has experienced prolonged periods throughout its recent history during which organic Proved RRR was less than 100% and yet has continued to deliver world-class technical and financial performance.
- Link the high Proved RRR of the late 1990s to our stated 3% a.a.i. production growth target for 2000 – 2005, the one presaging the other. We continue with the process of actively managing our portfolio and taking stock of opportunities for further growth beyond that. However we will not pursue growth to the detriment of business value and shareholder return. Profitability is the key focus: the quality of the (booked) barrel is what counts.

Key But we need A story

?

- ~~Build on the~~ RtL messages already delivered externally by elaborating on the focus that T&OE will bring to improving production, reserves, cost and skills deployment. ~~This will~~ inevitably enhance the performance of our existing asset base and, we expect, position us even more favourably as partner and operator of choice in new ventures.

?

5. Forward Actions

The following are receiving attention for addressing the short to medium term situation on reserves replacement:

- T&OE: The much-increased focus on production and recovery efficiency improvements must inevitably yield results. Additional resources have been deployed on the Global Hydrocarbon Resource Base Review, and in addition opportunities for "quick wins" are actively being sought.

- Licence extensions: Particularly SPDC, Abu Dhabi and Oman, but also smaller opportunities in Syria, Denmark (although Shell is not concessionaire) and Venezuela. Every opportunity to leverage access to post-licence volumes will be explored.

- Russia: Opportunities to bolster our portfolio in Russia are being pursued (e.g. Salym, Zapo).

- Oil sands: Scope to increase the proved volumes associated with the Athabasca project, and potential future expansions, is being investigated.

- E&A follow-up: Ways to increase the pace at which E&A discoveries are matured and commercialized to proved volumes will be pursued with high priority.

- OU Initiatives: Identification and pursuit of opportunities within the established core business portfolio continue with high priority, assisted by RtL and T&OE as required. "Major" gains are likely to be few and far between, however examples such as Groningen upside (2003?) hold real promise.

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Attachment 1a

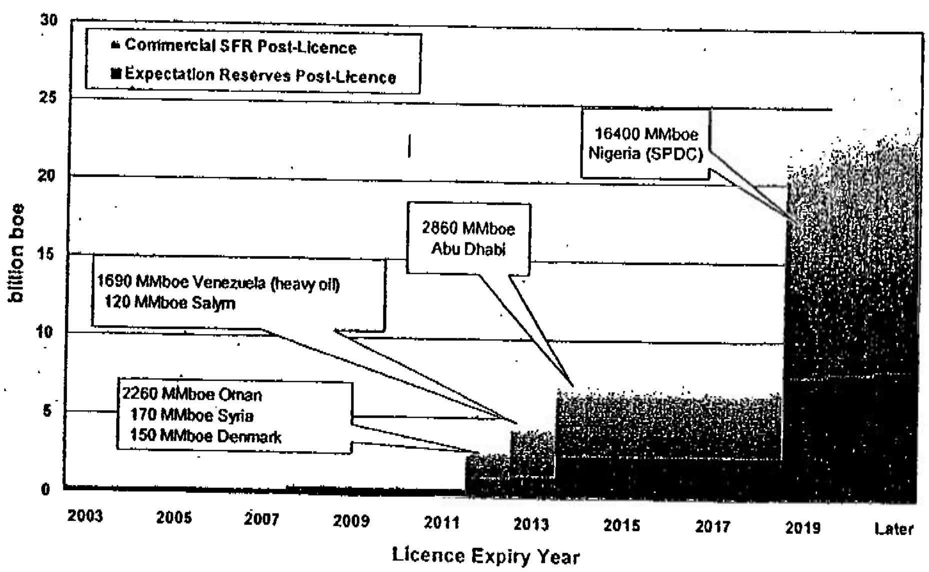
Inventory of Group Resources at 1.1.2002 (billion boe)

Category	Oil / NGL	Gas	Total
Proved Developed Reserves	4.3	4.4	8.8
Proved Undeveloped Reserves	5.7	5.2	10.9
Probable Reserves	6.8	6.2	13.0
SFR Proved Techniques	8.0	6.0	14.0
SFR Unproved Techniques	3.5	0.4	3.9
Total Commercial Resources, Discovered	**28.4**	**22.3**	**50.6**
SFR Undiscovered	14.1	11.3	25.5
Total Commercial Resources	**42.5**	**33.6**	**76.1**
SFR Non-Commercial	7.0	2.4	9.4
Total Resources	**49.5**	**36.0**	**85.5**

Includes Oil Sands and Oil Shales. Rounding effects may be apparent

Attachment 1b

Resources Locked beyond Licence Expiry



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Attachment 1c

Firm Constraints on Within-Licence Resources (at 1.1.2002)

Million boe		Proved Res.	Prob. Res.	Disc. SFR	Undisc. SFR	Total
Oil Sands and Shales: no (eventual) contribution to SEC Proved Reserves						
Canada	Muskeg River Mine	600	299	83		982
Shell Oil	Oil shales			745		745
Corresponding Gas Volumes				*175*		*175*
Total		600	300	1000		1900
Sakhalin: Reduction applicable on deconsolidation to 40%						
Oil		117	55	310	20	497
NGL				162	21	183
Gas				1456	172	1630
Total		120	60	1930	210	2310

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Attachment 1d

Possible Constraints on Within-Licence Resources (at 1.1.2002)

Million boe		Proved Res.	Prob. Res.	Disc. SFR	Undisc. SFR	Total
Gas: (Potentially) Stranded SFR						
Australia	Greater Sunrise			555		555
	Scot Reef / Brecknock			736		736
	Other			384	403	787
Canada	MacKenzie Delta (infrastructure)			152	46	198
Namibia	Kudu (likely to be deleted at 1.1.2003)			431	577	1010
Corresponding NGL Volumes				*234*	*44*	*278*
Total				**2490**	**1070**	**3560**
Heavy Oil: SFR difficult to commercialize						
Brazil	All fields and prospects			200	573	773
Canada	Peace River			999		999
	MacKenzie Delta			31	94	125
UK	Atlantic Margin				93	93
Venezuela	Urdaneta West			123		123
Corresponding Gas Volumes				*10*	*118*	*128*
Total				**1360**	**880**	**2240**
Oil Reserves that rely upon significant increase in production rate						
Nigeria (SPDC)		955	838			1793
Abu Dhabi		136				136
Australia (WPL)		11	20			30
Total		**1100**	**860**			**1960**
Gas Reserves that rely upon significant increase in production rate						
Nigeria (SPDC)		302	376			678
Norway		208	86			294
Malaysia		337	114			451
Brunei		65	272			337
Denmark			9			9
Total		**910**	**860**			**1770**
Gas: Reserves (Possibly) Prematurely Booked						
Australia	Gorgon	525	222			747
Norway	Ormen Lange	102	73			175
Corresponding NGL Volumes		*39*	*10*			*49*
Total		**670**	**310**			**970**

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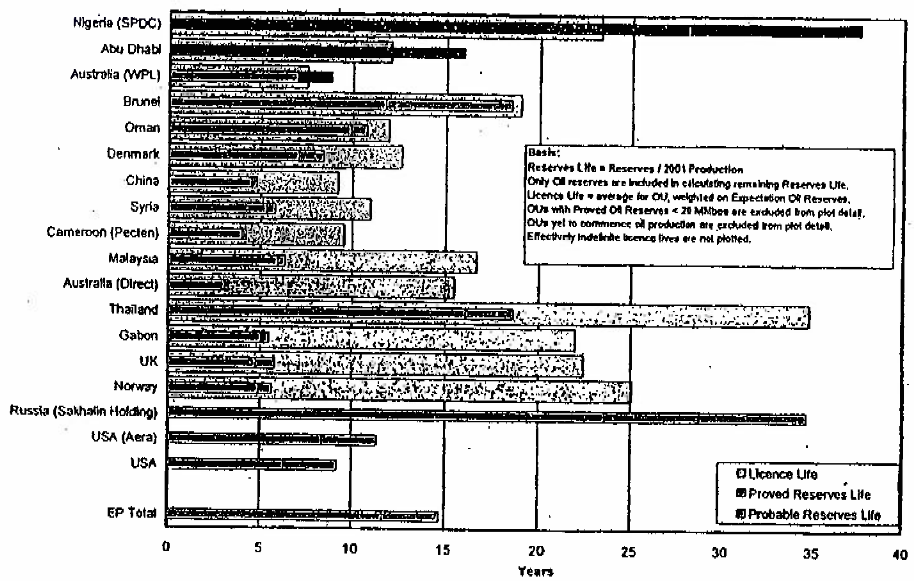
Attachment 1e

Oil: Reserves Life compared with Licence Life (1.1.2002)



SPDC and Abu Dhabi cannot produce their currently booked oil reserves without significant increases in production rate compared with 2001. For illustration, production must increase by 70% and 40% respectively by 2008 to ensure production of Proved Reserves within licence. The corresponding figures for Expectation Reserves are 140% and 40%.

Woodside ("Australia (WPL)") must maintain 2001 production levels to ensure production of Proved Reserves within licence, increasing slightly to secure Expectation Reserves.

Brunei and Oman (PDO) must maintain current production levels throughout the remaining licence duration to ensure production of Expectation Reserves: this might prove to be a challenge for the latter.

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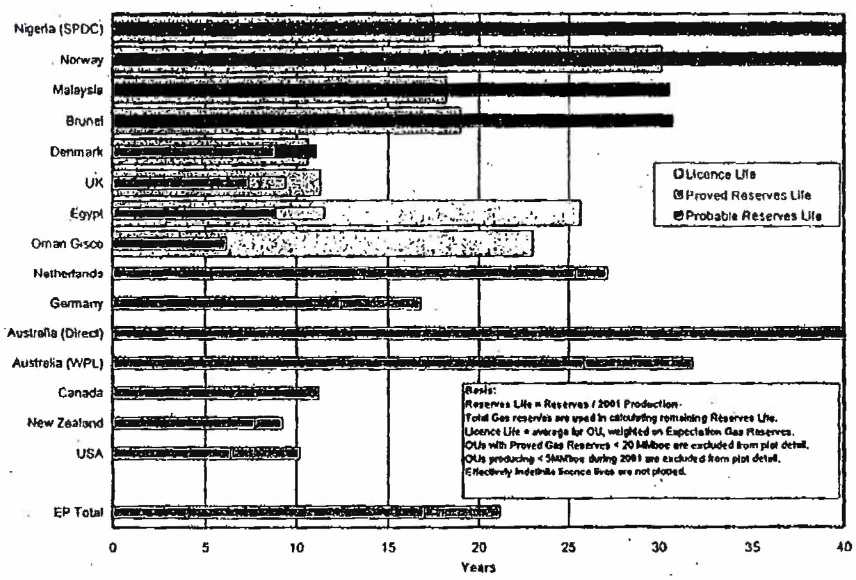
Attachment 1f

Gas: Reserves Life compared with Licence Life (1.1.2002)



SPDC, Norway, Malaysia and Brunei cannot produce their currently booked gas reserves without significant increases in production rate compared with 2001. For illustration, production would need to increase by the following amounts in each case by 2008 – and hold constant thereafter - to ensure production of the booked within-licence reserves:

	Proved	Expectation
SPDC (Train 4/5 &6?)	150%	340%
Norway (Ormen Lange to FID?)	70%	100%
Malaysia (MLNG-TIGA?)	60%	80%
Brunei	15%	70%

Denmark and the UK must maintain current production levels throughout the remaining licence duration to ensure production of Expectation Reserves.

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Attachment 1g

Hydrocarbon Resource Challenges by OU

Nigeria (SPDC):	Oil production must increase by 70% by 2008 in order to produce the currently booked Proved Oil Reserves (2500 MMboe). Alternatively, licence extension must be secured. 50% of gas proved reserves (some 250 MMboe) is "dedicated" to non-LNG outlets, unlikely to materialize – transfer to Train 4 & 5 (&6?). Moratorium on new Proved Reserves bookings.
SNEPCO:	Has one of the highest Proved:Expectation Reserves ratios of any OU (0.78), despite not yet having commenced production. Possible Bonga and Erha over-bookings are to be managed, severe challenge to mature Bonga SW in 2002 (appraisal and development studies outstanding).
Abu Dhabi:	Production must increase by 40% by 2008 to enable production of booked Proved Reserves. Alternatively, licence extension must be secured.
Australia:	Gorgon stranded gas (560 MMboe Proved Reserves booked), possible barriers to commercialization of much of the SFR portfolio.
Brazil:	900 MMboe commercial resource, mostly undiscovered. Heavy oil (assumed), possibly presenting both technical and commercial constraints.
Brunei:	ca. 20 MMboe legacy Proved Reserves still to be unwound.
Canada:	Peace River – 1200 MMboe SFR, heavy oil, possibly difficult to commercialize. Mackenzie Delta – 200 MMboe commercial gas resource stranded by lack of infrastructure.
Kazakhstan:	1200 MMboe SFR, scope to accelerate pace of maturation?
Namibia:	1000 MMboe gas SFR (Discovered & Undiscovered) at risk due to lack of critical mass for development.
Netherlands:	Waddenzee: ca 25 MMboe Proved Reserves at risk if project does not go ahead. Possible GIIP- and compression-related upsides in Groningen currently being worked.
Norway:	Ormen Lange booking to date at risk if project does not go ahead (100 MMboe Proved Reserves already booked, 400 MMboe total resource).
PDO:	Challenge to yield target production rates and hence reserves delivery.
Russia:	Sakhalin SFR maturation constrained (or not?) by LNG contract fixtures. 3800 MMboe total commercial resource on consolidated basis: reduced by 2300 MMboe on deconsolidation.
Venezuela:	Urdaneta West: 2100 MMboe commercial resource, heavy oil, much of it currently "licence locked", but the real issue is technology and economic project maturation.

DO WE THINK MARKET WILL NOT UNDERSTD THAT CONSOL RESERVES ARE NOT OURS?

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Attachment 2a

2002 Proved Reserves Additions: Latest Estimate

Million Boe	↑↓	Proved Reserves Additions Plan	LE	Delta	Reserves Replacement Ratio Plan, %	LE, %
Organic						
Kazakhstan	Kashagan Declaration of Commerciality + Arman		384	384		27.4
USA	Mars WF/Auger/Glider/OSO Merlin↑ Shawnee, Crossbones& others↓	139	145	5	9.8	10.3
Angola	Block 18 FID ↑	33	85	62	2.3	6.8
Brunei		67	66	0	4.7	4.7
Canada		50	50		3.5	3.6
Nigeria (SNEPCO)	Bonga SW challenge to reach VAR3 in 2002	116	49	-67	8.2	3.5
UK	Carrack West/Curlew↑, Shearwater/Cormorant N&S↓, Scoter deferred	68	36	-31	4.8	2.6
Denmark		24	32	8	1.7	2.3
Venezuela	Not a gain: Plan figure was inadvertently omitted from EP total		25	25	.	1.8
Netherlands		30	25	-5	2.1	1.8
Malaysia	PSV/PSC effect. Tiga Papan/Ubah/Ramin↓, 035/St Joseph↑	31	23	-8	2.2	1.6
Syria		13	15	2	0.9	1.1
Egypt		11	11		0.8	0.8
Gabon		7	7		0.5	0.5
Pakistan	Bahdra-3 well result(↑). Query Plan figure.	10	5	-5	0.7	0.4
Australia (SDA)		0	4	4	0.0	0.3
Brunei (FCE)		3	3		0.2	0.2
Argentina		3	3		0.2	0.2
Germany	Changed / deferred drilling programme	17	2	-15	1.2	0.2
Thailand	Reduction pending completion of studies Q3/Q4	4	1	-3	0.3	0.0
Australia (WPL)		0	0		0.0	0.0
Russia	Deconsolidation deferred	-92		92	-6.5	
USA (Ass Comp)	Aera included in USA LE	4		-4	0.3	
Bangladesh	Changed / reduced activity level	4		-4	0.3	
Brazil	BS-4 deferred	41		-41	2.9	
Oman (PDO)	Production forecast exposure / uncertainty	76		-76	5.4	
Namibia	Kudu appraisal	125		-125	8.8	
Brazil (Pecten)			-3	-3		-0.2
Norway		7	-8	-15	0.5	-0.6
Oman (GISCO)	Virtual PSV / PSC effect		-23	-23		-1.7
New Zealand	Pohokura	4	-28	-32	0.3	-2.0
Iran	PSV effect		-41	-41		-2.9
Total Organic, without upside		796	878	82	66	63
Upside:						
Enterprise	Application of Shell guidelines & Growth - TBC		50	50		3.6
Total Organic		796	928	132	66	66
Production	Includes ExCom adjustment	1419	1399	-21		
A&D						
	Adjust total RRR so far for effect of A&D production					-3.0
ENTERPRISE (KMOC@46%)	KMOC = 131 mln boe		1141	1141		77.9
Norway	Draugen		33	33		2.2
USA	Rockies		27	27		1.8
TOPCO NZ			9	9		0.6
UK	Goldeneye		7	7		0.5
DR Congo (Zaire)			-17	-17		-1.2
Iran	Farm out		-38	-38		-2.6
New Zealand	Portfolio rationalization + transfer to TOPCO NZ		-71	-71		-4.9
Total A&D			1091	1091		71
Total Organic + A&D		796	2019	1223	56	138
Production Organic + A&D		1419	1465	45		
Strategic Options						
Whale		154	154		10.9	10.5
Libya Block 47		21	21		1.5	1.4
Stephenson		13	7	-7	0.9	0.4
Alibekmola notional		13		-13	0.9	
AIOC notional		81		-81	5.7	
Venezuela light oil		86		-86	6.0	
Libya gas		90		-90	6.3	
Namibia Gas (FLNG) incremental		145		-145	10.2	
OU projects		-2	-2		-0.1	-0.1
Total Strategic Options		601	180	-421	42	12
Grand Total		1397	2199	802	98	160
Production Grand Total		1419	1465	45		

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Attachment 2b

2003 Organic Proved Reserves Additions: Unconstrained Capital Allocation Portfolio

		Proved Reserves Additions 2003 only: Million boe	Reserves Replacement Ratio %
Organic			
Russia (Sakhalin Holding)	Piltun-Lunskoye Deconsolidated basis	398	25.8
Norway	Ormen Lange Post FID Development	118	7.7
China	West to East Upstream	110	7.1
Nigeria (SNEPCO)	Bonga South-West (if deferred from 2002)	72	4.7
USA	RMPA-Pinedale 02 5-Rig Base	61	4.0
Nigeria (SNEPCO)	Erha Main Field Development	56	3.6
China	Changbei Upstream	54	3.5
Enterprise	Enterprise Growth 2003+ (estimate)	50	3.2
USA	Ursa 02 Inc9 Waterflood	36	2.3
China	East China Sea Development	22	1.4
Nigeria (SNEPCO)	Bolia	21	1.4
UK	564 - Phyllis	21	1.4
USA	RMPA-Yugo 02 Base	20	1.3
China	Bonan Oil: BZ25-1 Oil Development	20	1.3
Brunei	CA03 WB 100 AU West Existing	15	1.0
Netherlands	Onshore Rotliegend Play	14	0.9
Brunei (FCE)	ML South Cluster Exploration	14	0.9
USA	Brutus 02 Base	13	0.8
Syria	AFPC Project - Tranche 1a (FID 2002)	12	0.8
China	East China Sea Exploration	12	0.8
UK	568 - Starling	12	0.8
Brunei	CA03 WB 248 Champion SE Water Injection	11	0.7
Netherlands	Offshore Rotliegend Play	11	0.7
UK	559 - Harrier Shallow	10	0.7
Denmark	SOGU Tranche 1	10	0.6
USA	SOC.Tr.1.MarsBasin.EB2	10	0.6
Brunei	CA03 WB 200 AU East Existing	9	0.6
UK	504 - Nessie	9	0.6
Germany	Tranche 1/2003	9	0.6
USA	SOC.Tr.2Fwd.Texas1 (Forward Curve)	9	0.6
Brunei	CA03 WB 429 1704A BANGAU Exploration	8	0.5
UK	454 - Schiehallion Claw (420)	8	0.5
China	Bonan Gas	8	0.5
UK	001 - Existing Assets	7	0.5
Malaysia	PM302: Bunga Dahlia	7	0.5
Australia (Direct)	T1-4 EP	7	0.4
Denmark	SOGU Tranche 2	6	0.4
USA	RMPA-Pinedale 02 6th Rig Option	6	0.4
UK	501 - Firm E&A - Cutter	6	0.4
Oman	Existing Assets (including Corporate Overheads)	6	0.4
UK	336 - Tranche 2b - FID2003	6	0.4
UK	114 - Penguin (416)	6	0.4
UK	330 - Tranche 1 - FID2003	5	0.4
Gabon	Existing Assets (ga)	5	0.3
Pakistan	Indus Deepwater Exploration Well (Notional)	5	0.3
Brunei	CA03 WB 314 AU Darat Tr1 FID04	5	0.3
Other projects		185	12.0
Grand Total		1526	99
Production Grand Total		1541	

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Attachment 2c

Projects with major Proved Reserves Additions in 2004 – accelerate to 2003?

The following would be the prime contenders, as viewed today, for acceleration from 2004 in order to redress the 2003 deficit against the 100% RRR aspiration. They are the *only* projects (as submitted for Capital Allocation) with unrisked Proved Reserves Additions in 2004 that exceed 100 mln boe, or 7% RRR:

Project	POS to FID	Category	Unrisked PRA[3]	Unrisked RRR
Australia Ceduna	10%	E&A	130	+9%
Australia Sunrise LNG	15%	Development	340	+23%
Egypt NEMED gas	24%	E&A	130	+9%
Egypt NEMED Lc 59	11%	E&A	340	+23%
Iran Bangestan	15%	SO[4] (organic?)	300	+21%
Qatar SMDS	50%	SO (organic?)	350	+24%
Russia Zapolyarnoye Neocomian	50%	SO (organic?)	760	+53%
Saudi Arabia CV1 Upstream	10%	SO (organic?)	730	+51%

Attachment 2d

2003 Other Upside Potential

In addition to the ongoing efforts within the OUs (the fruits of which are not yet sufficiently mature as to be reflected firmly in OU plans), the following specific items can be identified from the Capital Allocation project portfolio and from assessment of the overall business:

Project	PRA	RRR
Secure Whale Strategic Option, de-risk, "organic"?	600	+42%
Secure Salym Strategic Option (de-risked)	120	+8%
Other Strategic Options (Itau, Kuwait OSA), risked basis	150	+10%
Retain Sakhalin consolidated	600	+42%
T&OE quick wins (highly uncertain)	up to 150	up to 10%
Total potential gain identified	**up to 1630**	**up to 112%**

[3] Proved Reserves Additions in 2004, million boe
[4] Strategic Option

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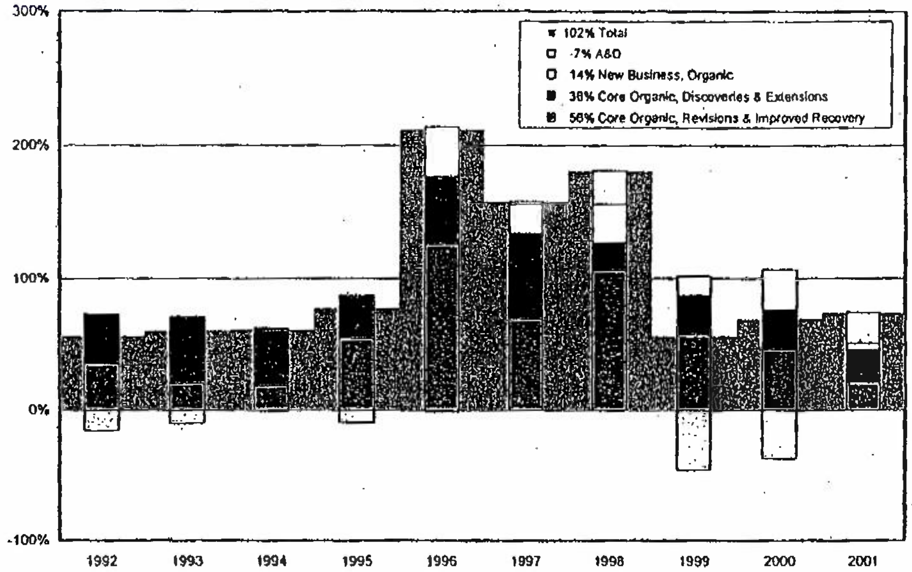
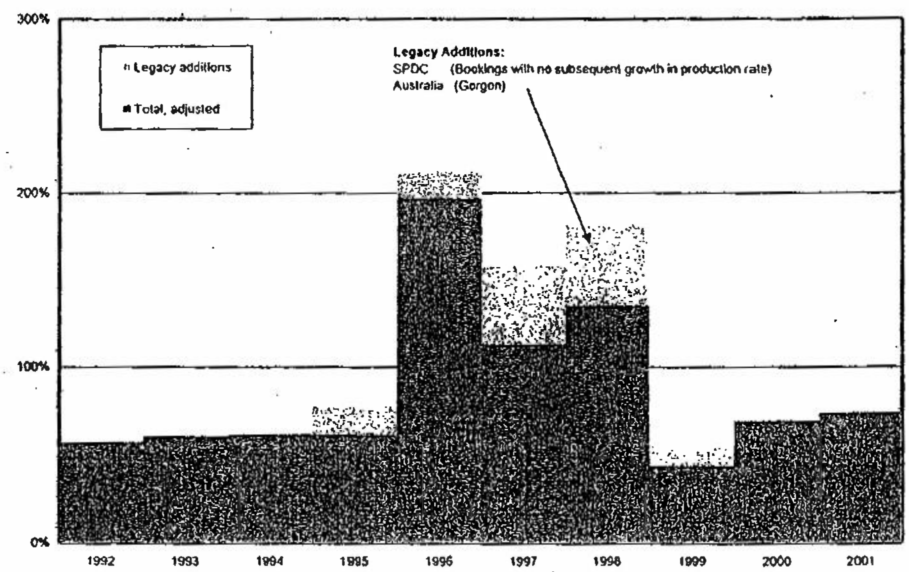
Attachment 3a

Historical Contributions to Proved RRR



Attachment 3b

Legacy / Premature Bookings



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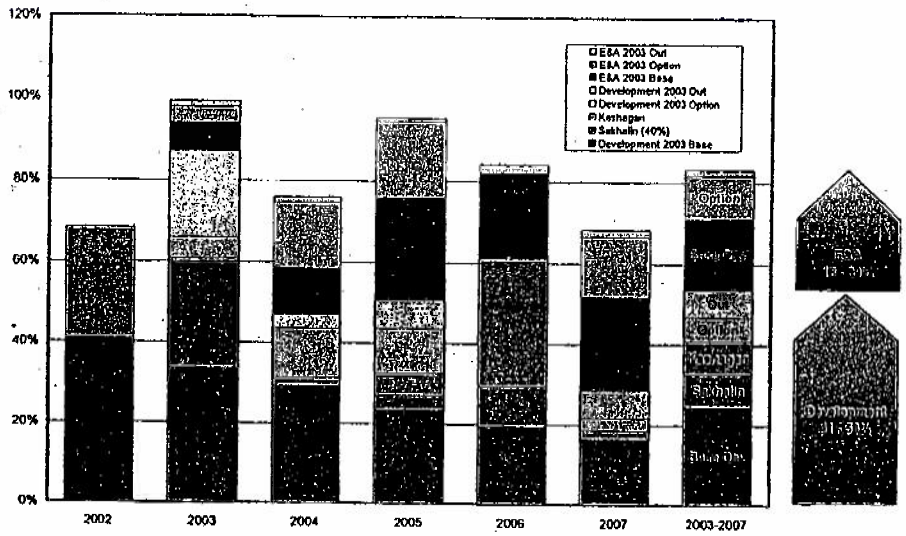
Attachment 3c

Plan Period Organic Proved RRR



"Base, Option and Out" rankings apply to 2003 only: the programme for 2004+ has yet to be built and rankings may change for later years

This plot shows the full 2002 Capital Allocation data set for Existing Business. Only the programme for 2003 has so far been ranked and constrained to fit within Capex and Expex budget ceilings (the "Base" elements referred to in the plot), and this ranking must be viewed as very preliminary.

Enterprise is carried in "Base Development" at 4% a.a.i. production growth and 50 million boe per year Proved Reserves Additions: these figures to be confirmed upon receipt of Enterprise plan data.

Indications are that organic RRR averaged over the Plan Period (2003 – 2007) will be at least 59% (41% from Development activities, including Sakhalin and Kashagan; 18% from new Exploration and Appraisal activities).

Without expenditure restraint, the maximum deliverable organic RRR would be 83% (53% from Development, 30% from new E&A).

With expenditure restraint applied to 2004 and beyond, the organic RRR delivered by the Plan will clearly be at some point between these two extremes.

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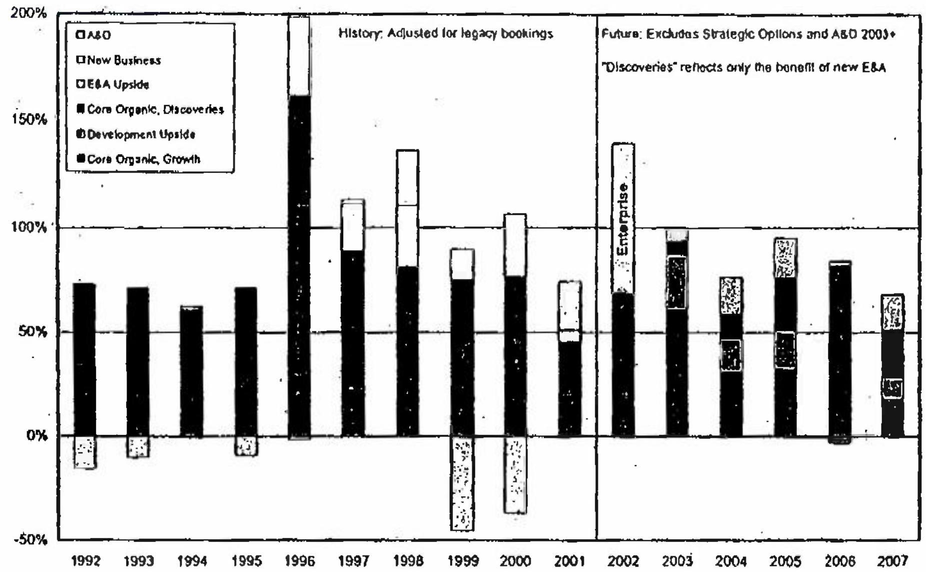
Attachment 3d

Plan Period Organic Proved RRR in context with History



This plot attempts to show the outlook for organic Proved RRR in context with the past. Full consistency in the view cannot be achieved, since the Capital Allocation data for the future is not segregated to show the true contribution from (historical) E&A activities:

"Core Organic, Growth" equates to "Revisions and Improved Recovery" in the historical part of the plot, but to "Development activities" in the future. Consequently this includes reserves that actually stem from recent exploration discoveries.

"Core Organic, Discoveries" equates to "Discoveries and Extensions" in the historical part of the plot, but only reflects the contribution of new E&A activities going forward.

Enterprise is carried in "Core Organic, Growth" at 4% a.a.i. production growth and 50 million boe per year Proved Reserves Additions: these figures to be confirmed upon receipt of Enterprise plan data.

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LON01210337

1200 - 1230 → 17/10

Van der Laan, Marian M SI-MGDWV/DIRMB

From:	Mair, Jim JH SIEP-EPB-B
Sent:	23 September 2002 08:57
To:	Van De Vijver, Walter SI-MGDWV
Cc:	Brass, Lorin LL SIEP-EPB; Coopman, Frank F SIEP-EPF
Subject:	RE: Australia Visit

Walter,

Thanks for the debrief. If possible I'd like a face to face this week to cover the issues and way forward. Appreciate you have CMD today and tomorrow. Also I'm out from Wednesday morning until next Tuesday so may have to be by phone. Will contact Marian re. a suitable time for you, Lorin and Frank. Attached is an update on Westminster activities for your information.

Jim

~$arification email for Blanch...

-----Original Message-----

From:	Van De Vijver, Walter SI-MGDWV
Sent:	Sunday, September 22, 2002 11:32 PM
To:	Mair, Jim JH SIEP-EPB-B
Cc:	Brass, Lorin LL SIEP-EPB; Coopman, Frank F SIEP-EPF
Subject:	FW: Australia Visit

Wrt Westminster.

Obviously I did not raise it with Akehurst/Goode.Akehurst apparently enjoys disliking them ,foremost as they do not want to appear to spend a money on NWS.
Any thoughts about Akehurst being ready to retire forget it,he is obsessed with status and money!
Goode got so fed-up with him that he only has 2 years contract (base UK 1 million base) from 3/2002 onwards eventhough he acknowledges himself that there is no successor in Woodside and that he does not know anyone better,
Also met briefly with Peter Mason of JP Morgan.Nothing really new,he believes that BHP will not be stopped acquiring Woodside (will only be required again to confirm headquaters in Melbourne) ,timing ideal to be October/November (also to finish before planned Telstra privatisation next year).
The obvious waste in the current set-up is obvious but than again they seem to want to make things as complicated as possible down under.I must admit that I really wonder why we need to re-create SDA if ultimately operations will need outsourcing to the new merged company and furture revenue is solely linked to partner alignment with Phillips,CT etc to get the stranded reserves in the cue for development.
I will need a very convincing portfolio and metrics to make it happen.Paying a premium upfront is going to make value realisation difficult.
Have to got a forward process defined to 1) close valuation gap 2) resolve NWS model (Shell gas marketing does not appear that relevant anymore) 3) get fail-safe tactics ?!
The difference with base case (an im proved as per attached) needs to be prepared.
Thanks,
Walter

-----Original Message-----

From:	Van De Vijver, Walter SI-MGDWV
Sent:	22 September 2002 18:01
To:	Watts, Philip B SI-MGDPW; Van der Veer, Jeroen J SI-MGDJV; Skinner, Paul PD SI-MGDPS; Brinded, Malcolm A SI-MGDMB
Cc:	Boynton, Judith G SI-FN; Gardy, Dominique D SEPI-EPA; Van De Vijver, Walter SI-MGDWV
Subject:	Australia Visit

I just returned from 4 days in Australia (Perth,Karratha,Melbourne).Malcolm and I shared a day with SDA (Shell Development Australia).Malcolm's visit was focused on his RMD/G&P role whilst my visit was driven by wanting to get a first-hand experience of the Shell /Woodside relationship.

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HAG00084944

EXHIBIT Van der Vijver 115 2/1/07

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I took the opportunity to meet many Shell staff (including secondees in Woodside) and spend significant time with John Akehurst (CEO Woodside) and with Charles Goode
(Chairman Woodside).
Tim Warren's arrival has certainly done good for all involved and he is enjoying it!

Some observations:

- Sunrise project is struggling (cost increase,reserves decrease,Phillips has stronger position,too much noise in press,East -Timor complications) and will need concentrated effort to keep it alive. Joint EP/GP tactics to be worked urgently and hopefully to CMD for update end October.This is a Group reputational issue due to the high profile given on this FLNG opportunity.
- NWS is looking good (record production last month at 550,000 boe/d) also wrt Train 4 construction. Partners not aligned on forward commitments (Train 5,new offshore developments,refurbishment scope onshore/offshore).Of concern is pre-occupation with growth (wanting to execute all activity asap),increasing cost structure and HSE performance. It is amazing how much the plant performance is still dependent on Shell expats on site in Karratha,clearly doing a good job wrt to asset utilization.
- Internal conflicts on what stranded gas reserve should be "out of the block" next as Woodside does not have equity in Gorgon (the next logical choice).Partner alignment following strategy review is the no-1 priority here in Australia where market constraints and Australian politics are sufficient hurdles that you do not want companies to disagree or send mixed messages! This should also involve our preparedness to exit several assets (eg exit/swap Blacktip/Chuditch/Evans Shoal/Scott Reef-Brecknock).
- relationship between Shell and Woodside is not as bad as I perceived:
  - some mutual international opportunities being worked (eg Libya,Shelf GoM)
  - Shell staff like working in Woodside ("dynamic environment")
  - more Shell input is being sought (acquisitions,HSE help)
  - China deal was very big boost for everyone

but:

- JA remains very manipulative and very focused on his personal agenda (be independent and international)
- Woodside Board not as effective as it could be on challenge (budgets,capitalization of exploration expenses,cost structure (foremost overhead),growth portfolio)
- JA trying to push forward with $ 1.5 billion acquisition of small US independent with scattered portfolio that has never been on our radarscreen!
- Woodside would struggle tremendously if we would withdraw our 65 secondees mostly in key positions.
- company should focus more on growth in Australia (asset acquisitions,small independents through industry consolidation,CBM) and New Zealand,also as oil production will decline (Laminaria) and the scale game will have to be played to survive profitably.Also there appears to be a too negative view on reserves outlook ,even in core areas as NWS which hence partly drives their international aspirations.
- our current set-up with SDA plus Woodside is obviously high-cost,foremost as half of SDA staff (just under 100 in total) are expats.This is not acceptable foremost as also many Australians are abroad.

We will be tested with their acquisition proposal shortly (join or dilute,Shell equity would be some $ 200 million) whilst we will have to decide how much we can improve the status -quo (further alignment,cost reductions,US GAAP,capital efficiency,shift to "local growth/acquisitions") versus the Westminster route.
I must admit that I have lost some of my appetite for Westminster but we will work that further in October also.

I assume Malcolm will add his personal perspective on Shell in Australia.
(Whilst in Melbourne I was also given a quick update on the coded OP projects).

Regards,
Walter

Walter van de Vijver
EP CEO and Group Managing Director
Shell International B.V.
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Email: Walter.W.VanDeVijver@si.shell.com
Internet: http://www.shell.com

DRAFT

MOST CONFIDENTIAL

No. 2526

COMMITTEE OF MANAGING DIRECTORS
MINUTES OF THE MEETING HELD IN LONDON
ON MONDAY, 22 AND TUESDAY, 23 JULY 2002

Present:	P B Watts	Chairman
	J van der Veer	
	P D Skinner (Items 1 -7, 9, 16-19, 28-40)	
	W van de Vijver	
	M A Brinded	
In attendance:	J G Boynton	
	K A Ruddock	Secretary

1. MINUTES

The Minutes of CMD Meeting No. 2525 were approved, as amended.

2. MA&D REPORT

Neil Gaskell entered the meeting. He presented a report on acquisition options which was discussed by the Committee.

Lynn Elsenhans entered the meeting. Neil Gaskell presented a further report on the Group acquisition and divestment activities.

Copy of Minute to: none.

EXHIBIT
van der Veer, J.
16
2/1/07

3. POST ACQUISITION REVIEW

Lorin Brass, Gregory Hill, Ron Blakely and Lynn Elsenhans entered the meeting; Neil Gaskell was in attendance.

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Neil Gaskell presented a review of the Enterprise and PQS acquisitions. The presenter commented that, in respect of Enterprise, the high level of Shell preparation was viewed by both external lawyers and the banks as coming close to raising "off market" issues in the UK. However, clearly the Group did not want to carry out less preparation for these potential acquisitions and in part the issue may be one of educating external advisers.

Having two substantial deals running in tandem did put pressure on the system and in particular PQS struggled to get attention over Enterprise. In PQS, the bank's role ran much more satisfactorily than with Enterprise. In relation to PQS, the bank was clearly in a support role and already knew the business. With respect to Enterprise, the bank was not sufficiently proactive but did fulfil its statutory role, as required by UK law, well.

In respect of integration, it was considered important that an integration leader be appointed as soon as possible in the process and that a specific team, distinct from the deal team, be appointed to support the integration planning effort, unless it was known in advance that competition clearance would cause delay.

The Committee commented that generally these deals had demonstrated a high internal capability. The introduction of a deal file and thorough preparation had contributed significantly to the success of both transactions. The divestments experience gained in Chemicals had also been useful.

In relation to confidentiality concerns, and the numbers of people to involve, this was clearly always going to be a difficult issue, but if the right people were not involved early, work would be created later in the process. For future transactions a small steering committee should be appointed with other personnel only involved on a strictly need to know basis.

The Committee commented that the interface with the European regulators, in particular the competition law authorities, appeared to be much better than in the US, especially in relation to the FTC. With both Spectrum and PQS, the FTC had not reacted as had been anticipated. The Committee was concerned that the Group did not appear to have access to the best legal input in respect of US transactions and Judy Boynton undertook to investigate this further.

Lorin Brass presented a review of the Enterprise Oil transaction. It was noted in particular that the adjusted Enterprise plan was very close to the Shell forecast prior to the transaction, even taking account of the UK tax changes. It was noted that development of the Corrib field may be delayed until 2004 as planning consent had been refused for the terminal. The Committee queried whether the Group had sufficiently well placed contacts with the Irish government and

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regulators. Paul Skinner undertook to explore this issue further in consultation with the Country Chairman in Ireland. It was noted that an Enterprise progress review would take place in Q3/2002. A full post-investment review will take place in Q1/2003.

Ron Blakely presented a progress report on the integration of Texaco's interests into Shell Oil Products in the US and of Spectrum in Germany.

In the US, although the merged entity had a 14% market share, it achieved this with a much higher number of service stations than its competitors. Staff would remain with Equiva Services until the end of 2002 when they would transfer to Shell Oil Products. Until the service level agreement had been put in place with Saudi Refining Inc (SRI), the full organisational change could not be implemented. This was targeted to take place on 1 August 2002. The Committee commented that the relationship with SRI appeared to be working well although decisions did seem to take longer.

Aggressive rebranding of service stations will enable the Texaco brand to be withdrawn from the US retail market before the end of the exclusivity period. The PQS transaction will impact both the lubricants rationalisation and integration efforts. To the analysts, the position could be summarised as being "off to a good start". The Committee noted that the sensitivities of SRI should be borne in mind in making any public statements. The Committee queried the position for former Texaco employees and their pension funds. The presenter explained that these issues had been specifically addressed pre-closing and that liability would remain with Texaco.

With regard to Spectrum and Germany, the presenter explained that the potential for synergies appeared to be improving. The early exercise of the put option may expedite this as it would mean that there were no longer two owners involved. Brand was a challenge as DEA had a very strong presence in the German market and indeed was probably stronger than the Shell brand post Brent Spar.

OP considered eMerger, which was a synergy capture and tracking tool, to have been very useful.

In respect of the remedies required in Germany, the Committee appreciated that potential divestments were being made into a very competitive market with BP similarly trying to divest a large part of its business.

The Committee noted that OP appeared to be delivering against their promises in respect of both transactions.

Copy of Minute to: P Skinner, W van de Vijver.

4. PROCUREMENT

Jeroen van der Veer explained that it was proposed that, while procurement would remain the responsibility of individual businesses, the profile of C&P generally should be raised and progress maintained in pushing forward the agreed C&P strategy. This could be done by taking C&P out of ID and having it report to a CMD member directly which would enable "Big Rules" to be applied across all businesses.

The Committee commented that C&P generally appeared to have improved markedly. All businesses had dedicated high quality senior resources to address the historic problems with C&P. TradeRanger was conducting more business but it was still too early to say whether it would be a success.

The Committee discussed how the current C&P improvements could be sustained in the longer term. It was recognised that procurement was one of the most difficult change management areas in any company.

The Committee believed that there was value in raising C&P's profile but was not sure about the tasks and organisation of a specific C&P director for which a job description needed to be drawn up.

The Committee also wondered whether, by appointing a C&P director, the current accountability which each business had for its C&P component would be diminished. The Committee sought assurance that the appointment of a C&P director would add value to the process and was keen to a see a detailed job description and tasks and targets for the first 12 months.

Jeroen van der Veer confirmed that he would come back with a detailed job description for the C&P director role in early September.

Copy of Minute to: J van der Veer.

5. 2002 PLANNING CYCLE PREMISES AND SENSITIVITIES

Lynn Elsenhans, David Lawrence, Mark Turner, Evert Henkes, Linda Cook, Lorin Brass, Mark Williams and David Kinder entered the meeting.

David Lawrence introduced a series of presentations from each of the businesses in respect of the premises and sensitivities.

The Committee noted that in some cases the same factor could have very different outcomes in respect of the EP and OP businesses. One feature of OP rate figures should stand as proposed.

Copy of Minute to: D Lawrence.

6. CHEMICALS VISION - INDUSTRY STRUCTURE

Rosemary Mecca, James Smith, Stan Park and Simon Lowth (McKinsey and Co) entered the meeting.

James Smith gave a presentation on the Chemicals industry structure and the competitive environment.

In particular the presenter highlighted the significant change in the Middle East's role as a future exporter of product to China and Western Europe's increasing role as an importer. The Group's focus was in the "cracker plus 1" area. The merchant market was contracting which was a challenge for the Group as this was 40% of its business. One issue for the Middle East was whether support could be obtained for ROACE objectives. For sustained long-term growth, presence in Asia and the Middle East was vital. The Committee queried whether the basic business model would change if a shift took place to these new areas. The presenter commented that capability would be diminished if the Group was not present in these areas.

There was still scope and a requirement for industry consolidation and the Group had to determine whether it wanted to be part of that. If a sale was considered, it would not be easy to find a buyer for the entirety of the business. In addition, the impact of a potential sale on the interface between Chemicals and the rest of the Group had to be considered.

The Committee commented that a great deal depended on whether China would assume the importer role anticipated or whether it would prefer to build its own capacity. In both the Middle East and China, consideration would need to be given as to who the best potential partner or partners would be. The new mindset required was one of global marketing. However, it was recognised that having a strategic partner in either Asia or the Middle East could limit the Group's options.

The presenter commented that of the traditional players, ExxonMobil was probably best placed and there was undoubtedly still a gap between Shell and ExxonMobil (and in turn between Shell and BP) which was largely due to physical configuration differences. ExxonMobil could improve but did not have a major step change available to it. The Committee recognised that at some of the

Group's major refineries, such as Deer Park and Norco, there were already outside parties in place which would constrain possible choices with regard to Chemicals. The Committee suggested that the value of integration needed to be examined in detail, focusing on the size of the prize and doabiltiy. This was a key deliverable.

The Committee queried in respect of Basell as to why it was that a company with a strong market position and good technology had such structural performance problems. It appeared difficult to identify what was inhibiting performance. The Committee anticipated that a potential buyer of Basell may well be conflicted. The Committee suggested that all M&A options should be considered. The alternative was to consider becoming a purely commodity player which would involve developing a different long-term strategy.

The Committee suggested that Chemicals devise a short summary describing the elements of the perceived strategic benefit in retaining Chemicals in the Group with a NPV US Dollar figure listed against each. The Committee wanted to know to what extent having Chemicals in the Group increased the Group's value.

The Committee expressed its appreciation for the quality of the paper and presentation and believed that its level of interaction with the Chemicals Vision Team had been a very positive start to the overall process.

Copy of Minute to: E Henkes.

7. **SAKAHLIN**

Rein Tamboezer, Din Megat, Peter de Wit, Steve Kersley, Michael Blaha, Iain Lo and Linda Cook entered the meeting.

Rein Tamboezer and Peter de Wit explained that there were still major risks associated with this project, in particular as no firm gas sale arrangements had yet been put in place. In particular, there was considerable uncertainty in the gas market until the pricing on Guangdong had been determined. The presenters confirmed that if Guangdong prices proved to be at the low end of the anticipated range, that would nonetheless not be likely to lead to reopening of current higher price existing contracts until contractual price reviews (which generally occurred approximately every 5 years). Customer reluctance to commit to offtake supply was largely attributed to the lack of growth in Japan and the appreciation by probable customers that they were not under time pressure to make a decision.

Both Korea and Japan saw Sakhalin as a regional strategic asset which was better placed in the long-term to supply their requirements than most other likely sources of supply. The potential customers did appreciate that the Sakhalin partners needed to reach a decision soon. The Committee queried what customer reaction would be if they thought Sakhalin might not go ahead. It will be necessary to enlist the assistance of the Japanese participants in the project to secure wider Japanese support. The presenter confirmed that prospective Japanese customers did have flexibility under their current agreements to take additional Sakhalin gas.

The Committee considered that the list shown of the consequences of not proceeding was unduly negative. It should rather be viewed as a list of items which might be affected but should be put no stronger than that. If Sakhalin did not proceed, prospective customers may respect the Group all the more.

The Committee queried whether, if the Group did not fund the project, "Japan Inc" might do so itself. The presenter thought that, if the project was strategic for Japan Inc, then Japan would find the necessary funds. The key to future success lay in achieving bankable contracts with customers now.

The Committee thought that, even if firm gas offtake commitments were in place, the project would still not be ready to go to FID. One option which could be considered was whether increased cooperation with Sakhalin I may improve the economics. The Committee considered that, if the project were to continue, it would be on the basis of long-term strategic positioning and prospects. At present it was viewed as a marginal project where the economics had not improved in the last six months. It was noted that a VAR 4 would take place before the end of 2002. Greater consideration should be given to the consequences of a much-reduced LNG pricing level if the Guangdong outcome was at the lower end of the range.

The Committee noted that the Group is viewed as a leader in this business and the market generally would understand if it chose to walk away or to slow down the pace of development. The Committee, however, considered that the Group's decision should not be constrained by what the market would expect.

The Committee considered that the project clearly had potential real value but also had significant risks associated with it. There was support for continuing to retain optionality by going forward but maximum activity was required in securing gas offtake commitments, particularly in Japan.

The Committee noted that in three months time it may tactically be desirable to put the project on hold to concentrate the attention of potential customers. The critical importance of the supply of LNG to Mexico for the success of the project was also noted.

The Committee considered that the overall message to customers and partners should be that the Group did want to do this project if it could get the support it required from partners and customers. It would ultimately be a very difficult decision but nonetheless work should continue on the basis that FID would be taken in March 2003. The set of conditions precedent should be made crystal clear with a timescale for achieving each of them. A tactical plan on how best to manage the process would be put in place to be reviewed by the Committee on a three monthly basis, with the reviews to take place at the end of each of September 2002, December 2002 and March 2003.

The Committee noted that ExxonMobil had expressed an interest in examining synergies with Sakhalin 1 although there was a concern that this may be a spoiling tactic to slow things down.

The Committee expressed its appreciation to the Sakhalin team for its determination in pushing forward with what was clearly a very difficult project.

Copy of Minute to: W van de Vijver, L Cook.

8. FT ARTICLE RE: TOLLING AGREEMENTS

Lynn Elsenhans, Mike Warwick, Simon Henry and Mary Jo Jacobi entered the meeting; Linda Cook was in attendance.

Linda Cook explained the sequence of events leading up to and following the publication in the Financial Times of two articles on Monday, 15 July 2002 relating to Shell's tolling transactions in the US. The Financial Times had published a third article on 18 July referring to comments made by JJ Traynor of Deutsche Bank. It was understood that Deutsche Bank had lodged a letter of complaint with the FT.

The Committee noted that the reputation of Royal Dutch/Shell in The Netherlands had been particularly badly affected due to extensive television news coverage.

The presenter commented that a number of lessons were clear. Greater preparation should have been made for the worst-case scenario and it was important to establish proper ownership of the issue earlier. The Group's complicated internal structure made reacting quickly more difficult and it was accepted that the reactive press release should have been issued by noon on 15

July. It was suggested that media training in the Group be broadened generally and that great care be taken when using internal jargon externally. Issues management should be tested in Gas & Power "affiliates" (e.g. Shell Trading and SGS) and the company secretaries must be involved earlier.

Issues management in Shell Trading should be linked into general Gas & Power issues management. Half the calls received occurred in the first few hours after publication and were predominately from analysts and investors rather than the media. Most of these calls were fact finding in nature but the information required was not immediately available.

It was noted that in the post Enron and Worldcom climate, former employees with grudges were now being taking very seriously in any allegations they may make about their former employers. It was noted that the individual who had made these allegations had not been a senior employee. Although described as a general manager, he had no subordinates and was employed at JG3 level. His job title reflected a trend in the US for "title inflation". The Committee thought it desirable that a common terminology for titles be developed across the Group worldwide.

The Committee understood from contacts with the Editor of the FT that it wished to develop a more investigative style and sharper edge in its reporting. However, the FT also had to be aware that it carried huge weight and authority within business and any reporting must be accurate.

The Committee also noted that, in the current climate, careful thought needed to be given to any unintended conclusions which could be drawn. For example, it might have been preferable to have fielded someone other than Debbie Wernet for the interview, given her Enron background.

The Committee asked whether there were any other concerns in relation to Coral of which they should be aware. Mike Warwick explained that there was some potential litigation in California and that the FERC investigations arising out of Enron's practices were ongoing. It was anticipated that these investigations would continue through to May 2003.

The Committee asked whether Coral in particular, and Shell in the US generally, had engaged in any "wash trades". Mike Warwick confirmed that no wash trades had been uncovered in Coral during the investigations earlier this year and that the FERC had been notified accordingly. Of the ten objectionable categories of Enron behaviour identified by the FERC, Coral, and Shell generally, had not engaged in any. There were some trading practices which were considered normal which Coral had engaged in which had been notified to FERC for the sake of good order and completeness.

The Committee asked whether it could state without reservation that all matters had been investigated in Coral and Shell in the US which might pertain to Enron-type behaviour, especially "wash trades". Mike Warwick explained that these matters had been investigated intensively, that no evidence of any misbehaviour had been found and that Coral had no motivation to engage in any such behaviour.

The Committee noted that having the note in the Accounts had proved very helpful in this instance and that there had been no communication from the SEC or the New York Stock Exchange, possibly as a result of the note.

The Committee queried whether Master Limited Partnerships (MLPs) were creating a problem. Mike Warwick commented that he was not aware of specific concerns in this respect.

The Committee expressed its thanks to all involved in dealing with this issue and in particular expressed its appreciation for the media and investor relations response teams who had handled the large number of queries on the day in a very professional manner.

Copy of Minute to: L Elsenhans, L Cook.

9. Q2 RESULTS (OIL PRODUCTS)

Ron Blakely and Tim Morrison entered the meeting; Simon Henry was in attendance.

Tim Morrison presented the initial Q2 results for the Group and Ron Blakely presented those for OP. Given that Q2/2001 had been a record result for OP, the OP results for Q2/2002 were always likely to fall short. In particular, in 2002, refinery margins were difficult in Europe. The East Zone had turned in a good performance but in the South Zone the difficulties in Brazil and Argentina had pulled the results down. In trading, the shipping results were disappointing. Canadian results were affected by having the three refineries shutdown during the period although this may prove to have been opportune in the economic circumstances. In the US, OP's strong refining position on the west coast may act to its detriment compared to ExxonMobil and BP who were better placed geographically given the relative refining margins.

In retail, SEOP had performed well in Europe, but so had the competition. Following the Q1 results, expectations were going to be very high and accordingly a very strong and aligned story needed to be developed .

The Committee requested the development of a step chart quarter by quarter for OP and its competitors. From a structural perspective, it was believed that Shell benefited from a $1 per barrel advantage over BP. Care needed to be taken with the storyline, particularly as DEA acceleration was about to be announced. The key factor was whether in these economic circumstances Shell was under-performing compared to its main competitors. Transparency in giving the OP story was the key.

Across the Group, EP generally was in line with analysts' expectations while OP and GP would be disappointing. Chemicals had performed very well but, given the amounts involved, may not feature prominently in the overall story. The minimum analysts' estimate for the Q1 results was $2.2 bln.

Copy of Minute to: P Skinner, T Morrison.

10. CHEMICALS VISION

Rosemarie Mecca, James Smith, Stan Park and Evert Henkes entered the meeting.

James Smith gave a presentation which evaluated the strategic options in petrochemicals and in particular reviewed Shell's portfolio strategy, its competitive position and performance, and the key strategic issues faced.

In terms of competitive position and strategic confidence, the Group position was particularly strong in base chemicals. The Committee suggested that SADAF should be included for the sake of completeness. It was noted that SADAF's styrene and cracker businesses were particularly well placed. EO/G and polyethylene, as readily transportable derivatives, were key in the context of possible developments in the Middle East. In polyethylene, Basell was the market leader in Europe but did not have a global position, nor a presence in North America. While the additives business was not strategic to Shell Chemicals, and could be considered as a potential divestment, it had a greater relevance for OP. In respect of catalysts, the EO/G part of the business was very successful but the remainder, which related to refinery catalysts and was asset intensive, was potentially divestable.

The Committee found the presenter's presentation of average ROACE for the component businesses within Shell Chemicals particularly helpful.

With regard to Basell, the Committee noted that Basell had certain strengths and was achieving synergies but nonetheless had a record of poor profitability. The Committee needed to understand why this was the case and whether a ROACE of 15% was achievable by 2006. If so, what steps needed to be taken to reach that objective.

The Committee recommended that the presenter prepare a separate story specifically on Basell, to gain understanding of the market conditions faced and what self-help measures were available. The presenter reminded the Committee that a moratorium on divestment was in place until 1 January 2005 under the shareholder agreement.

With respect to Basell, the presenter commented that he did not see any major impediments due to Basell not being a 100% Shell entity although Cleo would probably already be in place if Basell was 100% Shell. The Committee commented that value and doability were key elements in reviewing each of the options to be presented by the Team. The Committee also commented that the Team should investigate what Basell should look like were it to become a 100% Shell entity. The Committee believed that it was very important to gain sufficient understanding of Basell to enable the Committee to undertake a detailed review of its future and to enable Conference to do the same.

In respect of the North American ethylene market, it was noted that buyers had the option to build their own plants. While it was tenable to remain in this market for the longer term, it may not be as strategically strong a business as it might otherwise be. The presenter commented that Shell was heavily exposed to the merchant market which accounted for 40% of Shell's total production. The Committee noted that this was a very volatile market but queried whether there may be scope for selling this business to take advantage of an upturn in the market. The presenter responded, however, that he thought potential buyers would look at the business in the longer term.

With respect to Shell Chemicals' strengths and weaknesses, the presenter emphasised the strength of the Chemicals' staff but commented that the age profile indicated that a significant number of key employees would be retiring within the next ten years.

In relation to asset integrity, the presenter noted that the assets in Europe and North America were typically older than those in the Far East. An ongoing programme of asset refurbishment was underway. The lower olefins assets in North America were considered to be the next priority. Once lower olefins had been addressed, the remaining spend would be spread across the whole business.

It was noted that the investor perspective presented on Shell Chemicals was, due to the requirement to maintain confidentiality, drawn only from a very limited range of sources. The Committee commented that a wider external perspective was required but noted the difficulties in achieving this within confidentiality constraints.

Although initial indications were that the largest challenges with the chemicals business were focused on North America and Basell, the Committee observed that it was too early to make a judgement.

The Committee commented that it would be very helpful to obtain an understanding of how each SPU is positioned, particularly given that each SPU is very different in character. Each SPU should also be reviewed in the context of what it brings to the Group generally and where it stands in the value chain. The Committee were also aware that the Chemicals business does bring in some technology advantages which are helpful elsewhere in the Group. The presenter confirmed that the SPU paper would be updated and in particular that the long-term reference conditions underpinning this paper would also be reviewed. EO and polyethylene were clearly key parts of the value chain, especially with regard to the Middle East.

The Committee commented that over the years a series of Chemicals projects had been brought to it for consideration, each with excellent VIR, but which nonetheless proved to be disappointing in practice. There was some suspicion in the organisation generally with regard to the ability of Chemicals to perform and deliver on its targets which the Team needed to bear in mind.

Copy of Minute to: E Henkes.

11. Q2 RESULTS (OTHER THAN OP)

Tim Morrison and Simon Henry entered the meeting.

The Committee appreciated that the discussion was based on very preliminary figures and was intended to raise any areas of concern at the earliest possible stage. Even though the numbers were still subject to change, the Committee believed that the businesses should be told the preliminary numbers.

Tim Morrison presented the preliminary second quarter results. In respect of Special Items, he noted that the $68 mln figure relating to the Enterprise acquisition was after tax. The power restructuring figure for GP related to turbines and the OP environmental provision included MTBE in California. ?

Walter van de Vijver presented the preliminary Q2 EP results. For EP the main impact was caused by the downward oil and gas price trend. The Committee suggested that the figure for Price and Associates should be addressed separately. EP's current ROACE stood at 15.9% normalised at a $16/bbl level. Production had increased by 8% (including Enterprise) and without Enterprise would stand at 1% which was still a good outcome. If both Enterprise and OPEC restraints were excluded, production would be up by 3%. On EP Opex, unit costs were higher by 1% compared to the same period for 2001. EP normalised earnings were roughly equivalent to the same 2001 period.

The key messages for EP were that, even including Enterprise, ROACE was higher than 15%. On production, EP stood 2% ahead of promise and on Enterprise the integration process was proceeding rapidly with the London office to be closed by the end of July. On new exploration discoveries, EP was very constrained as to what it could say about new finds. With regard to Erha in Nigeria and Block 18 in Angola, as they were both non-operated, they were difficult to announce but ExxonMobil may do so. In relation to Opex, underlying operating costs were 2% down on the first half of 2001 and were close to the target of 3%. On capital expenditure, if Enterprise were excluded, the year-to-date expenditure was 52% of the external promise.

In terms of Opex figures, it was important to achieve consistency in how these were calculated and presented. If underlying Opex figures were be to used, these needed to be explained.

The Committee queried whether, with exchange rates moving so markedly, it would be timely to initiate a debate on costs now with a review at the end of the year.

The Committee believed that it was necessary to do more work on costs on a business-by-business basis with consistent rules being applied. Each business needed to be able to say what it would achieve by the end of 2002 and, even though this was likely to be a different story in each part of the business, that was not of itself a problem. The $5 bln external figure had been given in a completely different environment. The 3% figure was also given in US Dollars. It may now be timely to convert to a target in local currency.

Turning to GP, lower prices were the main impact on LNG. Volumes were down against plan and, even though Q2 usually represented a dip in performance, in 2002 the dip was greater than usual. The Coral business was still positive but was down compared to its record Q2/ 2001. For GP, consideration should be given to taking each part of its business section by section and presenting them in that way to emphasise their respective strengths. Marketing and Trading were

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Treatment Requested

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negative and this was due to Canadian legacy contacts. In particular it could be emphasised that Trading in Houston was in the black for Q2.

Turning to Chemicals, the story was very positive with adjusted earnings double underlying earnings for Q2/2001 although the ROACE was still 1.1%.

With regard to Others, Renewables overall was flat. Shell Consumer had incurred a number of shutdown costs due to withdrawing from certain businesses such as vehicle leasing. IT for Shell still had an under-recovery situation. Unless the costs were charged to individual businesses, it was not possible to get tax relief. The Committee noted that SITI needed to be prompter in allocating its costs to businesses and must make sure that this was achieved by the end of 2002 to enable it to reverse its position. Shell Internet Works' shutdown costs were also included in the "Others" figures. On Corporate, the interest amount had increased because of higher debt levels caused by, in part, the acquisition of Enterprise.

Copy of Minute to: W van de Vijver (EP), E Henkes (CH), L Cook (GP), T Morrison (all).

12. KEY EXTERNAL MESSAGES

Mary Jo Jacobi entered the meeting; Tim Morrison and Simon Henry were in attendance.

Simon Henry explained that the current proposed tone of the message was one of "robust profitability in uncertain times but mixed progress on key targets and areas for action and improvement". The Committee suggested that, especially in the current environment, openness and transparency would particularly be valued and this should dictate the tone. On the positive side, both EP and Chemicals were displaying great resilience, the integration of Enterprise was going well, hydrocarbon production volumes were up by 8%, OP was delivering on both its US and DEA improvement programmes, Chemicals was recovering, portfolio actions had been implemented, and progress was being made on the $7 bln priority attention assets.

With regard to growth milestones, reference could be made to the Tarim Basin, Block 18 in Angola, Erha in Nigeria, Kashagan, Venezuelan LNG and DEA - significant items which ranged right across the businesses. On the negative side, ROACE overall stood at 12% (13% at a normalised level). Costs were up, especially in OP. Queries could be expected on capital discipline, although it could be demonstrated that this was still in place, and on whether the cultural change was permanent. The analysts may query whether pursuing a growth agenda has already compressed returns. It would be necessary to recognise current global concerns relating to governance and accounting issues.

On the draft presentation, the Committee suggested that it should not be called a "strategy" update. Thought needed to be given to the length of the presentation which currently stood at approximately 30 minutes.

The Committee believed that there would be value on this occasion in giving out a full copy of the text of the Chairman's speech. Doing so may enable the detail on the presentation slides to be reduced. It was suggested that the text be handed out at the end of the presentation so that it did not detract from the presentation itself. It was acknowledged by the Committee that handing out the text of the speech created an expectation for the future. The logistical difficulties of preparing a correct Dutch translation within the limited timescale available were acknowledged.

The Committee recommended that the consequences of the delisting of Royal Dutch from the S&P 500 should be discussed at the press conference, especially in The Netherlands. A chart needed to be prepared to demonstrate how Shell Transport and Royal Dutch had compared with their respective oil company peers and the market as a whole.

Simon Henry explained that Project "Respiration 2" may potentially be announced on 1 August. This would be combined with a stock exchange announcement. On InterGen restructuring, a separate press release was being prepared with Bechtel. The Committee commented that this was an occasion on which a virtue would have to be made out of a necessity. By flagging this now, Shell could take credit for taking action and giving forewarning of the likely costs involved. On the $7 bln Watch List, it was important to emphasise that a coherent action plan was in place and these actions could be listed. In respect of the Caspian, an announcement from Kerr Magee was expected.

The Committee accepted that the key tone should be one of "robust transparency".

Copy of Minute to: T Morrison.

Kerr McGee intent in Kazakhstan. awaiting governmental approval

13. RESERVES OUTLOOK

Lorin Brass entered the meeting. He explained, finding new material investment opportunities, that some of the main challenges facing EP in respect of its reserves outlook related to securing extensions of licence periods and in developing a well thought through strategy on the timing of booking reserves. For example, in 1996, it may have been preferable, instead of booking all the reserves at once, to have booked these over a longer period.

With regard to when reserves could be booked, it was noted that the SEC was tightening its requirements in this area. While it should not be necessary to unbook reserves already booked, it was now appropriate only to book reserves if EP is committed to commercial development with a demonstrable unit cost. The current internal process required that any reserves booked had to be approved by the Group Controller and also had to pass both an internal and external audit check. The presenter queried, however, whether EP could be better at smoothing out its booking profile.

true!
+ de-booking Nigeria Oman

The Committee recognised that a sizeable prize in reserves could be achieved by success in securing licence extensions without incurring capital expenditure. A major technical and operational excellence effort was already underway and a new bookings strategy needed to be devised, and implemented. The Committee queried whether EP had sufficient technical expertise in this area. The Committee considered that EP's overall technical expertise was of a very high quality but that the skills could still be better utilised. It was also recognised that some booking practices had been too aggressive in the past.

The Committee recognised that EP had been through some major upheavals organisationally in the past eight years. Generally a more holistic view of the business needed to be developed and it was suggested that the approach should be one of value assessment allied with unit development costs.

smart-arm BS ?!

Copy of Minute to: W van de Vijver.

14. PROJECT "B"

Dominique Gardy, Neil Gaskell and Lynn Elsenhans entered the meeting; Lorin Brass was in attendance.

Dominique Gardy presented a status report on Project "B". The Committee made a number of comments. Project "B" would be considered further by the

Committee on 30 July.

Copy of Minute to: none.

15. TOWARDS A FRAMEWORK FOR GROUP GREENHOUSE GAS TARGETS BEYOND 2002

Lex Holst, David Hone and Laura Ann Jones entered the meeting. Lynn Elsenhans was in attendance.

David Hone explained that the Group story on greenhouse gas reduction of the controlled portfolio had been a positive one to date although after 2007 the effects of growth in the business would outweigh reductions and emissions overall would start to rise.

The presenter suggested that a move to an equity reporting basis, which was the basis used by BP, and preferred by ExxonMobil, would give a truer reflection of the Group portfolio although the story would become one of continuously rising GHG emissions from 1990 onwards. In particular, including InterGen increased emissions significantly. However, this was in contrast to the Group product portfolio, which had "decarbonised" over the same period. This situation led the presenter to propose that the Group change its approach to GHG reporting to one that focussed on carbon intensity of its controlled operations and which also included reference to its product portfolio an the lower carbon energy solutions being developed. This approach also proposed the introduction of equity GHG reporting, initially only for information to demonstrate transparency.

The Committee acknowledged that externally there was a perception that the Group had committed to beating Kyoto by 2010. Although this commitment had never been given explicitly, it was nonetheless a real expectation. Therefore, the Committee believed that an absolute commitment needed to be retained although this did not preclude moving towards intensity targets. Any change in external reporting of absolute emissions would be viewed with considerable suspicion. As there was an established track record in this area, some advantage was perceived in continuing with this to demonstrate both transparency and consistency.

The Committee was concerned that a danger of setting targets in this area was that they could drive the business. GHG reduction should not become a cottage industry but rather should be part of the company's normal business.

The Committee considered whether, if a target were to be selected, it should be one which placed the Group in the middle of the pack rather than ahead or behind relative to the competition. NGOs would scrutinise the leaders and tail enders more closely than other companies. If an intensity approach was adopted, it was important to compare like for like (e.g. gas with gas rather than with SMDS).

If a move was made to an intensity basis, consideration needed to be given to whether it should be a number of measures across different businesses or even within segments of businesses. Lynn Elsenhans commented that there may be a danger in disaggregating if it meant that the Group would not compare favourably with its competitors. She advised that the Group should be very careful about talking about these measures externally until it knew exactly what position it wanted to adopt. ExxonMobil, for example, would probably be better placed if it moved to intensity targets.

The Committee recognised that a danger of not participating in the discussion externally was that somebody else would determine the standard.

With regard to the proposal to begin discussing the Group's portfolio and its emissions, the Committee considered that essentially the Group's business was not to decarbonise but rather to take advantage of opportunities which had arisen as a result of the world's desire to decarbonise. Account needed to be taken of the changes in external perception and the Group should be responding to customer preferences. Nevertheless, given measures such as the LNG and the SMDS business, for example, it was not unreasonable to expect that the Group could pursue decarbonisation as a good business case.

The Committee advised that more attention was required in determining the definition of control for equity GHG assessment in particular. It noted that the practicalities of testing the portfolio on an equity basis had yet to be explored. The Committee also asked what the cost would be of rectifying an emissions deficit position if all else had failed in terms of reductions and improvements in energy efficiency. The presenter explained that in many countries trading in emissions permits would not be a solution. The cost would consist of offsets rather than trading. The Committee nonetheless requested an indication of likely cost broken down on a per business base as well as at a Group level.

The Committee did not support the proposals put forward for the establishment of a micro target to demonstrate Group commitment to greener energy solutions. The Committee did query whether there were actions already underway within the Group for which credit could be taken.

Lynn Elsenhans advised the Committee that she was concerned that in Europe the pressure from NGOs and from stakeholders generally on the Group's apparent lack of definition on this issue beyond 2002 could create difficulties. Stakeholders in Europe were expecting the Group to take a leadership role in this area and, if it did not do so, it could create reputational issues.

The GHG team will return to the Committee in October for further discussion. The Committee recognised that the concept was good but considered that the Group was not well currently placed to take a leadership role in this area.

Copy of Minute to: L Elsenhans.

16. JULY CONFERENCE AGENDA

The agenda for the July Conference was approved subject to certain minor revisions.

Copy of Minute to: none.

17. PROJECT "NIKE" - POTENTIAL RETAIL ACQUISITION IN HUNGARY AND SLOVAKIA

Paul Skinner explained that the quality of the sites which BP was selling was very high. The Committee queried whether the Group, and OP in particular, could afford this. Paul Skinner explained that this transaction was within both the OP plan and budget. It did not amount to additional capex as Project "Iris" was now likely to be constructed as a swap with ExxonMobil. The Committee noted that if Nike proceeded, and if Iris ultimately had a cash component, Iris would have to be considered afresh. The Committee supported the proposal, subject to the comments made in respect of Project "Iris".

Copy of Minute to: none.

18. PROPOSED OIL PRODUCTS OFFICE - MIAMI

Subject to obtaining further satisfactory legal and tax advice, the Committee supported the proposal.

Copy of Minute to: none.

19. SHELL IN THE US REVIEW

The Committee commented that the note appeared to lack a holistic approach and had not given sufficient attention to the rebranding challenge and to the question of Shell's attractiveness as an employer in the US. It was hoped that improvements could be made in future to the process for compiling this report.

Copy of Minute to: none.

20. FLETCHER CHALLENGE

The Committee noted that this item was due to be considered by the GAC on 30 July. A cover note was required to be drafted by Walter van de Vijver in conjunction with Judy Boynton.

Copy of Minute to: none.

21. INFORMATION SECURITY IN SHELL

The Committee noted that the costs were higher than those discussed in the IT Business Council. Mike Rose believed that there were a number of crucial exposures in the security environment which had to be rectified urgently. The IT Business Council would monitor specific scope and cost. Of the costs listed, $8 mln related to secure components for business applications, $12 mln related to intrusion detection and $27 mln was for compliance auditing. Even with these additional costs, the overall level of spend would still be lower than the industry average. Malcolm Brinded commented that there was an internal perception that IT security had become an optional extra. To redress the findings of the unacceptable audit would require not just money but a change of mindset. It was proposed that a VAR be conducted of the costs to test whether they were necessary. The outcome of the unacceptable audit will be discussed at the GAC with Mike Rose present.

Copy of Minute to: M Rose.

22. SHELL EXPRO - SCHIEHALLION CLAW DEVELOPMENT

Walter van de Vijver explained that, although the Schiehallion Claw Development would not involve additional expenditure in 2002, he had tabled this Note for Discussion to forewarn the Committee of additional expenditure which would be incurred in the future. Any proposal for future expenditure needed to be considered at the appropriate time in the overall context of capital discipline across the Group as previously discussed.

Judy Boynton's concerns were noted.

Copy of Minute to: W van de Vijver

23. TOLLING AGREEMENT ACCOUNTING

Phil Watts explained that he had asked for this note to be prepared to ensure that the Group position on tolling agreement accounting was clearly understood. Judy Boynton would be the focal point for any discussion on this point. Having one Group view on this issue would facilitate a quick response to problems such as the recent Coral issue. Judy Boynton explained that she had talked to KPMG as requested by the Committee but KPMG had indicated that they were not aware of other companies in a similar position to Shell. It was suggested that the key objective for Shell was to achieve convergence. Tim Morrison would be the focal point for contact with the relevant authorities.

Copy of Minute to: J Boynton.

24. BUSINESS CONTROL INCIDENTS

The Committee noted that this note would be presented to the Group Audit Committee. In particular, concern was expressed that both Brazil and Marine had given rise to a significant number of incidents.

Copy of Minute to: none.

25. PROJECT "EAGLE"

The Committee noted that, while the mandate and the contract were both expressed in Euros, the basic deal had been expressed in US Dollars. Accordingly, care needed to be taken on currency conversion.

Copy of Minute to: L Cook.

26. PENNZOIL QUAKER STATE

Paul Skinner reported that it appeared that the FTC would be immoveable on the requirement to dispose of the interest in the EXcel base oils plant. If this proved to be the case, the discussion would focus on establishing a reasonable basis on which this could be achieved. If a satisfactory basis was agreed, the remedy should have relatively little impact on the value of the transaction.

Copy of Minute to: none.

27. SINOPEC JV

Paul Skinner reported that the joint venture contract has now been initialled together with side agreements on other key issues such as branding. The next step is to obtain formal government approval of the JVC. The likely timing of the start up is Q4/2002.

Copy of Minute to: none.

28. SUDAN

Paul Skinner reported that terms have now been agreed with an acceptable local third party for the sale of the up country aviation facilities in Sudan with effect from the end of July. Thereafter, there will no longer be in any business with the Sudanese military except in Port Sudan (which is outside the conflict zone) where the sale completion awaits the arrival of ISO tank. Aviation fuel would continue to be supplied to the World Food Programme at Obeid.

Copy of Minute to: none.

29. POTENTIAL P&O TANKER DRIVERS' DISPUTE

Paul Skinner reported that the UK tanker drivers' (who are employees of P&O) had called off their proposed strike at the last moment and a two-year deal has been agreed between P&O and the TGWU.

Copy of Minute to: none.

30. MOTIVA-DELAWARE CITY

Paul Skinner reported that the EPA in the US had filed a gross negligence claim against Motiva following the sulphuric acid tank accident in 2001. The potential scale of any negotiated settlement is thought likely to be approximately US$10 mln. There has been extensive media speculation suggesting that Motiva's liability could be considerably greater. However, the $10 mln figure is based on initial negotiations with the EPA.

Copy of Minute to: none.

31. TOGO - FATALITY

Paul Skinner reported, with regret, six third party fatalities on 11 July when a contractor (Ezonsou) road tanker on its way back to Lomé was involved in an accident which appears to have contributed to a second road tanker (contracted by TFE) colliding with the taxi, killing all six occupants of the taxi. The accident is being investigated.

Copy of Minute to: P Skinner.

32. USA - FATALITY

Paul Skinner reported, with regret, a third party fatality on 17 July when a Shell employee's car was hit by a motorcyclist who was not wearing a crash helmet and was killed as a result of the accident. The accident is being investigated.

Copy of Minute to: P Skinner.

33. USA - FATALITY

Paul Skinner reported, with regret, a third party fatality on 11 July at a Motiva service station in New Jersey when a third party was pursued onto the service station and shot six times by an assailant. The incident is being investigated.

Copy of Minute to: P Skinner.

34. MALAYSIA - FATALITY

Paul Skinner reported, with regret, a third party fatality on 5 July, when a contractor lorry suffered a tyre blow out between Segawat and Juantan causing the driver to lose control and swerve into the path of an oncoming car killing the driver of the motor car and injuring his passenger. The accident is being investigated.

Copy of Minute to: P Skinner.

35. TURKEY - FATALITY

Paul Skinner reported, with regret, a third party fatality when a customer died when using a jet wash at a dealer service station in Ipsala. Although not yet determined, it appears that the customer's death may have been caused by electrocution. The incident is being investigated further.

Copy of Minute to: P Skinner.

36. BRAZIL - FATALITY

Paul Skinner reported, with regret, a contractor fatality which occurred in a bus garage in Osasco operated by Viacao Osasco to which Commercial Quality Service Systems (CQSS) provided a fuelling, lubrication and vehicle washing service. The victim, employed by CQSS, worked as a supervisor for the vehicle washing operations and was struck by a bus in the garage. The accident is being investigated.

Copy of Minute to: P Skinner.

37. PAKISTAN - FATALITY

Paul Skinner reported, with regret, a contract driver fatality on 9 July near Ranipur following a collision with a third party truck parked on the roadside. The accident is being investigated.

Copy of Minute to: P Skinner.

38. ETHIOPIA - FATALITY

Paul Skinner reported, with regret, a contract driver fatality on 10 July when a truck operated by Afrique Transport went off the road and overturned approximately 400 kms north of Addis Ababa. The accident is being investigated.

Copy of Minute to: P Skinner.

39. UK - FATALITIES

Walter van de Vijver reported, with regret, eleven staff and contractor fatalities on 17 July when a Bristow helicopter operating on behalf of Shell Expro crashed while flying from the Clipper platform to the Monarch platform, 30 miles off Cromer, Norfolk. All passengers and crew on the helicopter died and 10 bodies have been recovered so far. Although the cause of the accident is not yet known, it is currently believed that one of the rotor blades may have snapped. The two crew members worked for Bristow, three of the passengers were Shell staff, three worked for Amec, two for Amec sub-contractors and the remaining passenger worked for Oilfield Medical Services.

The Committee expressed its sincere appreciation for the excellent response shown by all concerned within Shell's UK operations in very difficult circumstances.

Copy of Minute to: W van de Vijver.

40. NIGERIA

Walter van de Vijver reported that he had recently been contacted by ChevronTexaco to request assistance from Shell's fire-fighters to assist with a fire at ChevronTexaco's Escravos Tank Farm which had been hit by lightening. Walter van de Vijver had authorised the provision of assistance.

Copy of Minute to: W van de Vijver.

41. **BOLIVIA - FATALITY**

Malcolm Brinded reported, with regret, a fatality of an employee of Transredes (a non Shell operated joint venture) on 21 July involving a head-on collision between a motorcycle, which was in the wrong lane, and a Transredes vehicle near Sawaipata resulting in the death of the two motorcycle passengers. The accident is being investigated.

Copy of Minute to: M Brinded.

42. **DYNERGY**

Malcolm Brinded explained that, given the rumours in the market about the potential collapse of Dynergy, the Group was urgently managing down its potential exposure and this should be reduced to US$22 mln by the end of this week.

Copy of Minute to: none.

43. **GUANGDONG**

Malcolm Brinded reported that he understood that, as a result of the discussions between the Australian Prime Minister and the Chinese Ambassador to Australia, Australia had agreed to provide one "friendship" cargo a year of LNG to Guangdong as a way of finding some value to offer other than adjusting the headline price. This amounted to less than 1% of annual cargoes but would not be confirmed until the North West Shelf had been confirmed as a supplier. Malcolm Brinded anticipated that the final award would probably be to both Tangguh and to North West Shelf.

Copy of Minute to: M Brinded.

44. EAST TIMOR

Malcolm Brinded reported that the recent statement by East Timor that it lay claim to a 200 mile territorial waters boundary, was a move which had been expected by Australia and which was still being discussed by it with East Timor. It was viewed as an announcement made for domestic consumption and was thought unlikely to delay the development of Sunrise.

Copy of Minute to: M Brinded.

45. NANHAI

Malcolm Brinded queried the extent to which progress with CNOOC on Nanhai should be linked to receiving help on other substantial projects. The Committee felt that linkage should not be made unless the Group was absolutely sure that it was going ahead with Nanhai. The month leading up to final Conference review, currently anticipated to be at the end of October 2002, was the period when this could occur. The Committee commented that it would clearly be prudent to obtain as much advantage as possible in exchange for the Group's participation if it did decide to go forward with Nanhai.

Copy of Minute to: M Brinded.

46. CHILE - FATALITY

Jeroen van der Veer reported, with regret, a contract driver (FAMASA) fatality on 12 July caused by a collision between FAMASA truck and an on-coming truck which appears to have been in the wrong lane. The accident is being investigated.

Copy of Minute to: J van der Veer.

47. DEER PARK

Jeroen van der Veer reported that a cooling water tower at Deer Park refinery in Texas had collapsed internally causing significant impairment of operations. At present there was no clear explanation for the implosion of the water tower which he noted was an extremely unusual event.

Copy of Minute to: J van der Veer.

48. **MARKET UPDATE**

Simon Henry entered the meeting. He reported on the day's stock market movements. The Committee requested that he prepare a one-page review of market movements since 9 July when the announcement was made that Royal Dutch was being removed from the S&P 500. This review should set out a comparison with both ExxonMobil and BP and with the indices. In addition, Simon Henry was requested to prepare a daily report on market movements for the members of the Committee.

Copy of Minute to: J Boynton.

49. NOTES FOR INFORMATION/DISCUSSION

The following matters were before the Committee as Notes for Information/Discussion:

ITEMS FOR DISCUSSION

Forthcoming Items for CMD and Conference
Fletcher Challenge Energy Acquisition Post Investment Review
Information Security in Shell
Project "Nike"
Proposed Oil Products Office - Miami
Russia – Oil Value Chain
Shell Expro (UK) Schiehallion Claw Development
Shell in the US Review
Tolling Agreement Accounting – Update on Development of Standards
Towards a New Gasgebouw
Project "Respiration"
Corporate Governance (distributed electronically)

ITEMS FOR INFORMATION

2002 Interim Dividend and Revised 2002 Share Buyback Proposal
Annual HSE Council Meeting
Business Control Incidents
Corporate Restructuring of Shell Companies in New Zealand
Corporate Restructuring of the Shell Resources plc/Enterprise Oil plc Group
Delisting from S&P 500
Group Corporate Restructuring Proposal: Bulgaria, Czech Republic, Poland, Slovakia
Project "Eagle" – Update
Project "Figo"
Project "Puzzle"
Project "Spielberg" – Refining JV with ExxonMobil in Victoria, Australia
Shell Centre Redevelopment
Shell Energy (Australia) Pty Ltd; Group Divestment Proposal: Memorandum to the Board of SPCo
Shell Exploration and Production Namibia BV: Withdrawal from Kudu Licence and Liquidation of the Company
Shell Oil Products US
Tarim Gas Development

STRICTLY PERSONAL AND CONFIDENTIAL

CMD No. 2526
22/23 July 2002

EXTRACT FROM THE MINUTES OF A MEETING
OF THE COMMITTEE OF MANAGING DIRECTORS

13. RESERVES OUTLOOK

Lorin Brass entered the meeting He explained that some of the main challenges facing EP in respect of its reserves outlook related to securing extensions of licence periods, finding new material investment opportunities, and in developing a well thought through strategy on the timing of booking reserves. For example, in 1996, it may have been preferable, instead of booking all the reserves at once, to have booked these over a longer period.

With regard to when reserves could be booked, it was noted that the SEC was tightening its requirements in this area. It is considered unlikely that potential over-bookings would need to be de-booked in the short-term, but reserves that are exposed to project risk or licence expiry cannot remain on the books indefinitely if little progress is made to convert them to production in a timely manner. It was stressed that it is only appropriate to book reserves in cases where a specific project has been progressed to technical and commercial maturity, to the extent that funding is reasonably certain to be secured. The current internal process required that any reserves booked had to be approved by the Group Controller and also had to pass both an internal and external audit check. The presenter queried, however, whether EP could be better at smoothing out its booking profile.

The Committee recognised that a sizeable prize in reserves could be achieved by success in securing licence extensions without incurring capital expenditure. A major technical and operational excellence effort was already underway and a new bookings strategy needed to be devised, and implemented. The Committee queried whether EP had sufficient technical expertise in this area. The Committee considered that EP's overall technical expertise was of a very high quality but that the skills could still be better utilised. It was also recognised that some booking practices had been too aggressive in the past.

The Committee recognised that EP had been through some major upheavals organisationally in the past eight years. It was concluded that high transparency needs to be maintained both on the existing booked reserves base and on the emerging portfolio hydrocarbon resources, with a view to identifying areas of both value opportunity and risk for the overall performance of the EP business.

EXHIBIT
Van der Vijver
12
3/1/07

V00030240

Bijlo

Van der Laan, Marian M SI-MGDWV/DIRMB

From:	Van der Laan, Marian M SI-MGDWV/DIRMB on behalf of Van De Vijver, Walter SI-MGDWV
Sent:	16 May 2002 12:36
To:	Megat, Zaharuddin Z SEPI-EPM
Cc:	Van der Veer, Jeroen J SI-MGDJV; Dubnicki, Carol C SIEP-EP-HR
Subject:	OMAN VISIT 8-11th MAY 2002

Oman visit 8-11 May 2002.doc (...

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EXHIBIT
Van der Vijver
18
2/1/07

Oman Visit 8-11th May 2002

Introduction

I visited Oman from 8-11th May (last visit was in September 2001). The objectives were to carry out an overall "health check" on the management team and on the overall state of the business.
The programme included sessions with the individual management team members, the Omani Staff Committee and Government officials (Minister of Oil & Gas , Minister of National Economy, Chairman of PDO/Undersecretary of MOG).
Also various briefings on topical issues were included (including watching an on-line bid for a $ 150 million Gas Plant in Saih Nihayda!) and a talk to all SG3 above staff (some 250) completed the well-organized programme.

Summary

Overall my patience has been tested too long with PDO and it's management, progress over the last year (is it not just about delivered production!) has been less than expected, less than promised and less than could have been possible. Changes will have to be made.

Highlights/lowlights were:

- \- Leadership at the top is very poor and not aligned. There are poor team dynamics and a lack of forward vision/direction/focus to the organization
- \- Production continues to slide (now some 770,000 b/d oil versus 800,000 b/d year average target with formally agreed "stretch" of 815,000 b/d) with totally unreliable monthly short-term forecasts
- \- Credibility of PDO, and therefore of Shell, is at a very low level. Confidence in forward action plan and production outlook needs to be achieved by end September latest (before October Board and prior to Government Budget finalisation in November).
  The situation with PDO obviously will also have a negative impact on OLNG where difficult negotiations are ongoing (intra-plant price, Train 3, mercury removal)
- \- High level of frustration in the organization (low morale), not just in Government and in management team!
- \- Omanisation talent pipeline below the "old guard" is still weak, some emerging talent at SG 2/3 but large talent pipeline with less than 5 years experience.
- \- Continued pressure on downward revision of reserves.
- \+ SAP is a success although there are still many issues at operational level (maintenance/well engineering) linked to purchasing/stocks/invoice backlogs
- \+ Top-down drive on "new" procurement business model is demonstrating real impact
- \+ Good progress on "government gas" related activity (capacity planning for growth, continued reserves growth)
- \+ Holistic review of asset portfolio (long-term reservoir management, issues, segmentation) finally kicked-off
- \+ New organization effective 1/5/02 should be more "fit for purpose".

<u>Company Direction</u>

MD has "seen the light" last week and is trying to mobilize his leadership team (and simultaneously government!) from the starting point that the "company is in a mess" (quote) and that forward action should be focused on delivering new production from 7 strategic focus areas:

- Exploration (shift to near field exploration, near term oil)
- Output from study effort (some 80 man-years ongoing, Shell support up to 50 man-years)
- Reservoir and well management (focus on productivity enhancement, water injection, etc.)
- Reduction in drilling costs/timings
- Technology application
- EOR project delivery
- New contractor relationships (use their skills/technological capabilities and revise contracts).

MD claimed his management team was "confused" but on a journey from complacency to denial to confusion to transforming, i.e. progress is being made!

Although the above themes for production focus may be appropriate it will not deliver the "goodies" without addressing other activities:

- There is a distinct lack of focus in the organization with too many initiatives and "hobby horses" that should be killed off/deferred e.g.:
    - Long-term GW related activities (beyond "prudent operatorship")
    - Internal activities on power generation (outsourcing potential?)
    - CAO expansion in a low-tech world with a need for employment
    - Safety drive without focus on line responsibility/accountability
    - Culture of meetings/offsite sessions without clear agenda's/prioritisation
    - The business model for staff has to change. Staff currently move around too quickly (lack of continuity and lack of performance tracking) and the need for specialist skills (including progression/recognition/business needs) is not well communicated. Without this "new ways of working" PDO will fail.
    - Portfolio review needs to be integrated into the totality of the forward action plan and company direction also as:
        - Forward portfolio needs to be risk balanced (no over-reliance on EOR, continue selected infill drilling and new field hook-ups, focus on large assets for reservoir management)
        - Big issues such as depletion rates, voidage control, ESP's impact, management failures and learnings (Yibal "complications", reservoir pressures too low, lack of well drainage control) should be incorporated.
    - Clarity on resourcing strategy incl. Omanisation and use of contract staff should be dealt with pro-actively
    - Better alignment is needed (recognizing that PDO is not a Shell OU) with our global drive in EP
    - Better role definition is needed between the management team, foremost between MD and DMD

- A positive culture is needed; there is too much a blame culture and a looking backwards mentality top-down in the organization. Staff need to be energized and need to understand what's in it for them:
  - Company direction
  - Celebrate successes and recognize role models
  - Transition team needs to be strengthened to be more than an "enthusiastic group of staff" i.e. need to be seen an extension of PDO leadership.
  - Job satisfaction and pride
- Harweel and Mukhaizna development promises (each delivering 100,000 b/d by 2007/2008) appear to lack credibility and robustness. Are these being managed with the appropriate horsepower and transparency?

Operational Performance

- Given the historical emphasis on creaming for short-term production benefits and given the generally high uptime, there will be no quick wins on the production side. Whilst keeping the pressure on the organization, I expect that production will further slide before recovering. This will be a very difficult message to sell to the Government
- There appears to be a lack of focus on HSE, foremost in follow through of earlier improvement drives (STOP programme, vehicle monitoring equipment, accountability drive). Reporting LTIF/TRCF in two decimals is also quite unique!
- More needs to be done on pro-active engagement with Government on "big ticket" procurement items (strategy engagement, local content, evaluation standards), the "old way" in PDO will not work anymore
- Exploration is too much focussed on the reserves addition targets (70 mmbo/year, 1 Tcf gas/year) and should be more integrated with the business needs (UTC, production impact)
- Government Gas Organization appears somewhat slow on action w.r.t. mercury removal solutions; more pressure/focus needed?
- CBP (competency based progression) is off to a slow start in petroleum engineering
- Petroleum study effort can be better integrated with the operational/implementational phase of well engineering/petroleum engineering in PDO
- Extreme reliance on ESP's (approx. 45% of production): is the technical justification as artificial lift method as sound as the commercial one?
- Young Omani talent available but working in a difficult environment (low morale, many contractor staff). Large gap between "old guard" and the new generation, very few in between.
- Reserves will continue to be an area for exposure as aggressive bookings in the past have not translated (yet) in production.

<u>Government</u>

- <u>M.O.G. (Al-Ruhmy)</u>
  Friendly discussion with the Minister. He clearly is under a lot of pressure personally and feels very frustrated with PDO's performance and PDO's management transparency.
  Although recognizing assistance from Shell over the last 9 months, he is quite naturally (also given his own credibility within the Government) questioning whether Shell is doing enough, foremost on petroleum engineering side. Also questioning large efforts ongoing by Shell in other ME countries (who is more important?) and likes to portray "PDO in trouble" being a Shell OU. Continued dialogue needed.

- <u>M.O.G. (Shaban)</u>
  Somewhat tense discussion with the Undersecretary influenced by MD presentation a few days earlier.
  It does not help that this relationship with the Minister is not very strong (he is HM appointee!) but he is a career member of the ministry and feels marginalized by Shell and the PDO MD.

- <u>M.N.E. (Macki)</u>
  Warm meeting with the Minister.
  He is prepared to wait for the new numbers in Q3 but still hopes to get 815,000 b/d plus for 2003 with subsequent upwards recovery to 850,000 b/d in later years.
  He reported that he receives a lot of challenge on Shell performance rather than PDO performance; he wants government to have increased responsibility on the good and bad things of PDO.
  Simply hopes that Shell will deliver.
  He admitted to increasing "social costs" in Oman, needing nearly $10/b price equivalent just to pay government/army employment bills! Obviously higher oil prices help to more than compensate for production shortfall in 2002.
  Some careful expectation management needed!

- <u>General</u>
  It appears that it is becoming politically less acceptable for the "old guard" to be seen to be too close to Shell.
  Given the "open-door" policy of the Government many messages from PDO reach the Government, tainted by the low morale in the organization.
  Although still good things happen in PDO (exploration successes, low deferments, procurement, etc.), the impact of not meeting production targets has had a dramatic effect on the overall confidence level towards PDO delivery.

Management Team PDO

The following are my summary observations on the management team:

Overall
The team is not cohesive and there are clear personal (unspoken) agenda's and not all providing the body language to be behind their MD.
Amazing how long several members were hoping that PDO was just experiencing a temporary "blib" in performance and that a few initiatives would fix it.

Ollereanshaw
A very capable individual in terms of broad business knowledge, tenacity and work capacity. It is evident that he attempts to drive improvement initiatives, however:
- He has a somewhat negative approach and does not engage well with his team, nor energizes the organization
- He is prone to "panic management", rapidly changing the direction, not adequately thinking through the consequences of his actions. Examples are messages to staff, behaviour at MOG, relationship with DMD (Lamki) and his recent "wake-up call" to MOG and to his management team
- He is a poor listener. Notwithstanding repeated messages on what needed to be done for a year, he chose his own approach and speed/scope of action.

He remains very keen to continue in his current role and is re-energized by events over the last week but the bottomline is that he lacks fundamental leadership characteristics.

Lamki (DMD)
Very impressive trackrecord in PDO and highly respected. He is a proud man and wants to leave a legacy behind in PDO. He is struggling accepting that avoidable mistakes were made in the last 5 years (Omanisation "effectiveness", organizational structure, lack of check and balance, lack of portfolio/reservoir management studies, drilling "unmanageable" wells, spreading too thin with too many initiatives) but these were somewhat masked by overall company success form the old modus operandi (infill drilling and new field hook-ups to increase production).
The latter may also explain why by some in the organization he is referred to as "the Wall". The relationship with Ollereanshaw is difficult.

Al-Hinai (Oil Director-North)
Lacks leadership skills and foremost deciveness, which he acknowledges. Has gone through a difficult period, as he was last year responsible for all operations in Oman, clearly a role that was beyond his capabilities.
He feels underappreciated by Shell management. He actually handles the situation very well and indeed should be supported, also given the overall work atmosphere and Omanisation shortfalls.

Al-Kharusi (HR)
Not well-motivated and struggling to follow through on actions/changes. Needs a stronger team below him.

<u>Ruitenbeek (Technical Services Director)</u>
On his way out to Brunei.
Although capable, he is far too defensive in his style and takes criticism far too personal and hence struggles with appropriate breakthrough changes.
Basically the job was beyond his capacity.

<u>Peters (Oil Director-South, formerly Exploration-Director)</u>
Significant challenge in his new role. Motivated to make it a success. Understandably still naïve and his tendency to overcomplicate team dynamics particularly vis-à-vis Omanis.
Overall this job is the test he needs to assess his overall capacity.

<u>Eulderink (to replace Ruitenbeek)</u>
Very encouraging start as Change Director, excellent people skills and pragmatic approach. Clearly "right man in the right place and at the right time".

<u>Al-Kharusi (FM)</u>
Still somewhat remote from the remainder of the business. Needs stimulation/coaching to be effective.

<u>Overall organizational "healthcheck"</u>
From the above it is not too difficult to conclude that PDO does not have a high performing management team. More would be possible if the MD was better capable to understand individual issues and engage in a more transparent and consistent manner. Some of his management team were openly challenging the effectiveness of the MD and his credibility internally and externally.
The strength of the top leadership (SG2+) is also still uncertain.

Unknown

From: Boynton, Judith G SI-FN
Sent: 22 August 2002 07:25
To: Van De Vijver, Walter SI-MGDWV
Subject: RE: IR - US Field Trip

Walter---I called your office this morning to discuss, but I learned that you are in Canada. Could you give me a ring when you have a chance? I would like to discuss this topic as well as the next steps in our IR communications project. Thanks, Judy

Judith G. Boynton
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Shell Centre, London SE1 7NA
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-----Original Message-----
From: Van De Vijver, Walter SI-MGDWV
Sent: 22 August 2002 05:48
To: Watts, Philip B SI-MGDPW
Cc: Boynton, Judith G SI-FN
Subject: RE: IR - US Field Trip

Phil,

Some facts:
I have been working the EP investment case as we need a fundamental re-think on how we portray our EP story.For initial discussion at Excom coming monday
and thereafter with IR etc.
I feel strongly that we should stop talking to analysts about things we have not delivered yet /are still low PoS in terms of implementation. We should learn form FLNG/FONG/
Sunrise/Kudu examples and be cautious about Sakhalin,Brasil, etc. There are other good things happening on operational level etc.
I am worried that we are going to talk prematurely about SURE as well.
You have seen something that I have not seen yet so difficult to comment but I am interested in getting some good stories across from a somewhat different perspective.
With aggressive historical proved reserves booking,massive investment in Nigeria with increasing risks,few material discoveries,ROACE pressures,we just need to be very careful.
Will develop further.
Regards,
Walter

-----Original Message-----
From: Watts, Philip B SI-MGDPW
Sent: 21 August 2002 18:00
To: Van De Vijver, Walter SI-MGDWV
Cc: Boynton, Judith G SI-FN
Subject: IR - US Field Trip

Walter,
I just saw a preliminary agenda for this important field trip - the last significant event before Q3 Results and, effectively, before the Q4 Results/Strategy Presentation.

The EP piece looks very light. I have asked Judy to discuss it with you so that we have good representation and interesting EP things to see.

Phil Watts
Chairman of the Committee of Managing Directors
Royal Dutch/Shell Group of Companies

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EXHIBIT
Vander Vijver
19
2/1/07

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Unknown

From: Van De Vijver, Walter SI-MGDWV
Sent: 02 September 2002 15:19
To: Watts, Philip B SI-MGDPW; Van der Veer, Jeroen J SI-MGDJV; Skinner, Paul PD SI-MGDPS; Brinded, Malcolm A SI-MGDMB; Boynton, Judith G SI-FN
Subject: EP Delivery

Sensitivity: Confidential

Please find attached a note as input to planned further discussion at CMD this month.

CMD EP Delivery.ZIP

Caught in the Box - Sept 2 - C...

Regards,
Walter

--
Incoming mail is certified Virus Free.
Checked by AVG anti-virus system (http://www.grisoft.com).
Version: 6.0.567 / Virus Database: 358 - Release Date: 24/01/2004

EXHIBIT
Van der Vijver
20
2/1/07

Strictly confidential

To: CMD
Cc. Judy Boynton

EP Delivery

Colleagues,

Holidays provide time for reflection and I would like to engage with you on the dilemma's facing EP and the uncomfortable situation EP is in with obvious implications for the Group overall. This is very sensitive material for your eyes only.

Intro

For some time now we have tried to adhere to a bunch of criteria that can only be managed successfully for so long:

- 15% ROACE at $16/bbl and related capital discipline
- 3% production growth (aai 2000-2005)
- 3% (underlying) unit costs reduction/annum
- > 100% reserves replacement.

Given the external visibility of our issues (lean organic development portfolio funnel, RRR low, F&D unit costs rising), the market can only be "fooled" if 1) credibility of the company is high, 2) medium and long- term portfolio refreshment is real and/or 3) positive trends can be shown on key indicators.
Unfortunately we currently have:

- Medium-term development portfolio is indeed rather weak (few material projects in GoM, lack of progress in Caspian, buyers market in Far East, slow opening of the ME, low R/P in US, few material discoveries outside Nigeria)
- We are struggling on all key criteria ("caught in the box").

Evolving facts

Through a combination of external and internal factors several performance issues have emerged on our EP portfolio:

- False optimism on new resource access in MRH's, foremost ME
- False optimism on UK and Oman field declines and apparent inability to accurately predict those declines
- Lack of material exploration success to feed medium term growth
- Shortage of major development projects relative to competition
- Slowdown in MRH appetite win/win deals and slowdown in gas demand growth, which was partly for banked in volume outlook
- Deteriorating data processes and reserves management quality
- Lack of internal alignment on aspired portfolio and related focused M&A activity

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- Premature promises to external market (Sakhalin, Brasil DW, FLNG realise the limit, etc.)
- Difficulty in re-starting the "opportunity/investment treadmill" in some regions

In addition there are ongoing issues with regard to EP's people processes:

- Fragmentation of skills/capabilities base post Group Transformation
- People processes take time to be re-engineered following loss of management control in early 90"s
- A common feeling that the "right people are not in the right place" to be adding most value to EP.

Early Q3 2001 it was realised that a combination of 5% production-growth with 15% ROACE at $ 14/bbl was not achievable nor sustainable but it was concluded that:

- 3% production growth was the minimum acceptable by the market (firm plan had 1.5% growth mostly from Nigeria, but none of the major competitors had projected growth of less than 3% projected)
- 15% ROACE from EP at $ 14/bbl could not be abandoned in short-term. (linked to roadmap story on capital discipline).

Again it was decided not to change return (15% ROACE) or growth (9/01 commitment) targets following the Enterprise acquisition.

The early draft of the 2003 business plan shows:

- No significant progress on new business development and no discoveries that will lead to material production in the plan period (2002-2006)
- 3 % growth is only achievable on the old 2002 base (i.e. pre Enterprise, using the Shell portfolio only; Enterprise portfolio as expected but offsetting organic targets)
- Having to absorb UK tax increase (1% hit on ROACE at $16/bbl in 2002) and project overexpenditures on e.g. AOSP and Bonga/EA
- 15% ROACE at $16/bbl does not appear to be deliverable in short-term (from 18% to 15% (post Enterprise) to 13-15% with extra UK tax and capex growth)
- Organic reserves replacement only some 60% average over Plan period
- Increased demands on staff for mature asset management.

Is EP underperforming?

Is EP missing something that prevents meeting targets or that demonstrates significant technical incompetence?
Over the last year several initiatives have been undertaken to address the identified weaknesses in EP:

Portfolio

- Prioritise NBD activities and use appropriate review tools in the management process
- Progress global M&A capability
- Resourcing for Oman challenges and for Nigeria "new way of working"/growth plans
- Create NOC relationship plans.

Performance

- Re-establish T&OE organization and processes
- Implement global project delivery organization
- Improve accountability and portfolio in exploration
- Establish closer alignment with OU's and Excom
- Re-introduce reserves management process and establish reserves "hitsquad"
- Investigate alternative focus areas for EP investment case
- "Hands-on" challenge by CEO on OU performance.

People

- Develop global people processes (big rules, Competence Based Progression, leadership development, managed open resourcing)
- Improve global mindset and communication within EP.

There are early indications that we are making progress:

- Success with Enterprise acquisition
- Study/support activity for Oman and Nigeria, which will result in near field activity and bottomline deliverables
- Several high performing large OU's (SEPCo, Malaysia)
- Taskforce on reserves maturation in place
- Refreshment of exploration prospect portfolio (GoM lease sales, Nigeria, Brunei)
- Developing relationship with Pemex and Russian oil companies
- Global cost FRD prize to be won ($ 500 million) to reduce underlying unit Opex!
- Operational problems overcome (Shearwater, Brutus, Auger) and good operational performance (actual vs capacity) in many OU's
- T&OE targeting 100 MMboe reserves increase.

At the same time:

- Deliberate moves are being made to "lead" legacy projects (China E2W, Sakhalin)
- No new business opportunities have been lost to competitors (aside from project Dolphin in Qatar due to "overbidding" by Oxy)
- Strong financial performance continues
- Competitive strengths in technology development and application continues to be demonstrated (e.g. expandables, integrated field studies). This will also require ammunition on competitive production decline management.

In summary I think we can demonstrate technical competence in EP coupled with performance delivery but we need to manage the "caught in the box" challenge.

So where do we go from here?

The "quiet revolution" in EP will continue at accelerated pace to ensure no major opportunities for improvement are foregone whilst taking out no or low-value activities and processes.

This global drive is framed under the 3 P's of portfolio, performance and people with key focus areas around:

- Pursuing the next stage of global synergy (efficiency and effectiveness)
- Implementing simplified accountability models
- Moving towards the EP aspired portfolio
- Secure license extensions.

The immediate risk that we are facing is on the "negative spiral" of our boxed situation:

- 15% ROACE with 3% production growth unachievable in 2002-2004 timeframe with original $7-8 billion plan-average investment level
- RRR remains below 100% mainly due to aggressive booking in 1997 – 2000.

Attached is trying to frame the "caught in a box dilemma".

Way forward

We need to keep a balanced perspective on the overall performance of EP and can easily portray a "the glass is half empty" message.

We are continuing to struggle with portfolio constraints whilst we know we can deliver more global synergy with bottomline impact.

Organic growth will not be adequate and acquisitions and new business development (whilst "working the tail") are needed with obvious strains on short-term ROACE. The value argument with roadmap-type delivery (and associated transparency) will be crucial.

I am confident EP can live up to the challenge.

Whilst this note is only a "scene-setter" I will return to CMD later this month with the overall "EP Delivery" story to get input and support for the way forward.

The EP Dilemma: Caught in the box?

Normalised ROACE delivery

ISSUES
- Impact of acquisitions "at $16/bbl"
- Project capex overruns (AOSP/Nigeria)
- UK tax increase

ACTION
- Divest low ROACE assets
- Cut expex / capex ?

Production Growth

ES
statement of Enterprise
w brownfield NBD
ccesses
vere mature field decline
ON
rtfolio upgrades
ution of Big Tickets?
OE

Value

Reserves Replacement

ISSUES
- Early reserve bookings
- Nigeria/Oman "constraints"
- MRH slow to materialise
- Lack of material exploration success

ACTION
- SFR "hit squad"
- Licence extensions
- NOC relationships

Unit Cost Reduction

ACTION
- Implementing Cost FRD

Likely Impacts

- Can't improve all four parameters simultaneously

Remedial Action	Unit Cost Reduction	ROACE delivery	Production Growth	Reserves Replacement	Value
Cut opex, expex, capex	↑	↑	↓	↓	Probably ↓ OPEX manageable ?
tfolio Upgrade st Low ROACE assets AP /Dilute Big Tickets	↑	↑	↕	↕	↑
nent Cost FRD	↑	↑	↕	↕	↑
Acquisitions	↕	↓	Probably ↑	↑	↕

Unknown

From: Van De Vijver, Walter SI-MGDWV
Sent: 22 October 2002 15:07
To: Watts, Philip B SI-MGDPW
Subject: RE: Weekend Reflections

Sensitivity: Confidential

Phil,

Thanks for your note,I was actually planning a follow-up as well.
I am currently in Oman dealing with another legacy problem and will fly back to London for meetings on thursday.
I will see whether we can than have a brief chat.

I must admit that I become sick and tired about arguing about the hard facts and also can not perform miracles given where we are today.
If I was interpreting the disclosure requirements literally (Sorbanes-Oxley Act etc) we would have a real problem.
I remain totally convinced (happy for challenge anywhere) that everything possible is being done on the various box parameters.
The next stage of cost take-out is going to be a painful exercise of dismantling OU's as we know and love them.
Obviously I can divest more relatively high cost/low margin parts of our portfolio but that is not where we all want to go as a Group.
Happy to have that debate at CMD.

Regards,

-----Original Message-----
From: Watts, Philip B SI-MGDPW
Sent: 21 October 2002 19:44
To: Van De Vijver, Walter SI-MGDWV
Subject: Weekend Reflections
Sensitivity: Confidential

Walter,
I enjoyed our conversation over dinner last Monday and have reflected over this weekend on the EP part of the Group Plan.
You have a real challenge but that is not unusual.

A few points, if I may, on the "box" in which you talk of being trapped.

1. Costs
- The 3% target is not unreasonable with proper definition and real cost consciousness on the "controllable operational costs".
- The EP target will lack credibility if it does not have a bottom line impact.

2. Reserves
- We have a real issue but the Enterprise acquisition allows us to keep to the 100% replacement ratio averaged over, say, 3 years.

3. Production
- The 3% pa 2000 - 2005 (including A&D) is credible.
- We will have to finesse the "higher base" stuff.
- I am not contemplating a change in the external promise on the basis of (i) past performance, (ii) current performance, (iii) the purchase of Enterprise (and Drayen) and (iv) the intention to make more upstream purchase (s) in the foreseeable future (if good enough willing to lose the AAA rating).

V00020620

DB 01383

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EXHIBIT
Van der Vijver
21
2/1/07

4. ROACE

- I think that this is the key vulnerability.
- There are 3 questions that come to my mind
  - (i) What is the ROACE at reference conditions
    - (a) for 2003 .... can it be explained?
    - (b) for 2004 .... is it higher and approaching 15% at $16.b?
  - (ii) EP as an established business needs to be "capable of 15% ROACE at Reference Conditions". What would it take in terms of Expex and Capex cuts to get back to 15% and how quickly can this be done in circumstances that required it?
  - (iii) Does the increase in 2004 get the Group back into the 13 - 15% range?

For efficiency, I thought I would put these items in a message since they will for me be the key question on 29/10. If you are in Shell Centre this week, I would appreciate a brief chat.

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Chairman of the Committee of Managing Directors
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Internet: Phil.Watts@shell.com

NOTE FOR DISCUSSION

Subject : Review of 2002 and 2003 Reserves Replacement

Date : 7th November 2002

FROM : EPB, EPG

TO : ExCom

Excom,

The attached note summarizes the current outlook for reserves replacement in 2002 and 2003. Its objective is to stimulate discussion and management determination of bookings and debookings that are being contemplated for the 2002 year-end reserves disclosure to the SEC. Summary presentation material is also attached.

Lorin

In support of the above, an additional note on SNEPCO is attached, addressing issues raised by the recent audit of SEC Proved Reserves.

Brian

- what about expectation/STR values?!

EXHIBIT
Van der Vijver
22
2/1/07

Note for Discussion

Review of 2002 and 2003 Reserves Replacement

The purpose of this note is to advise ExCom of the current outlook for proved reserves replacement in 2002 / 2003 and to obtain management determination of certain reserves additions and debookings that are being contemplated for 2002.

The latest estimate for organic proved reserves additions in 2002 is 659 million boe (47% Reserves Replacement Ratio, RRR). Including the effects of A&D (principally Enterprise) this increases to 1759 million boe (119%). Significant downward pressure is exerted on these figures by a recent SNEPCO audit finding that reserves there may be overstated by 133 million boe. A similar volume of Enterprise reserves may also be at risk, subject to the findings of ongoing audits (Italy Tempa Rossa and Norway Skarv Area). Consequently the 2002 RRR could be as low as 29% excluding A&D, or 101% including A&D. Offsetting upward pressure is limited. Details are provided in Appendix A.

These figures compare with an EP plan for 2002 of 56% organic RRR (98% with Strategic Options, none of which is likely to be delivered this year). The principal reasons for underperformance are a delay in the maturation of Bonga SW (90 million boe), disappointing appraisal results in Namibia (125 million boe), PSC / PSV effects in Malaysia, Iran and Oman GISCO (100 million boe) and a variety of other unforeseen negative revisions. These have been offset by the Enterprise acquisition (1140 million boe, subject to audit) and acceleration of Kashagan booking pursuant to the Declaration of Commerciality (380 million boe, to be ratified by the Group Reserves Auditor, once SKN documentation has been received).

Planned organic proved reserves additions for 2003 are 867 million boe (56% RRR), this being heavily reliant on the delivery of Sakhalin, China W2E and Pinedale reserves additions. The total would rise to 1021 million boe (66%) if currently defined Option projects mature (principally Ormen Lange). Considerable uncertainty applies to these figures and at this stage actual organic performance could range between 40 and 100% depending mainly on the degree of success in maturing (and funding) option projects and on the approach taken to the booking of Sakhalin reserves. Sakhalin offers further flexibility to offset downward pressure on reserves replacement for 2003, subject to success in firming up LNG markets and to consideration of the planned dilution of our interests in the venture.

Additional potential sources of reserves additions have been identified via T&OE (100 million boe) and Strategic Options (some 500 million boe, risked), none of which are currently funded in the plan.

The Reserves Opportunities Catalogue has been reviewed and updated (Appendix B). No items are considered to be deliverable during 2002, although several hold potential for 2003 and the following new items are being progressed at present:

- SPDC licence extensions: Nigerian legislation, supported by precedence, may allow automatic licence renewal rights to be claimed and incorporated in SEC reserves filings.
- Tax-paid PSCs: it may be possible to include production and reserves in recognition of tax paid on behalf of Shell by National Oil Companies.

The Potential Reserves Exposure Catalogue has been reviewed and updated (Appendix C). No debookings are considered to be necessary at this stage, apart from SNEPCO reserves (see below), pursuant to the 2002 SEC Proved Reserves audit. The same audit supported the proved reserves associated with waterflood in Bonga and Erha, which consequently have been removed from the inventory. Certain elements of the Enterprise portfolio are potentially at risk and have been added to the inventory pending ongoing audit.

Proposal

- Enterprise should be portrayed externally as a fundamental contributor to the Group's reserves growth for 2002.

- Possible major de-bookings:

SNEPCO	-133 million boe: see separate Note for Information.
New Zealand Pohokura	-55 million boe: technical revision ← what's new
Malaysia PSC effect	-39 million boe: lower cost, lower entitlement
Iran PSV effect	-28 million boe
Thailand WF projects	-27 million boe: uneconomic
Oman (GISCO) PSV effect	-23 million boe

- Possible major bookings:

Kashagan	380 million boe: justification in preparation
Angola Block 18 (incremental)	45 million boe: audit planned, November 2002
USA Brutus Phase 1	39 million boe: SEPCo internal audit in progress

– 11/11: too many uncertainties?

– ↑↓ balance?

Appendix A: 2002 Proved Reserves Additions Latest Estimate

Latest Estimate, Proved Reserves Additions — End-September 2002

Going ↓

Worldwide?

Million Boe	↑↓	Proved Reserves Additions Plan	LE	Delta	Reserves Replacement Ratio Plan, %	LE, %
Organic						
Kazakhstan	Kashagan Declaration of Commerciality + Arman		384	384		27.3
USA	Mars WF/Auger/Glider/OSO Martin↑ Shawnee, Crossbones& others↓	139	145	6	9.8	10.3
Brunei		67	66	0	4.7	4.7
Canada		50	50		3.5	3.6
Angola	Block 18 FID ↑ Risked pending check with SEC rules	33	45	12	2.3	3.2
Denmark		24	34	9	1.7	2.4
UK	Carrack West/Curlew↑, Shearwater/Cormorant/N&S↓, Scoter deferred	68	33	-35	4.8	2.4
Venezuela	Not a gain: Plan figure was inadvertently omitted from EP total		25	25		1.8
Netherlands		30	21	-9	2.1	1.5
Syria		13	14	1	0.9	1.0
Egypt		11	11		0.8	0.8
Gabon		7	7		0.5	0.5
Australia (SDA)		0	4	4	0.0	0.3
Brunei (FCE)		3	3		0.2	0.2
Argentina		3	3		0.2	0.2
Germany	Changed / deferred drilling programme	17	2	-15	1.2	0.2
Australia (WPL)		0	0		0.0	0.0
Russia	Deconsolidation deferred	-92		92	-6.5	
USA (Aera Comp)	Aera included in USA LE	4		-4	0.3	
Bangladesh	Changed / reduced activity level	4		-4	0.3	
Pakistan	Bahdre-3 well result(↑). Query Plan figure.	10		-10	0.7	
Brazil	BS-4 deferred	41		-41	2.9	
Oman (PDO)	Production forecast exposure / uncertainty	76		-76	5.4	
Nigeria (BNEPCO)	Bonga SW deferred. Other additions zeroed, further reductions under review.	116		-116	8.2	
Namibia	Kudu appraisal	125		-125	8.8	
TOPCO NZ			0	0		0.0
Brazil (Pecten)			-3	-3		-0.2
Philippines			-7	-7		-0.5
Norway		7	-8	-15	0.5	-0.5
Oman (GISCO)	Virtual PSV / PSC effect		-23	-23		-1.7
Thailand	Reduction pending completion of studies Q3/Q4	4	-27	-30	0.3	-1.9
Iran	PSV effect		-28	-28		-2.0
Malaysia	PSV/PSC effect, Tiga Papan/Ubah/Ramin↓, D35/St Joseph↑	31	-39	-70	2.2	-2.8
New Zealand	Pohokura	4	-55	-58	0.3	-3.9
Total Organic		796	659	-137	56	47
Production	Includes ExCom adjustment	1419	1407	-13		
A&D						
	Adjust total RRR so far for effect of A&D production					-2.1
ENTERPRISE (KMOC@46%)	KMOC = 131 mln boe		1141	1141		77.4
Norway	Draugen		33	33		2.2
USA	Rockies		27	27		1.8
TOPCO NZ			9	9		0.6
UK	Goldeneye		7	7		0.5
DR Congo (Zaire)			-17	-17		-1.2
New Zealand	Portfolio rationalization + transfer to TOPCO NZ		-49	-49		-3.3
Iran	Farm out		-51	-51		-3.5
Total A&D			1100	1100		73
Total Organic + A&D		796	1759	963	56	119
Production Organic + A&D		1419	1474	54		
Strategic Options						
Whale		154		-154	10.9	
Namibia Gas (FLNG) incremental		145		-145	10.2	
Libya gas		90		-90	6.3	
Venezuela light oil		86		-86	6.0	
AIOC notional		81		-81	5.7	
Libya Block 47		21		-21	1.5	
Stephenson		13		-13	0.9	
Albelamola notional		13		-13	0.9	
OU projects		-2		2	-0.1	
Total Strategic Options		601		-601	42	
Grand Total		1397	1759	362	98	119
Production Grand Total		1419	1474	54		

Uncertainty in Latest Estimate

Million Boe		Proved Reserves Additions	Reserves Replacement Ratio %
Downside:			
Enterprise	Tempa Rossa, Skarv Area debooking	-136	-9.2
SNEPCO	Fully implement audit recommendations	-133	-9.0
Upside:			
Enterprise	Shell guidelines implementation upside	50	3.4
Whale	Deal secured in 2002: 50% Shell share, unrisked	450	30.5
Other SOs		33	2.2
Range	Minimum	1490	101
	Maximum	2292	156

Appendix B: Reserves Opportunities Catalogue (November 2002)

Project	FID	PRA[1]	RRR[2]	Note
Licence Extensions:				
Nigeria SPDC (mostly expiring in 2019)		530	35%	3
Oman PDO (2012)		500	35%	4
Malaysia (various years)		450	30%	
Abu Dhabi (2014)		370	25%	
Denmark (2012)		80	5%	5
Norway (various years)		70	5%	
Venezuela (2013)		40	3%	
Syria (2009 – 2014)		10	1%	
Brunei (2003)		0	0%	6
Big Tickets and Strategic Options				
Quota increase, Nigeria		0	0%	7
Retain Sakhalin consolidated and/or more aggressive booking		600	40%	8
Venezuela Cretaceous	2003	410	25%	
Kuwait OSA	2003	400	25%	organic?[9]
Iran Azadegan farm-in	2003	110	7%	A&D
Russia Zapolyarnoye Neocomian	2004	760	50%	
Libya Gas (Block 6 devt.)	2004	440	30%	
Iran Bangestan	2004	300	20%	
Qatar SMDS	2004	300	20%	A&D
Venezuela LNG	2004	250	15%	
Saudi Arabia CV1	2004	70	5%	
Others				
T&OE: 2003 potential additions		100	7%	10
Tax-paid PSCs (2003, in definition)		>40	>3%	11
Ranked out of the Base Plan 2002				
Nigeria SNEPCO Bonga SW	2003	70	5%	
China Changbei Upstream	2003	55	4%	
Australia Sunrise	2004	340	20%	
Options and Strategic Options, 2003				
Norway Ormen Lange	2003?	160	10%	
Thistle(risked)	2003	300	20%	
Abu Dhabi Whale (risked)	2003	150	10%	A&D
Russia Salym (risked)	2003	60	4%	organic?

1 Approximate Proved Reserves Additions, million boe, unrisked.

2 Approximate contribution to Proved Reserves Replacement Ratio in the year of reserves booking, assuming annual production of 1500 million boe total for EP, OA basis.

3 Ongoing work suggests that SPDC might be able to claim automatic rights to production beyond licence expiry. If confirmed, this could be the key to lifting the reserves booking moratorium, with new bookings being tied to FIDs in future years. Reserves booking impact to be investigated.

4 Based on the currently reported post-licence Expectation Reserves (550 million boe). Reserves to be booked when there is certainty that a deal will occur with no risk of detailed negotiations de-railing it.

5 Not under Shell control: negotiation to be conducted exclusively by Concessionaires (A.P. Moller).

6 Reserves already booked assuming that BSP's rights to two 15-year licence extensions will be exercised. Any reserves upside would be in relation to the negotiation of further extensions beyond the 30-year window, but this may be offset by potential equity reduction in the first two 15-year extensions.

7 A quota increase is necessary in any case to enable production to grow and thereby enable the currently booked Proved Reserves to be realized.

8 Bookings should in principle keep pace with "reasonably certain" market development and preferably with actual LNG sales contract fixtures.

9 Cash-based Service Agreement with little exposure to oil price. Reserves bookings might not be possible.

10 Nominally 25 million boe from waterflood projects, 25 million boe from the T&OE Opportunities Catalogue and 50 million boe from V2V reviews.

11 Under investigation: in some PSCs tax is paid by the NOC on behalf of contractor (i.e. Shell). It may be possible to claim production and hence reserves in recognition of this.

Appendix C: Potential Reserves Exposure Catalogue (November 2002)

Asset (Year booked)	Reserves mln boe	Comment
Australia Gorgon (1997)	560 91.	Booked in 1997 in anticipation of imminent FID, subsequently deferred indefinitely by the downturn in Asian economies and the consequent reduction in demand for LNG. It is inevitable that a resource of this magnitude will be developed eventually.
SNEPCO		It is assumed that 133 million boe of potentially overstated reserves will be debooked at 31.12.2002 (SEC Reserves Audit recommendation).
Angola Block 18 (2000) Reserves potentially at risk estimated provisionally to be 75% of the current inventory.	up to 55	Reserves rely on the successful implementation of water flood in reservoirs that have limited local supporting analogues. Nevertheless, analogy with the Girassol field is invoked. Audit is planned before the end of 2002. Similar bookings by SNEPCO were considered acceptable during a 2002 reserves audit, being supported by extensive reference to analogy (although predominantly not with local reservoirs).
Norway Ormen Lange (1999, 2000)	109	Reserves have been partially booked ahead of VAR3 and FID, whilst it appears that there are issues that could prevent it proceeding. De-booking will be considered only when and if it becomes clear that development definitely will not proceed. FID planned in 2003 or 2004.
Enterprise	136	Certain elements of the portfolio may not satisfy minimum requirements for project maturity (Italy Tempa Rossa, Norway Skarv Area, possibly elements of KMOC). Audits are in progress.
Netherlands, Waddenzee (?)	25	Government-enforced moratorium on Waddenzee drilling, due to environmental concerns, could ultimately prevent development from proceeding.
Brunei legacy (Various)	20	Historical reserves bookings that can no longer be supported are inventorized and actively managed. It is expected that the remaining balance will be reduced to zero over the next two or three years, in consultation with national regulatory authorities.
Total	905	The total proved reserves balance at 1.1.2002 was 19100 MMboe.

In addition, reserves in some OUs would be at risk if planned production rate increases do not materialize. The OUs thus affected are SPDC Nigeria and Abu Dhabi. Furthermore, Oman PDO must sustain current production rates throughout the remaining lifetime of the licence to ensure production of the booked proved reserves.

The SEC provides no specific guidance on reserves disclosure for "novel" contract structures. Shell currently has four bookings in this category: the Venezuela service agreement, Iran buy-back contract, Oman Gisco and the booking of NGL reserves in connection with interests in Abu Dhabi GASCO.

> Note: this inventory captures reserves bookings that are fully justified at present but which could come under threat of debooking, for example, should the SEC further clarify its rules to imply that more conservatism should be applied by Form 20-F registrants.

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Note for Information

Changes to Proved Reserves Additions

SNEPCO, Nigeria, November 2002

Proved Reserves Additions, million boe, Shell share

Plan	116	Bonga SW (92 mln boe) plus Erha Deep and Erha South E&A
Previous LE (end-Aug)	49	Bonga SW discounted, possible delay to VAR 3
Current LE	0	Bonga SW deleted, VAR 3 deferred. All potential E&A gains zeroed.
Proposed end-year position	-133	De-booking pursuant to 2002 SEC Reserves Audit.
Total impact on EP RRR	-16.9%	Relative to Plan

None of the activities incorporated in the SNEPCO plan for reserves additions in 2002 will materialize during the year. Furthermore, a recent SEC Proved Reserves Audit of SNEPCO found that proved reserves were overstated by 133 million boe at 31.12.2001:

(in mln boe SS)		31.12.2001	31.12.2002	2002 Delta	
Abo		33.4	28.9	-4.5	Apply Proved Area concept
Bonga	Oil/NGL:	366.2	290.4	-75.8	} Proved Area &
	Gas:	42.8	16.9	-25.9	} revised recovery factors
Erha		165.9	139.4	-26.5	Erha-3 and Proved Area ← Bosi
Total		608	475	-133	

- In Bonga, the revisions are due to the exclusion of reserves in unpenetrated reservoirs (the so-called In Field Opportunities, or IFOs), this being despite an increase in recovery that is now projected from the proved areas (FDP Revision 5).
- The revision in Erha reflects the results of the Erha-3 appraisal well (which removed significant in-place volumes from the model of the eastern fault block), and from the exclusion of reserves in an as-yet unpenetrated central fault block.

The bulk of these reserves were first booked in 1998 and 1999. Since then, Shell has introduced a revised interpretation of the SEC rules on the disclosure of proved reserves. This is explained on the following page.

— 50 lumbre
des.oly
sh-l to 2003
(drilling)

Total Nigeria
reserves
quality?!!

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HAG00161391

Clarification of SEC Rules

The SEC/FASB definition of proved reserves is, and always has been, strictly deterministic, being based on recovery from the so-called "Proved Area": the area of each reservoir that has been proved by drilling. This area is limited laterally by reasonable certainty over production continuity, and hence it generally stops at faults that could be sealing. It is limited vertically by the limits of hydrocarbons seen in wells, unless contacts outside this range can be inferred from pressure data acquired from the hydrocarbon and water legs of the same reservoir. In undeveloped or immature fields, the reporting of proved reserves for unpenetrated reservoirs is not consistent with the SEC rules.

Before the SEC introduced its rules in 1977, Shell had developed a probabilistic approach to describe uncertainty in reserves. Thereafter, until 1998, Shell continued to use its probabilistic approach, equating the 85% cumulative probability level to the "reasonable certainty" required by the SEC's rules. This could lead to the inclusion of reserves from outside the Proved Area, insofar as these areas were included in the probabilistic range. Also, in the case of Bonga, it lead to the inclusion of reserves from reservoirs that had not yet been penetrated (the IFOs).

Shell's probabilistic approach generally resulted in the over-reporting of proved reserves in immature fields, but this was (more than) offset by under-reporting in mature fields. In 1998, in order to correct the latter and curb excessive depreciation charges, the Shell guidelines were changed and brought more into line with the deterministic approach of the SEC. Approximately 1,200 million boe proved reserves were added to the inventory as a result. ?!

The Shell guidelines for immature fields were not finally updated until 2002, spurred by the issuance in 2000 and 2001 of guidance from the SEC which confirmed that their deterministic limiting criteria (i.e. the proved area) must be honoured even if probabilistic estimation techniques are used.

Work is ongoing to try and establish whether Shell is conservative or otherwise in its approach to the disclosure of proved reserves compared with competitors.

Opportunities will continue to be sought to engage the SEC in dialogue concerning modern industry practices. The main aim is to encourage the SEC to recognize technological advances that enable registrants to build confidence in "reasonably certain" recovery estimates without incurring the appraisal costs that are required to establish proved reserves according to the SEC's current rules.

Unknown

From: Van der Laan, Marian M SI-MGDWV/DIRMB on behalf of Van De Vijver, Walter SI-MGDWV
Sent: 15 November 2002 10:56
To: Coopman, Frank F SIEP-EPF; Brass, Lorin LL SIEP-EPB
Subject: URGENT: 2003 PLAN and Q1 IR

ml113.ZIP

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2003 PLAN and Q1 IR

1) We finalized our plan submission and could easily leave the impression that everything is fine:
   - 3% UUOC reduction achieved
   - ROACE back to 15% by 2006
   - 3% growth (old base and with a bit of help from strategic options on new base) delivered
   - RRR> 100% can be done with license extensions

The reality is however that we would not have submitted this plan if we
1) were not trying to protect the Group reputation externally (promises made) and
2) could have been honest about past failures (business focus w.r.t. aspired portfolio, disconnects with reality, poor performance management, reserves manipulation)

The plan is therefore not a 50/50 plan but a real stretch.

On 19th November EP Plan presentation I want a simple chart of 50/50 vs stretch parameters which shows:
- do-ability problems with cost take-out <u>pace</u>
- "watchlist items" on production: Oman, Nigeria, US
- pain to be carried on past reserves bookings and vulnerability to new reserves bookings (Sakhalin etc.)
- prospect portfolio weakness in 2003/2004
- low PoS of strategic options
- major shift needed in technical/performance leadership
- breakthrough needed on partnerships
- challenge to deliver a sensible $ 1 b/n CE reduction with minimum earnings/production loss.

Other relevant points are welcome. I am also still awaiting the suggested family of new "watchlist items" for 2003.

2) On Q1 2003 IR we need clarity now on the key messages (balanced perspective) that we want to get out for EP. I have not seen any detail and this is becoming increasingly frustrating:

   - Group IR presentation will only have a 10 min (!) EP slot:
     - 2002 highlights
       - EP "back to basics"?
         (cost, T&OE, project delivery, capital efficiency, exploration)
       - Enterprise delivery
       - competitive edge?
       - **<u>learnings</u>**
         (RRR, globalisation need)

V00020744

DB 01507

- 2003 and beyond expectations
  (EP on the move?)

I want ideas now!

- What is the new EP story as aligned with the EP investment case? One page only!

I want this **done** and **discussed** by first thing Monday morning latest (this issue will no doubt come up on our 18/11 away-day). For me the passion, urgency and focus on the forward implementation and delivery is very important also as we do have tremendous scope for leveraging globalisation and level playing field operational excellence unlike EM and BP who have already done this.

Unknown

From: Van De Vijver, Walter SI-MGDWV
Sent: 29 November 2002 14:06
To: Pay, John JR SIEP-EPB-P
Cc: Brass, Lorin LL SIEP-EPB; Harper, Malcolm M SIEP-EPB-P
Subject: RE: Group Plan questions/reserves

John,

Indeed a difficult judgment call.Thanks for a very informative note.
We will have to get a storyline together not only to close our books but also for explaining to analysts (6 febr and end March) our RRR.Happy to be transparent about it to raise our overall credibility.

One other question: if we talk 5 year average RRR are we than still OK 1998-2002 and 1999-2003?

Regards,
Walter

-----Original Message-----
From: Pay, John JR SIEP-EPB-P
Sent: 22 November 2002 09:47
To: Van De Vijver, Walter SI-MGDWV
Cc: Brass, Lorin LL SIEP-EPB; Harper, Malcolm M SIEP-EPB-P
Subject: RE: Group Plan questions/reserves

Walter

I'm sure you realize that this is a difficult question to answer with precision. As a best estimate, I think it reasonable to say our RRR performance over the next 5 years will be depressed by some 25 points as the result (1) of taking accelerated bookings in the past and (2) of changing our internal reporting guidelines (partly as the result of the SEC clarification, but also of our own volition).

I would characterize the contributions as being:

15 - 20 points: aggressive booking, of which perhaps 5 points (i.e. 5% RRR) overlap with the 2001 SEC clarification.
5 - 10 points: the legacy effect of changing our booking practices in 1998

The following explains how I came to these figures:

1) What historical bookings did we make that we would consider more carefully today?
At 1.1.2002 we had some 3800 MMboe (actually 3769) reserves that had been booked pre-FID. Of these, I think about 60% can be categorized as definitely not subject to "leadership behaviour" at a Group level, whereas the remaining 40% (1400 MMboe) **possibly** were. 3800 MMboe is an attention-grabbing figure, and our 5-yr average RRR going forward would be improved by some 50 percentage points if we had left everything until FID. However, our performance during the previous 5 - 10 years would obviously have been reduced by a similar amount. Also note that it is not common practice in the industry to defer **all** bookings to FID - only bookings for major projects and frontier areas. I am sure (but cannot prove it) that our competitors adopt a similar approach to us for minor projects and infill type activities - they book when they feel the project is sufficiently defined, which could be well before project sanction.

Therefore I think that the 1400 MMboe is a more reasonable figure to talk about in this context - we booked it aggressively and had we not done so we might have been able to show a +/- 15 - 20% better RRR for the plan going forward.

There is more detail on this at the end of this message.

2) By how much would RRR performance be different if we continued to apply the bookings procedure in force pre-1998?
In 1998 / 1999 we changed our reporting basis and adopted a deterministic approach for mature fields that we believe to be consistent with industry practice. This gave us a one-off gain of 1200 MMboe. If we had left our

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practices unchanged, we would have trickled some of this gain in gradually and perhaps registered new bookings ahead of FID for some of our major upcoming projects (W2E, possibly Kashagan and Sakhalin and a few others). However, I would be very surprised if this would have yielded a total reserves balance higher than the one we have today - in other words, I do not believe that our old approach would have caused more than 1200 MMboe to have been added in the years since the new approach was introduced. As a rough estimate, you could say that it would have taken some 10 years to book the 1200 MMboe that we took as a one-off gain in 1998/1999, so performance might be depressed on average by 5 - 10% RRR during the period that we now find ourselves in the middle of.

3) What effect has the 2001 SEC Clarification had on our performance?
Following on from (2) above, it was noted at the time that we had corrected our under-reporting of mature fields, but not addressed our over-reporting of immature fields. The latter was only addressed by the new guidelines introduced this year, spurred by the SEC Clarification. We see the effects of it in the SNEPCO debooking, which is the biggest single effect. I see this as partially offsetting the 1998 gain - if we had addressed all of our procedures in one step instead of taking the good news first and the bad news later, we might have been looking at a net gain of, say, 900 - 1000 MMboe instead of 1200 MMboe. We are taking this hit now and we may see a small depression of RRR performance over the plan period. However, I do not believe that these effects are very significant - we must be talking about a few percentage points on the 5-yr average RRR at most - this is a subset of the reserves covered by (1) above.

Please let me know if there's more I can do to clarify these figures,

John Pay
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Shell International Exploration and Production B.V.
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Detail on 1) above

The total volume of reserves booked pre-FID at 1.1.2002 was **3769 MMboe.** The following major components stand out:

Nigeria SPDC: 969 MMboe. For many years reserves bookings were influenced considerably by the Reserves Additions Bonus. This drove us towards early booking of reserves, but at the time this was not considered to be at odds with practice elsewhere in the Group and nor did it lead to undue concern about compliance with SEC rules. Indeed, the practice might be seen as a key enabler in helping Nigeria to claim additional OPEC quota share and consequently SPDC production growth. The problem is that we overshot a little - we reached a situation in which the Proved Reserves cannot plausibly be produced within the remaining licence period.

Oman PDO: 313 MMboe. Similar situation to SPDC, PDO revenue was linked to reserves additions. We now have a situation in which an external production promise has been made to the Omani authorities, with the corresponding reserves having been booked ahead of development activity identification. I trust that you are well aware of the efforts currently ongoing in PDO to build substance into delivery of the production promise.

Other Base Projects: 852 MMboe. Bookings which seem to have been made in line with the Shell interpretation of the rules at the time and which are difficult to dispute in hindsight, given that they are included in our current Base Plan. A large number of minor bookings, but with a few large items such as Troll further development (210 MMboe in total).

Other Option Projects: 197 MMboe. Bookings similar to above but which might now be questioned on the grounds that they rank only as Options. Again a large number of small projects, the biggest being Bugan (Brunei) - 50 MMboe.

Total so far: 2331 MMboe, 62% of the total. It is probably fair to say that, on balance, none of the above were the direct result of "leadership behaviour" in the context of your question, although obviously the SPDC and PDO bookings were part of a clear strategy at the time.

The remaining 38% of the bookings could be questioned with hindsight and some or all of them could be judged as being influenced by "leadership behaviour". I have not questioned those involved at the time, but I would not be surprised to find that each was the subject of management determination. All could be defended on the basis of the Shell interpretation of the SEC rules at the time, but might not be accepted under the revised / clarified interpretation.

Australia: 560 MMboe. Gorgon - the booking was made in the expectation that project would imminently be sanctioned.

Angola Block 18: 75 MMboe. Booked on the basis of a rather flimsy project definition - now firmed up and subtantially different to the basis on which first booking was made.

SNEPCO Erha: 166 MMboe - FID in 2002.

SNEPCO Bonga IFO: 130 MMboe - most to be debooked?

Denmark Sif / Igor / Halfdan Danian Gas: 19 MMboe. I include this because I made the booking myself under the influence of "leadership behaviour" and felt somewhat uneasy about it (also the larger booking for Halfdan Phase II oil development, now post-FID). The project was not well defined and, although there was no doubt that the resources are there, we did not have rigour in the audit trail to be able to defend against a serious challenge of the booking. There may be other examples in the 62% above that I have not captured.

Other Projects Ranked "Out": 489 MMboe. Bookings that might be seen as suspicious and possibly the subject of "leadership behaviour", on the grounds that the projects concerned do not rank for capital allocation as currently defined. Biggest items are Ormen Lange (109 MMboe), Venezuela further development (91 MMboe), Pohokura (71 MMboe, this figure being revised to only +/-20 MMboe at 1.1.2003).

Total: 1439 MMboe, 38% of total.

-----Original Message-----
From: Van De Vijver, Walter SI-MGDWV
Sent: 21 November 2002 01:01
To: Pay, John JR SIEP-EPB-P
Cc: Brass, Lorin LL SIEP-EPB; Harper, Malcolm M SIEP-EPB-P
Subject: RE: Group Plan questions/reserves

John,

Thanks.

Just to have it all together.
How much of the historic bookings (both aggressive/early) that constrain our proved reserves booking in 2001-2005,are related to"leadership behaviour" and how much are they related to new SEC rules/scrunity introduced in early 2001?!
Please clarify soonest to the best of your now vast knowledge of our reserves!
Regards,
Walter

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Note for File

Managing the EP legacy issues

Introduction

During the last 1.5 years the technical competence and overall integrity of the EP business within Shell has been questioned both internally and externally, most prominently through lowering of the production growth target in August/September 2001 and due to a deteriorating proved reserves replacement ratio. Providing credible explanations for these issues proved near impossible given the disconnects between external promises/expectations and the reality of the state of the business.

As the new CEO of the business, which I relish and believe passionately in, this period has been extremely frustrating and uncomfortable, perhaps even more so with the emergence of stricter disclosure rules following the various corporate scandals in 2001/2202.

The initial "due diligence"

Significant issues emerged during the initial due diligence phase mid 2001, concurrently with the development of the 2002 business plan.

Obviously care was taken not to jump to conclusions too hastingly whilst also recognising the human element of rubbishing everything your pre-decessor has done (we are very good at this within Shell!). Also, how pessimistic are business plans?:

- Suddenly a lot of "dirty washings were thrown into the kitchen sink", I was literally trying not to disappear under water (something to do with previous management style?)
- Past business successes, e.g. build-up of LNG business, growth in North Sea, in Oman and in US GoM, provided confidence on future ability (reflected also in high PoS for new entries and finding upsides!)
- Several new countries were opening for business and created optimism in ability to establish new legacy positions (e.g. Saudi, Iran).
- Mature field declines were still poorly understood in 1997-1999 given concurrent infill drilling and aggressive implementation of new technology (e.g. horizontals)
- First globalisation effort in EP in 1998/1999 (Shell Oil integration, Volume 1 and 2 business planning process) were a success
- Transformation in 95/96 had left severe marks in EP (loss of functional stewardship/excellence) and would take time to correct and would eventually deliver bottomline results.

*

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A decision was made to safeguard the Group's reputation as good as possible, thereby "blaming" underdelivery to either on "standard acceptable" factors (e.g. project delays in Nigeria) or on external factors (oil price, market).
The actual gaps between external promises in Sept. 2001 and reality were significant and created the "EP in the box" storyline internally.
Primary focus has been on "self-help" activities to improve the long-term fundamentals of EP under the Performance/Portfolio/People umbrella:

- Deliver challenging 2002 production and cost targets and external commitments
- Launch global exploration to ensure focus on quality and on delivery
- Launch EP-projects to ensure global standards/excellence on projects
- Launch T&OE to re-focus on core business of technical competence, standards and performance
- Execute bolt-on acquisitions to fill portfolio gaps with high synergy potential (e.g. Enterprise, Rockies, Draugen)
- Delivery of key new developments (Kashagan, Sakhalin, etc.)
- Focus on Oman, UK and Nigeria (avoidable underperformance)
- Develop comprehensive people programme (eXp)
- Move towards new operating model in EP

The deeper understanding
A full understanding of the gaps between external promises and reality is important to ensure learning for the future.
Attached provides the overall perspective which emerged after several uncomfortable Excom sessions.
Some of the causes are very serious also as the positive external (or even internal) portrayal would lead to a false sense of security and optimism within EP and the Group whilst in reality:

- Portfolio weaknesses could only be hidden for so long (constraints on reserves growth and on development opportunities; real RRR and production growth promises were not compatible)
- Execution weaknesses would emerge from early "hype" on exploration successes, on technology and on new business creation (e.g. subsequent "disappearance" of Kudu/Sunrise FLNG, Brasil "slowed" maturing, Iran new business).
- Lack of attention on core operational business would backfire (e.g. UK, Oman, Nigeria)
- Staff energy/motivation in EP was not high (following the required business process appeared sometimes more important than bottomline delivery, leaders without proven trackrecord, organisation very inward focused).

Bottomline was that both reserves replacement and production growth were inflated:

- Aggressive/premature reserves bookings provided impression of higher growth rate than realistically possible
- Bottoms-up production forecasts (before adding of strategic options) after realistic risk-downgrading (based on past experience on engineering optimism on project start-ups/plateau rate and build-ups) only gave 1-2% aai on production growth compared to 3-5% promises.

Where next?

The year 2003 provides the opportunity to be transparent about the true state of the business and to be humble about some of the failures as well:

- Underlying RRR issues (need more than organic growth, early bookings now leading to high unit F&D costs and undermining credibility/competence)
- Underlying performance issues (mature field declines, new reserves access challenges, production growth and Nigeria exposure level) (need to be more transparent)

whilst at the same time:

- Show the robust fundamentals
  - Legacy assets that competitors "would die for"
  - Conservative and longduring strengths (technology, staff, geographic/political diversity of portfolio)
  - Competitive factors (staff, portfolio, capability of sweating assets)
- Show improvement areas
  - Internal synergy/productivity delivery (new operating model)
  - Long-term reserves and ROACE
  - EP delivery machine
  - Leadership positions (vs. competition) and scale/materiality

The 2002 Bushiness Plan for 2003/2004 contains a significant stretch in order to stay as close as possible to external commitments:

- Continue underlying unit cost reduction at 3% aad ($ 300 mln plus unidentified cost savings banked)
- Continue 3% production growth, although "watered down" (capable of i.s.o. direct promise) (approx. 20/80 forecast rather than 50/50 i.e. 20% chance of delivery probably reducing further when going to 2005 onwards given general decline uncertainty and high Nigeria dependence)
- Recover to 13%+ ROACE in 2004 to get Group ROACE within range (taking credit for above plus $ 1 bln divestment at year-end and 0.5% ROACE uplift from tax, both in 2003/2004)
- 5-year average RRR to remain above 100% (plan only delivers 60-80% organically).

As a consequence there is no safety margin in external commitments and a requirement to deliver a plan with PoS << 50%.

Notwithstanding the above, it is currently planned to portray an upbeat perspective of the business, supported by a very focused high-energy improvement drive as set in motion more than a year ago.
Commencing an internal "witch-hunt" with negative consequences for the Group reputation and requiring tremendous energy that would distract from the improvement drive, is not seen to be productive nor beneficial for the Group in these uncertain times.
For future reference it was however considered prudent to record the issues and provide the context for the decision as taken.
The concerns around the "caught in the box" dilemma and stretch in the EP business plan have been flagged at the highest level in the company, but obviously "transmitted" in a careful fashion as not to compromise/undermine the previous leadership. The severity and magnitude of the EP legacy issues may therefore not have been fully appreciated.
Also, a generally excellent performance (operationally and strategically) from EP in 2002 have masked the issues somewhat.

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"EP in the Box"

Understanding the thinking/behaviour that led to external promises made

What we do and don't do as leaders...

Why?

Choices we make as a management team

Why?

How we predict/ react to external events. Is this related to items above?

Why?

1)EP leadership not adequately connected with the coal face (includes Excom)
- ExCom too remote in governance mode
- deep understanding of OU performance not there (e.g Oman, Nigeria)
- optimism on delivery/capability
- many initiatives but lost focus on core business delivery/performance (e.g. T&OE)
- no recognition of old vs new EP margins/returns including large focus on MRH to exclusion of other (smaller but more profitable) opportunities and exploration gaps not addressed
- denial on portfolio gaps (e.g. North America)
- EP not globalised,no global mindset around people
- no control on people movement apart from LC opportunistic selections/on a what is available basis mostly
- lack of nurturing of specialist talent (e.g. play-making explorers, carbonate reservoir modellers) so they become generalists
- various staff progresses to senior level without proven track record
- resource skills/shortages
- historical successes provided false sense of security

2) unchallenged EP CEC campaign to make everything look as good as possible (1999/2001)
- fear of challenge culture
- aggressive/premature reserves bookings (topdown instructions)
- technology "hype" (RtL/STV) before results
- new country access "hype" (also under-resourced), not realised
- exploration successes pumped up (vintage years!)
- flaws in aspired portfolio (not debated and not communicated through senior management), leading to lack of focus on NA and attempt on WEL
- expectations raised prematurely (SURE,FLNG for Kudu & Sunrise,Brasil discoveries,Sakhalin,Zapo, RtL results)
- blindspots in terms of real competitive position within the energy industry and in terms of portfolio (NA gas, US exposure)
- hoping "rock in the pond" through M&A would allow new beginning
- no "feel" for operational performance

3) not adequately addressing dilemma of growth vs return (competitors set lower ROACE hurdle and were able to move)
- 5% growth and 15% ROACE @$14/bbl flawed

4) pre-occupied internally with 2001 roadmap
- whilst the competitive environment changed drastically around us (including development portfolios)

5) Moved towards more autonomy in OU's to drive accountability
- created fragmented processes and systems and large overhead structure
- lack of a global perspective with strong role of OU scorecards and over-emphasis on asset team

6) improving competitors through consolidation
- no consistent vision for EP, or explicit competitive "niche" against these new competitors
- lack of knowledge of "who we are" and overly internally focussed

7) external factors that slowed down do-ability to get access/dealflow in MRH countries and slowed down gas monetisation (market growth reduction)
- however, false optimism ignored these realities

8) joining the "dot-com hype" on growth targets and on generally raising external expectations

WvdV January 2003

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Unknown

From:	Pay, John JR SIEP-EPB-P
Sent:	04 December 2002 17:26
To:	Van De Vijver, Walter SI-MGDWV
Cc:	Brass, Lorin LL SIEP-EPB
Subject:	RE: Reserves "clean-up"

The current outlook for Potential Reserves Exposure is attached.

It would be defensible to leave all bookings intact (refer to comments on each one), with the possible exception of Enterprise. Audits are still in progress and I intend to put recommendations forward for management determination once they are complete.

Removing all items from the attached list would reduce Proved Reserves Additions for 2002 to ca. 750 million boe (Proved RRR = 50%, including Enterprise and Kashagan). I am working on the assumption that this is not something we want to do, but it would have the advantage of removing these issues once and for all. The timing seems opportune.

-NG, our review this year identified only two major bookings that are not yet covered by contract: Gorgon (already covered in the attached table) plus 130 million boe in Brunei that rely on extension of supply contracts to BLNG (beyond 2015, I believe). I think it safe to say we have "reasonable certainty" that the latter will be committed in due course and therefore the booking is secure.

We do have some precedence for reversing major bookings: in 1991 we debooked 430 million boe of post-licence reserves in Abu Dhabi that we had booked in 1987.

Draft PRE
ıtalogue end-2002.Z

John Pay
Group Hydrocarbon Resource Coordinator
Shell International Exploration and Production B.V.
Carel van Bylandtlaan 30, Postbus 663, 2501 CR The Hague, The Netherlands

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: john.pay@shell.com
Internet: http://www.shell.com/eandp-en

-----Original Message-----

From:	Van De Vijver, Walter SI-MGDWV
Sent:	04 December 2002 17:13
To:	Pay, John JR SIEP-EPB-P
Cc:	Brass, Lorin LL SIEP-EPB
Subject:	Reserves "clean-up"

John,

We want to improve the integrity of our reserves base and achieve full compliance with SEC reporting requirements.
As a result we are taking "hits" this year on Bonga,Ehra etc.
Based on what we know today,what will we still have left in our books by 1/1/2003 that is considered questionable by the auditors or that we
should correct this year?
Obviously we want to link with expecation reserves also.
I know from an earlier note that you did flag some fo the legacies that were being worked out.

Easy to clarify?

EXHIBIT
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- Gorgon
- Ormen Lange
- non-contracted LNG?
- Brunei?

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Potential Reserves Exposure Catalogue (Draft end-2002 dated 4 December 2002)

Asset (Year booked)	Proved mln boe	Exp'n mln boe	Comment
Australia Gorgon (1997)	557	785	Booked in 1997 in anticipation of imminent FID, subsequently deferred indefinitely by the downturn in Asian economies and the consequent reduction in demand for LNG. It is inevitable that a resource of this magnitude will be developed eventually.
SNEPCO			It is assumed that 133 million boe of potentially overstated proved reserves will be debooked at 31.12.2002 (SEC Reserves Audit recommendation).
Angola Block 18			55 mln boe proved reserves removed from the catalogue in November 2002 following successful reserves audit.
Norway Ormen Lange (1999, 2000)	109	186	Reserves have been partially booked ahead of VAR3 and FID, whilst it appears that there are issues that could prevent it proceeding. De-booking will be considered only when and if it becomes clear that development definitely will not proceed. FID planned in 2003 or 2004.
Enterprise (acquired 2002)	ca. 136	ca. 267	Certain elements of the portfolio may not satisfy minimum requirements for project maturity (Italy Tempa Rossa, Norway Skarv Area, possibly elements of KMOC). Audits are in progress.
Netherlands, Waddenzee (Various)	26	37	Government-enforced moratorium on Waddenzee drilling, due to environmental concerns, could ultimately prevent development from proceeding. NAM field codes MGT, NES, LWO, VHZ (VHN?)
Brunei legacy (Various)	20	ca. 30	Historical reserves bookings that can no longer be supported are inventorized and actively managed. It is expected that the remaining balance will be reduced to zero over the next two or three years, in consultation with national regulatory authorities.
Total	848	1305	
Shell reserves, 31.12.2001	19100	31800	Excluding AOSP

Expectation Reserves include post-licence volumes.

In addition, reserves in some OUs might be at risk if planned production rate increases do not materialize. The OUs most affected are SPDC Nigeria and Abu Dhabi. Furthermore, Oman PDO must sustain current production rates throughout the remaining lifetime of the licence to ensure production of the booked proved reserves.

The SEC provides no specific guidance on reserves disclosure for "novel" contract structures. Shell currently has four bookings in this category amounting to 768 and 993 million boe proved and expectation reserves respectively at 31.12.2001. The contracts are: the Venezuela service agreement, Iran buy-back contract, Oman Gisco and the booking of NGL reserves in connection with interests in Abu Dhabi GASCO.

> Note: this inventory captures proved reserves bookings that are fully justified at present but which could come under threat of debooking if, for example, the SEC further clarifies its rules to imply that more conservatism should be applied by Form 20-F registrants.

Presentation Item: Sponsored by MGDWV

24 SEP 2002

NOTE TO CMD

EP - Delivery through Globalisation

Date : 24th September

FROM : MGDWV

TO : CMD

In order to achieve its external promises and effectively compete against its supermajor rivals, Shell EP needs to accelerate the globalisation of its business. Building on a suite of global initiatives started in Q4 2001; Technical & Operational Excellence, Global Exploration and HR, Major Projects and SAP, EP intends to capture further value in the global business through:

- Implementing the recommendations of the Cost FRD carried out in 2002, focuses on simplified processes and internal synergy consolidation capture;
- Making changes to the current Operating Model to improve accountability and enforce standardization of global processes from the top;
- Accelerate actions to upgrade the EP portfolio; and
- Focus on enhancing the EP Investment Case as presented to the external market.

Although any one action alone will not improve performance in all the external metrics, it is believed that the above will achieve the targeted $500Mln-$800Mln cost savings, and place Shell EP in a better position to balance maintaining returns from "strongholds" with the speed necessary to win new business in an increasingly globalised competitive environment.

The attached note addresses the current weaknesses, gaps and related forward action and should be seen in the context of a business that generally is sound and competitive but cannot forego identified self-help opportunities to maximize forward value and on learning over the last 5 years.

MGDWV

18-09-2002

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Van der Vijver
27
2/1/07

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Note to CMD

EP - Delivery through Globalisation

Summary

Shell EP's competition with its peers now focuses on meeting and exceeding the market's expectations for cost savings, production growth, portfolio replenishment, and winning access to new business. Transparent and material differences in these dimensions are more critical to sustained market confidence than ever, but increasingly difficult to establish.

It has become apparent that unless the EP business leverages a truly global approach, it will not be able to keep up on key performance metrics let alone outperform the competition. Moreover, sustained simultaneous delivery on all four of our key promises (on ROACE, Production, Cost Reduction, Reserves Replacement) will likely not be possible.

As a consequence, EP needs to accelerate the globalisation of its business , which includes:

- **Full implementation of PPP (People, Performance, Portfolio) actions that are already underway; T&OE, Major Projects, Global HR, SAP, Global Exploration.**
- **Seeking further internal synergy consolidation benefits ($500Mln annual opex savings as per Cost FRD) by moving to standard global processes through global deliverability with transparent top down accountability and linkage with OUs**
- **Improving the quality of the global portfolio through a structured programme of swaps and active pursuit of asset and potentially corporate acquisitions.**
- **Step-change in quality and appropriateness of our IR story – setting and managing an external agenda to optimise the market impact of our operational achievements and performance improvements.**
- **Implementing a single global EP Scorecard that much better aligns with the key performance metrics and that is an integral part of reward mechanisms across a much broader range of EP staff.**

The implementation of these proposals will be a significant challenge for the global EP business. However, we are convinced that there is no alternative but to deliver on all of them to obtain the synergies from global operations and impress on the broader stakeholder community the seriousness of our commitment.

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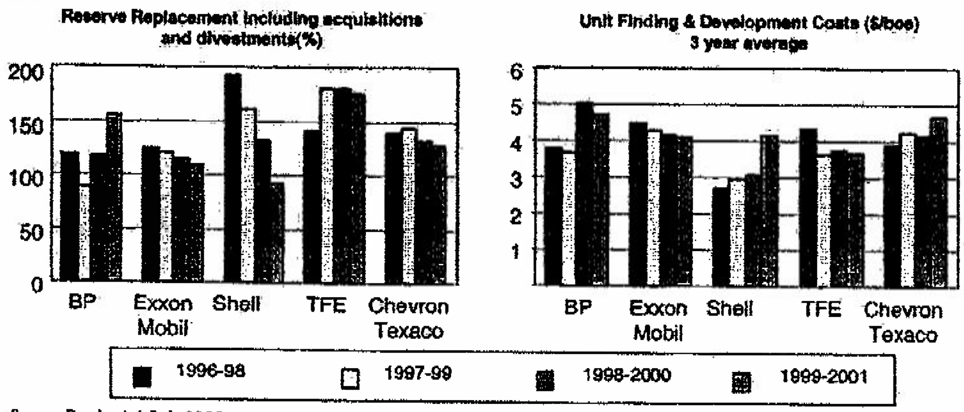
Context

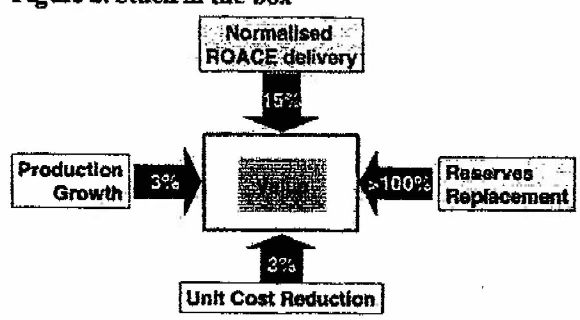
For the supermajors, traditional advantages of lower costs or higher profitability need more effective global leverage. Against some of the traditional performance metrics, which receive a lot of external profile, Shell is losing ground against these competitors (figure 1).

Figure 1



Source: Prudential, July 2002

Figure 2: Stuck in the box



To fulfil market expectations, EP aims to deliver against a suite of external promises. In practice, given EP's portfolio, these criteria can only be met for so long. EP finds itself caught in a box, struggling to deliver on all fronts simultaneously (figure 2).

The delivery challenges are externally visible (portfolio funnel, production growth, RRR, F&D unit costs) and even in the short term, EP risks entering a "negative spiral" by failing to deliver against these challenging external promises. Market confidence will only be improved with demonstrably "smart" medium term portfolio refreshment and/or positive trends on key indicators. We believe this requires **demonstrable commitment to running EP as a global business** – we can no longer afford the luxury and competitive disadvantage of structural and process inefficiencies inherent in the current OU structure.

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Meeting our Promises on Profitability and Growth

The first draft of the 2002 Business Plan (figure 3) confirms our concerns:

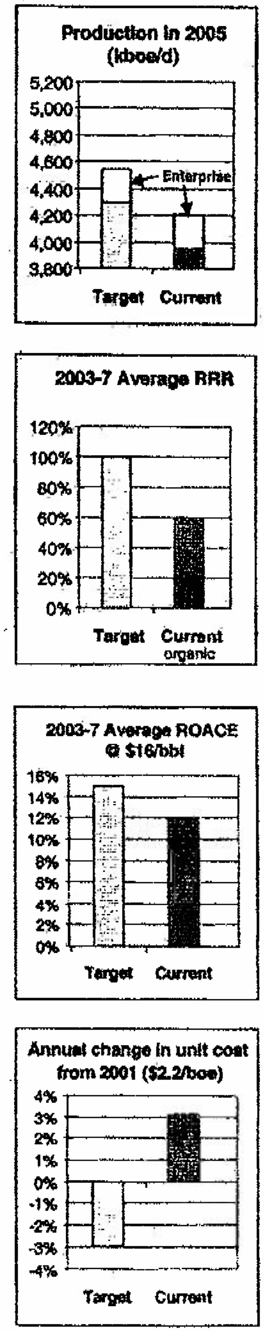
- Increasingly rapid decline in major producing areas with diminishing infill development opportunities;
- Shortage of major new development projects and lack of material exploration success to feed medium term growth. 3% production growth is unlikely to be achieved organically on the Shell & Enterprise combined portfolio;
- False optimism on the pace and penetration of MRH opportunities providing the EP "hubs of the future";
- Project over-expenditures (e.g. AOSP, Nigeria, USA); and
- Unit operating costs not trending to meet the 3% underlying reduction

The forward challenge for EP is both around portfolio refreshment and around performance improvement. Work is ongoing to improve the key metrics in our 2002 Business Plan.

There are increasing concerns around the revitalisation of "old and tired" strongholds that still can and should be delivering more to the bottom line and the perception exists that the "right people are <u>not</u> in the right place" to be adding most value to EP.

In 2002, a number of actions centred on Shell EPs' Performance, Portfolio and People are being implemented under the title "The Quiet Revolution" to realise these improvements. These include the proposed evolution of the EP Operating Model.

Figure 3 EP Plan 2002



Note: Unit costs data shown here are operating cost son an OA basis, is cot underlying unit cost upon which the external commitment has been made: this is currently being evaluated

Actions – 1: Portfolio, Performance, People (PPP) 1999-2002

With the introduction of global capital allocation, global strategy setting and understanding of the global portfolio, EP has been moving since 1999 progressively to a more global organisation and global operating model. In early 2002, the launch of major drives has been specifically designed to harness the expertise of the company's global people resource, improve performance and high-grade the portfolio. The focus areas include Technical and Operational

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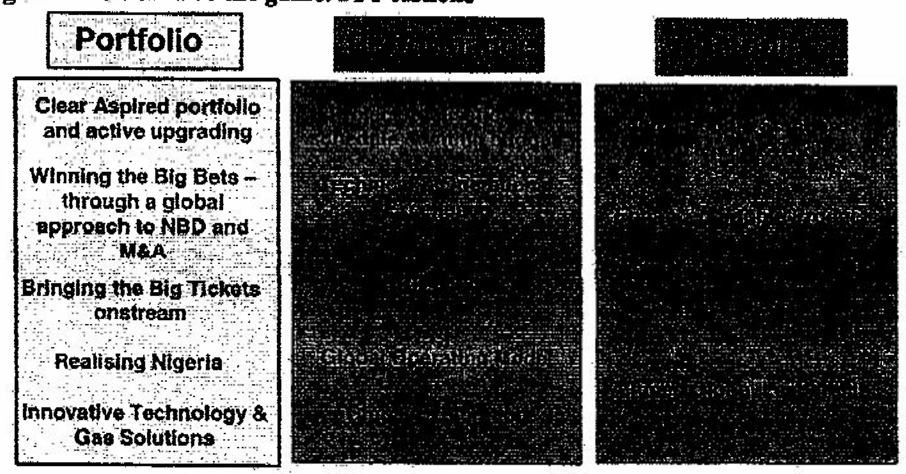
Excellence, Major Project Delivery, appointing a Head for Global Exploration, and development of global HR and M&A processes.

Progress is being made: the Enterprise acquisition was a truly global M&A deal; there is ongoing refreshment of the exploration prospect portfolio (GoM lease sales, Nigeria, Brunei); operational problems have been overcome through global leverage of knowledge; deliberate moves are being made to take the lead in major strategic projects (China E2W, Sakhalin) and active relationship management of "new" partners is ongoing.

Figure 4 How to raise the game: PPP Actions



These, and the ongoing elements of the PPP action plan, are summarised in figure 4.

In late 2002, key areas of ExCom focus are:

- Winning the Big Bets and delivering the Big Tickets - the new business opportunities and major projects pre-FID that are of global significance to the Shell Group;
- Early negotiation of licence extensions to enhance reserve replacement;
- E-X-P, the suite of People products including Competence Based Progression, Batched Open Resourcing and better Leadership Development.

Concentrating on the specific challenge of operating costs, a Cost FRD in 2002 has identified potential synergistic savings of $500mln and a suite of actions (see Attachment 1 for details).

One of the specific recommendations was to rationalise the portfolio to gain operating cost synergies, but this is just one part of a wider suite of actions to rejuvenate the portfolio.

Actions – 2: Further Portfolio Actions 2002-2003

Despite actions being taken on critical aspects of EP portfolio, performance and people, it is unlikely that organic growth will be sufficient to compete effectively over the next 5 years. Hence, further acquisitions and targeting of material new business opportunities will be necessary although we must be aware that these may negatively impact short term ROACE (particularly at a normalised $16/bbl reference price). To improve the portfolio, we plan to:

- Commence a programme of swaps and cash divestments of OUs/assets that are currently underperforming. This will improve ROACE, reduce operating costs, generate cash and free up/ re-focus scarce staff resources;
- Develop and implement plans to address assets/OUs which are currently outside the EP Aspired Portfolio;
- Active pursuit of asset and potentially corporate acquisitions, coupled with more aggressive chasing of new business opportunities (e.g. through leverage of very senior management with NOC resource holders).

To ensure we realise the full synergies identified in the Cost FRD, and realise these portfolio actions, EP needs to move to a further level of global efficiency and effectiveness. Only by this can EP achieve the optimisation of returns from "strongholds", the optimal allocation of resources, and become sufficiently nimble to win new business opportunities.

Actions – 3: Further Globalisation of EP 2002-2003

The next stage in Globalising EP is through strengthening of key global processes and the mandate for their application. In essence this is about enforcing **Standardisation** from the top, **Sharing** best practices, improving **Speed** of decision-making and **Simplifying** organisational and governance structures.

Changes to the current model have been worked by the EP Excom, and can be characterised by a revised, globally focused but regionally distributed operating model in place by the end of 2003 (see figure 5).

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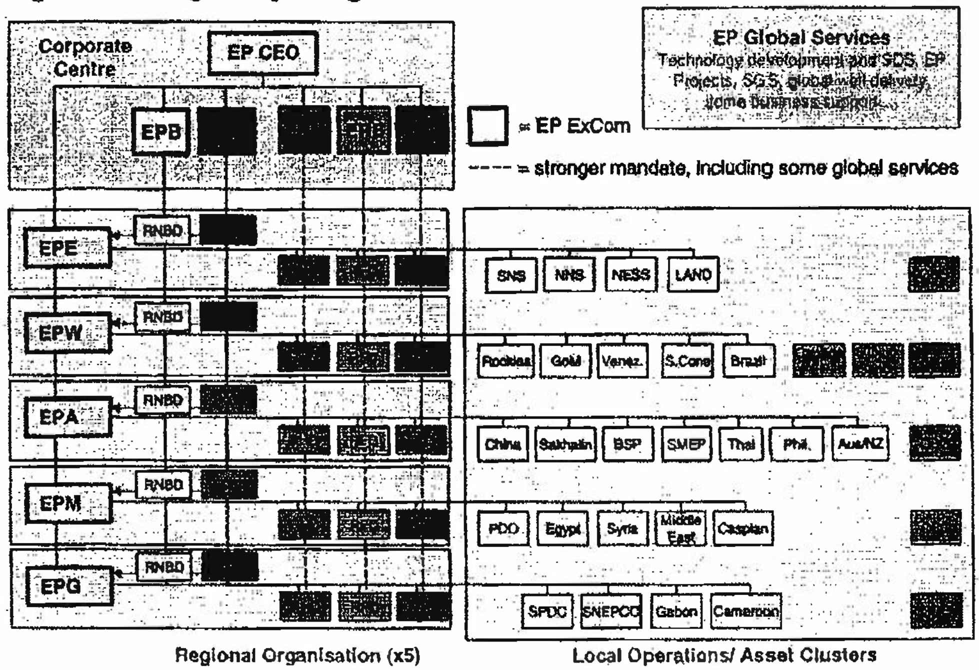
Figure 5 Evolving EP Operating Model

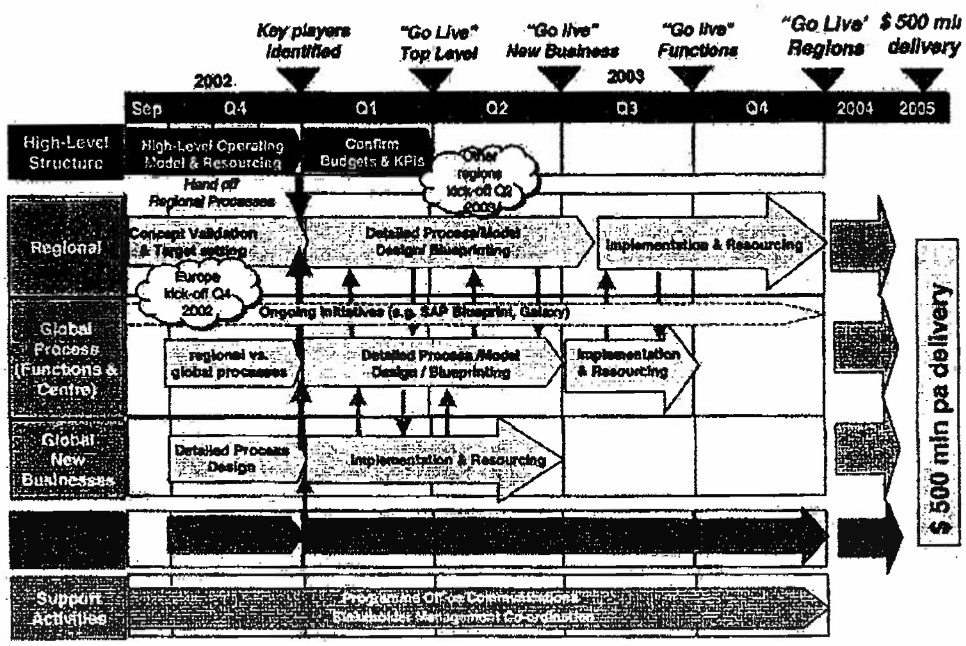


RBDs will assume an executive role over their respective regions. The functional governance of the operation of the business will be strengthened by an increase in mandate of the technical and non-technical support ExCom directors.

The model moves away from operating units based on national boundaries and on large EP Centres in The Hague and Houston; instead we will have a smaller number (say 4 to 6 in total) of trans-national or regional units, global Exploration and New Business Development businesses and a significantly smaller, more governance-focused EP Centre.

The new operating model will introduced in a phased manner , driven by firstly globalising processes, followed by delivery vehicles (New Business, Functions, Regions) as shown in figure 6.

Figure 6. Implementation Schedule



The leadership of EP will be aligned through revised scorecard metrics and wider sharing of the overall EP performance. A new EP Global Scorecard will be in place for 2003.

The detailed implications of HR aspects for the new model will be shared with MDC in November.

This evolution of the EP Operating Model will have the following benefits:

- strongly enforce the application of common global processes, practices and tools for all significant pieces of business. As a consequence, staff will be more flexibly deployable;
- demonstrate technical and operational excellence in all aspects of EP business and will be a low underlying unit operating cost operator, when normalized for portfolio mix.
- benefit from economies of scale and reduced duplication in the provision of technical and non-technical support to core operations and new development activities;
- achieve even greater focus and alignment on Exploration and new business development;

- have a much reduced corporate centre comprising; functional governance staff and a small number of truly global service providers. Other service provision currently centrally supplied will be supplied regionally.
- lines of control will be shortened and better hard-wiring of information flow will be achieved;
- concentrate its portfolio in line with the EP Aspired Portfolio;
- make more effective and selective use of the premium expatriate resource and ultimately will reduce the total numbers of expatriates.
- provide an attractive EVP meeting the aspirations of the demographically changing EP workforce whilst satisfying the EP business needs.
- maintain focus on the importance of local stakeholder engagement.

Equally there are some risks that must be recognised and managed:

- potential for disruption of core business;
- misalignment of staff within EP on the objectives of the changes;
- concern amongst JV partners and government stakeholders of our motives, and undermining of their respective interests at the expense of optimising Shell interests

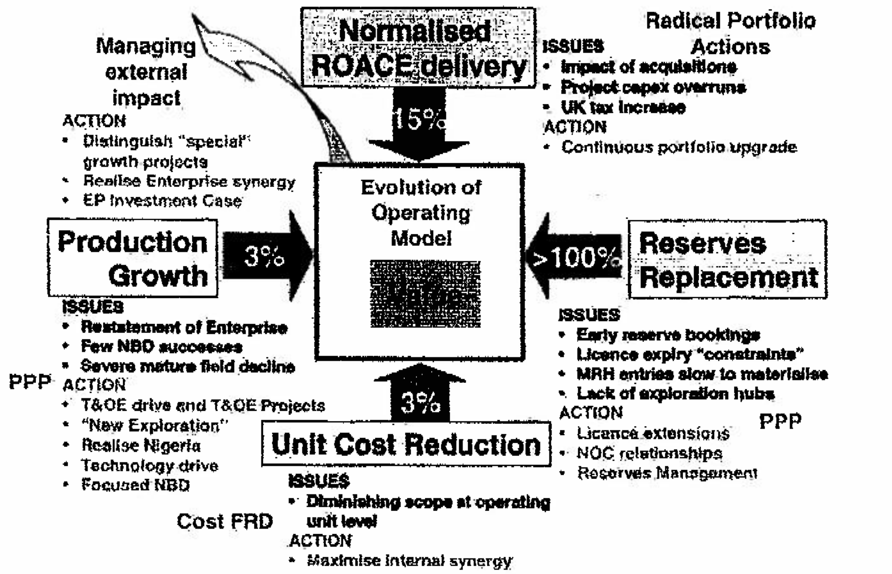
Actions – 4: Regaining Investor (and Employee) Confidence

Since mid 2001, market confidence in Group performance has been weakened through concerns over unsustainability of cost cutting, downgrading of volume growth projections, and effectiveness of cultural change. More frequent direct comparisons with BP, as the alternative British energy stock, and ExxonMobil, as the world's largest supermajor, have been and remain unfavourable. The relative performance of EP is crucial to overall market confidence in the Group; hence EP must not only *make* but also effectively *market* its step changes in performance and portfolio improvement (see Attachment 2 – The EP Investment Case)

Summary

Although it is difficult to identify actions that will simultaneously improve EP's position on all of the key metrics that box us in (see figure 7), inaction is not an option. We need to return to the basics of the business, which excels competitively and can credibly explain our forward delivery metrics. Ultimately all actions should be gauged on the basis of impact on value and, indeed, TSR rather than merely improvement in one of four metrics.

Figure 7: Summary of issues and actions



Hence, EP proposes to proceed with:

- Full implementation of PPP actions that are already underway.
- Rapid implementation of the Cost FRD recommendations, including the evolution of the Operating Model. Changes to the overall high-level model will be effected by Q1 2003 with the complete operating model becoming fully effective by 1/1/2004.
- Radical actions to improve the quality of the global portfolio
- Focussed efforts on the EP Investment Case; to better manage our external impact.

All of this will need to be firmed up in a definitive roadmap for EP following the finalisation of the 2002 Plan. Timely updates will be provided on any key changes (e.g. the new Europe organisation).

W van de Vijver, MGDWV,
18 September 2002

Unknown

From: Copper, Femke F SI-MGDSEC
Sent: 18 March 2003 12:19
To: Watts, Philip B SI-MGDPW; Van der Veer, Jeroen J SI-MGDJV; Skinner, Paul PD SI-MGDPS; Brinded, Malcolm A SI-MGDMB
Cc: Boynton, Judith G SI-FN; Ruddock, Keith KA SI-DCS; Van De Vijver, Walter SI-MGDWV
Subject: Reformatted version visit Oman 15-16 March 2003

Send on behalf of Walter van de Vijver.

Reformatted version.

Colleagues,

I had an useful two-day visit to Oman with the objective to carry out another "healthcheck" on PDO and to meet relevant staff/stakeholders.
Below is a brief summary of my visit, key highlights:

- PDO is making progress under the leadership of John Malcolm but still has a long way to go to restore organisational capacity and to have robust technical development/recovery plans.
- Atmosphere with the variety of government stakeholders remain tense given the extent of issues (PDO production, government LNG train (GTP), lack of transparency, reward scheme and license extension, ethane extraction to develop downstream industry). Shell "is expected" to demonstrate long-term commitment to Oman by making concessions on return structure and scale whilst understanding they need Shell's assistance and need to progress GTP and license extension discussions. License extension discussions expected to start after completion of current GTP discussions.

PDO

- Current production is some 730,000 b/d and is still sliding downwards with some signs that attention to core processes are helping.
- Focus on 2003/2004 production is resulting in potential budget overruns (opex 20 % and capex 10 %) which need to dealt with urgently.
- The new SAP system is somehow not delivering the tight controls on annual budgets (more biased towards contract controls and not aligned with accountability coding for annual budgets?!) and this could become the next exposure if not dealt with head-on (also links to learning that need to be worked through the various OU's).
- Scale of operations is growing, already have 30 drilling rigs and 15 hoists operating whilst needing to get ready for next wave of activity linked to additional water injection to re-build production volumes. The conventional delivery model used for the well engineering/well services activity is not sustainable and will require novel outsourcing models.
- Link of development funding to reserves growth is not very transparent (acceleration activities dominate?),need to get back to tight management on drilling sequences supplemented with continuous demonstration of increased capital efficiency (incl. $/ft, etc.).This year we need to pro-actively focus on key development plans to justify year-end reserves bookings.
- Waterflood studies (largely delivered through external support from John Darley's technology organisations) are progressing to plan but will need to be translated in executing plans with clear focus on prioritised activities (biased towards North Oman and towards extensions rather than new floods initially) and simple implementation plans with minimal interfaces and maximal ownership by the asset teams. Waterfloods should be possible at good VIR's and low UTC's
($ 3-5/bbl).
- Several "big ticket" items are starting to mature (Harweel cluster in South Oman, Mukhaizna development, Qarn Alam thermal development), we will need to start deciding how well some of these will compete for funding and how we want to ensure delivery with using relevant parts of our new global operating model. We now have some 2.2 billion oil-in-place in the Harweel cluster and notwithstanding the challenging nature of the deep sour gas/crude and the need for miscible floods to ensure high recovery, we need to get this developed asap.
- Exploration is getting steeply on the creaming curve on the oil side (only material scope appears to be in Harweel area) but also needs to find new material gas given the very strong appetite of the government to develop their downstream business locally (aluminum smelters, cracker, etc.) to stimulate employment. Overall MSV left is some 750 MMbo and 7 Tcf of gas (100 %) with staffwork ongoing to better define scope and forward strategy by early 2004.

- Asset integrity is getting more attention (mainly corrosion and sand related) but is still not adequately coordinated across the company. Pro-active operational management is needed with support "systems" to reduce deferments.
- Resourcing the business is still very difficult notwithstanding progress made. Better packaging and pre-planning is needed to get Shell staff through the employment committee whilst nurturing the new wave of high-caliber Omani staff. Local study center has to be the answer to get more of the work being done at location (such as in Syria etc.).
- Tremendous workscope for the support activity provided for Government Gas (we have service agreement only, no production/reserves) given the expansion plans and operational pressures (new train, OLNG 1/2 de-bottlenecking supplies, ethane extraction, mercury removal, liquid yields/heating value).
- Take-up of new technology remains very good.

<u>OLNG</u>

- Briefly connected with MD and with Train 3 (GTP) negotiation team. A lot of tension and frustration all around given some of the non-standard processes.
- To allow commitment whilst details still had to be worked at a later stage (e.g. shipping, upside sharing, offtake details).

<u>Government</u>

- Met Macki (Minister of National Economy/Finance) and the new under-secretary of MOG (ministry of Oil and Gas), oil minister was on leave.
- Positive impression about the under-secretary, will help our interfaces all-round. Wanted to work with Shell and was awaiting "instructions" to start license discussions (team to be named soon)
- Macki:
    - Friendly discussion
    - He carefully "planted" questions around "outsourcing" some fields/activities and about our progress on Mukhaizna (competing offer by Oxy with government). He did not wanted to have the discussion on license extension notwithstanding references to HM audience by Phil.
    - Highly interested in general progress in PDO.
    - Extensive friendly discussion about situation in Middle East and potential implications.
    - Very concerned about pushback from PDO on do-ability of ethane extraction to allow Dow plus others to develop downstream business. This project was flagged to Mark Moody-Stuart during his recent visit and has already being "sold" by Macki to HM as feasible and hence strongly supported by HM. Linked to OOC but worked behind the scene and with low-key input from PDO's government gas support team. This will require active management also as the project links directly to reserves availability in the country with GTP commitments and overall gas heating values. We do not want underdeliver on gas as well as on oil!

Kind regards,

Femke Copper
Deputy Secretary to MGDWV
Shell International B.V.
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Discussion Item: Sponsored by MGDWV

22 JUL 2003

Note for Discussion

EP RESERVES OUTLOOK

The attached note provides an update of the proved reserves additions and reserves replacement ratio (RRR) for the year to date and the latest estimate (LE) for end year position. You will appreciate that there remain significant uncertainties on the full year RRR.

In summary, the LE for 2003 is an organic RRR of 72% and a headline RRR (including A&D) of 59%. Both numbers exclude the 45% Minority Interest (MI) in Sakhalin. Adding back MI would increase the above numbers by 22%. A further 8% is being targeted from the Athabasca Oil Sands Project.

There are a number of sensitivities remaining, which also have been highlighted in the note.

The issue of RRR is receiving a very high level of attention. Given the external profile we should not disclose the very confidential information contained in the note.

MGDWV, 17/07/2003

EXHIBIT
Van der Vijver
29
2/1/07

Confidential

Note for Discussion

Reserves Outlook

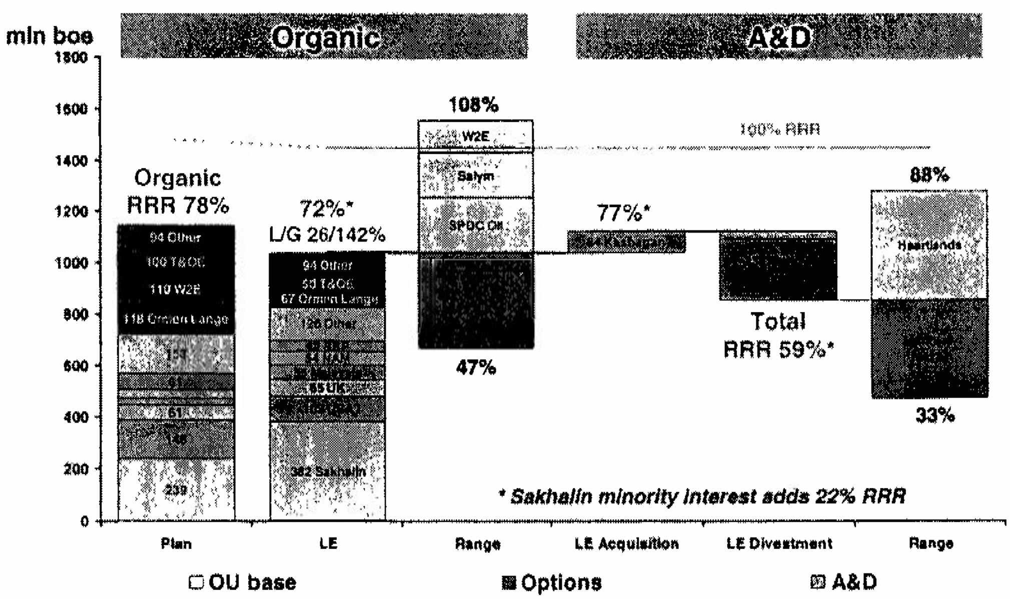
This note summarizes the Latest Estimate (L.E.) for reserves additions in 2003 and the outlook for the plan period (2004 – 2008). Uncertainties in the 2003 L.E. in 2003 are discussed, together with the opportunities that have been identified for improving performance. The latest Potential Reserves Exposure Catalogue is also presented for consideration.

2003 RRR Latest Estimate

The Latest Estimate for proved reserves replacement ratio (RRR) in 2003 is as follows:

Proved RRR 2003	Minority	Interests
Liquids : Gas : Total	Included	Excluded
Total	81%	59%
Total excluding Divestments	99%	77%
Organic (i.e. excluding Acquisition and Divestment)	38% : 184% : 94%	26% : 142% : 72%

In reviewing the year-end proved reserves disclosures, the market will focus on the Organic RRR (94%). It is possible that analysts will ignore the major contribution from the Sakhalin Minority Interests and so the corresponding figures (72% Organic RRR) should also be highlighted when describing performance. The breakdown of the L.E. excluding Minority Interests is illustrated below, with further detail in Appendix A.



In addition, Shell Canada expects to increase proved reserves for the Athabasca Oil Sands Project by 120 million bbl (93 million bbl excluding Minority Interests). These resource do not qualify as petroleum reserves under the SEC rules, but their inclusion would add 8% RRR (6% RRR ex-MI) to the figures listed above.

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Key observations on the 2003 RRR L.E. are:

- Organic RRR in 2001 and 2002 was 52% and 50% respectively. The business faces a severe continuing challenge to meet the target of 100% Organic RRR in 2003, especially when the effect of the Sakhalin 45% Minority Interest is excluded.

- Following several years of healthy liquids (Oil & NGL) RRR performance and poor gas performance, the situation for 2003 is reversed. Including the 2003 L.E. figures, the 3-year average organic RRR (ex-MI) will be some 53% for liquids, 61% for gas and 56% overall (5-yr averages are 84%, 62% and 77% respectively).

- Firm divestments will reduce reserves by some 280 million boe, offset by firm acquisitions of some 80 million boe (please refer to Appendix A for A&D details). This will draw the total RRR performance in 2003 below 60% (ex-MI), or further if additional divestments are secured in the remainder of the year.

Uncertainties in the 2003 Latest Estimate

- The 2003 L.E. provides a total of 1038 million boe organic proved reserves additions (excluding Minority Interests), of which approximately 590 mln boe can be considered firm at this stage. Key elements in the L.E. that are not yet firm are:

140 mln boe	Sakhalin, negotiations for sales contracts scheduled to reach binding Heads of Agreement by end-2003.
±50 mln boe	Groningen field review: long-term recovery: study in progress.
67 mln boe	Ormen Lange, FID expected in Q4 2003, possible slippage to 2004.

- The Plan included reserves bookings for the China West to East pipeline project. This has been removed from the L.E. following concerns about progress towards PSC agreement (now reflected as an upside).

- Furthermore the Plan included a significant portion of notional gains for T&OE activities and other unspecified gains. The main focus for T&OE in terms of reserves is on the water flood theme that has the potential to add significant reserves in the medium to long-term as the underlying investment opportunities are matured and funded. The short-term gains that were included in the plan for 2003 related mainly to the anticipated outcome of Realize the Limit and Volumes to Value reviews – any such gains are absorbed into the individual Asset Holders Latest Estimates as the year progresses.

Opportunities to Improve 2003 Performance

Appendix B provides the current reserves Opportunities Catalogue. Specifically for 2003 the following main observations can be made:

- FID on West Salym (licence issues permitting) would enable some 180 mln boe proved reserves additions, increased slightly if Upper Salym re-entry is included. Long-term average organic RRR would be improved if this booking could be secured in 2003 and any Heartlands-related activity deferred until 2004 (see below).

- A review of SPDC Nigeria proved reserves is ongoing. It appears that a significant portion of the oil portfolio lacks the necessary level of technical and commercial maturity. Plans are being developed to ensure that these exposures are addressed over the short term (with a target of full compliance by 1.1.2005), but nevertheless in the L.E. it is assumed that up to 220 million bbl of oil reserves will need to be debooked in 2003. The debooking would be offset by planned gas additions (mainly for NLNG Trains 4 and 5), leaving SPDC effectively neutral in the L.E. An upside exists if the oil debookings could be avoided– work is ongoing to determine the feasibility of this (e.g. through the definition of plans to underpin the entire portfolio within the next one or two years). A reserves audit will take place in August.

- A review of Oman (PDO) proved reserves is in progress and a reserves audit is planned for later in the year. It is expected that these reviews will conclude that the current proved reserves are somewhat aggressive, but any pressure to debook should be offset by the securing of rights to a licence extension beyond 2012. At this stage it is assumed that the net effect will be close to zero, although a net increase in reserves pursuant to licence extension is a possibility.

- A poll of the regions and asset holders was recently conducted to identify additional short-term organic opportunities. This yielded only some 60 – 90 million boe that realistically can be delivered in 2003, mainly through reprioritization of work schedules to accelerate bookings planned for 2004. These gains are being worked and are seen as underpinning the "unspecified" elements of the plan and current L.E. Following a similar exercise last year, it is now clear that the existing portfolio is finely tuned on reserves and there are very few remaining opportunities to increase bookings at a higher rate than is already planned. Focus will nevertheless be maintained to ensure that bookings continue to be maximized within the latitude of the SEC regulations. The introduction of region reserves challenge sessions in Q3 will help in this respect.

- The effect of planned divestments (Marlowe) could be offset if Heartlands were to be secured in 2003 (approximately 425 million boe acquired, although securing the deal in 2003 would reduce organic reserves additions for Salym by half – see above).

Potential Reserves Exposure Catalogue

The Potential Reserves Exposure Catalogue has been updated (Appendix C). Of the Group's 19350 million boe proved reserves, some 1040 million boe (5%) is currently considered to be potentially at risk. The inventory was significantly reduced since the end of 2002 due to the divestment of KMOC. However, this was more than offset by the addition of 300 million boe with respect to the "Lowest Known Hydrocarbon" (LKH) issue that has been raised by the SEC. This issue arose recently as part of the SEC's enquiry into the industry's reserves booking practices, which was been in progress since October 2002. The SEC proposes an interpretation of the LKH rule that is significantly more restrictive than is commonly applied in the industry and this alternative interpretation is currently being challenged by Shell.

Gorgon remains the largest single potential exposure (560 million boe).

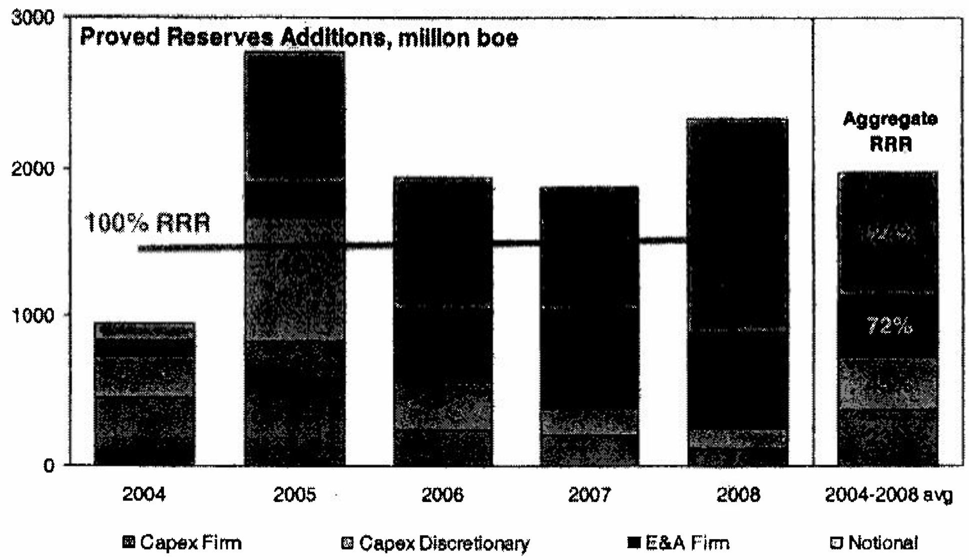
At this stage, no action in relation to entries in the Catalogue is recommended.

It should be noted that the total potential exposure listed in Appendix C is broadly offset by the potential to include gas fuel and flare volumes in external reserves disclosures. There is no specific guidance from the SEC on the inclusion or otherwise of these volumes. Shell's practice has evolved from the principle that reserves disclosures should reflect volumes that will eventually be sold. BP appears to apply the same principle.

Conversely, ExxonMobil and ConocoPhillips openly include fuel and flare in their reserves disclosures, whilst statements in the reports of TotalFinaElf and ChevronTexaco imply that they also do. Therefore a change to Shell's disclosure practice could be justified on the grounds of ensuring alignment with (most of) our major competitors. The potential addition has yet to be precisely quantified, but it is expected to be in the order of 1 billion boe and therefore on a scale that would make its inclusion an attractive option to offset any action that is taken with respect to the Potential Reserves Exposure Catalogue as a whole.

Outlook for 2004 – 2008

The following overview of reserves additions is based on the Capital Allocation data set that is being used currently to prepare the 2003 Business Plan. As such, it is consistent with Group guidance on short to medium-term capital and exploration expenditure constraints. It includes dilution of Sakhalin to 51% Shell equity, but excludes the corresponding Minority Interest share of reserves.



The outlook is fundamentally unchanged from the 2002 Business Plan, with 2004 remaining very weak. Whilst in principle it appears possible to achieve 100%+ RRR in the later plan period years, many of the gains rely on delivery of plan elements that at this stage are only notionally defined (including a large contribution from reserves that have yet to be discovered).

The firm elements of the plan (i.e. excluding the Notional tranche illustrated above) deliver approximately some 72% RRR over the plan period, a significant improvement over the 2002 business plan (58% 2003 – 2007) due largely to the retention of a higher equity interest in Sakhalin (40% was previously assumed) and through the inclusion of Qatar SMDS in the "Discretionary" tranche. The major Capex-funded contributors are:

Project	Equity	Category	Year	Proved Reserves Additions
Sakhalin	51%	Capex Firm	2004 – 2007	1040 million boe
Qatar SMDS	70%	Discretionary	2005	690
Rockies (Pinedale)	50%	Discretionary	2004 – 2008	260
Kashagan	20%	Discretionary	2005	190

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Appendix A: 2003 Proved Reserves Additions Latest Estimate

Latest Estimate, Proved Reserves Additions End June 2003

Million Boe	↑↓	Proved Reserves Additions Plan	LE	Delta	Reserves Replacement Ratio Plan, %	LE, %
Production		1478	1449	-29		
Organic Excluding Minority Interests						
Sakhalin	Assume booking on firm HOAs. Taiwan deferred.	239	382	143	16.2	26.3
USA	Rockies additions likely to be delayed	148	102	-46	10.0	7.0
UK	Various minor	61	65	4	4.1	4.5
Malaysia	BDO licence extension	26	55	28	1.8	3.8
Netherlands	Groningen Field Review offset by other field debookings	35	54	18	2.4	3.7
Brunei (BSP)	LE down vs. Plan due to acceleration of bookings into 2002	61	42	-19	4.1	2.9
New Zealand	Pohokura and Maui revisions	6	24	18	0.4	1.7
Denmark	Various minor	30	23	-7	2.0	1.6
Nigeria SNEPCO	Bolia	23	22	-1	1.5	1.5
Gabon	New Rabi PSC	10	19	9	0.7	1.3
Venezuela			18	18		1.3
Oman (PDO)	Portfolio review in progress	15	15		1.0	1.0
Nigeria SPDC	Assumes oil write-downs offset by T4/5 gas additions		13	13		0.9
Germany		10	10		0.7	0.7
Syria		18	9	-9	1.2	0.6
Egypt		7	7		0.5	0.5
Norway		6	6		0.4	0.4
Cameroon		4	4		0.3	0.3
Brunei (SDB)	Maharaja Lela South well cancelled	15	3	-12	1.0	0.2
Australia (SDA)		2	2		0.1	0.1
Kazakhstan		1	1	0	0.1	0.1
China		1	1		0.1	0.1
Italy		6		-6	0.4	
Argentina		1	-3	-3	0.0	-0.2
Oman (GISCO)	Anticipated PSC effect		-21	-21		-1.4
Thailand			-26	-26		-1.8
OU Options						
Oman Lange	Compression FID deferred	118	67	-51	8.0	4.6
China W2E	Assume slipped into 2004 or cancelled	110		-110	7.5	
T&OE	Target wound down through year - gains assumed to be incorporated in OU LEs.	100	50	-50	6.8	3.4
Other Notional	Unspecified opportunities	94	94		6.4	6.5
Total Organic Excluding Minority Interests		1146	1038	-109	78	72
A&D						
Acquisition						
Kazakhstan	Kashagan pre-emption		84	84		5.8
Divestment						
Australia (SDA)	Farm out (China deal)		-30	-30		-2.1
Marlowe:						
UK			-30	-30		-2.1
Russia KMOC			-118	-118		-8.1
USA			-90	-90		-6.2
Total A&D			-184	-184		-13
Total Organic + A&D		1146	854	-292	78	59
Total Organic & Acquisition		1146	1122	-25	78	77
Minority Interests						
Russia Sakhalin	45% Mitsubishi and Mitsui		312	312		21.6
Total Organic + A&D	Including Minority Interests	1146	1166	20	78	80

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Appendix B: Reserves Opportunities Catalogue (July 2003)

Project	Shell Equity	FID	PRA[1]	RRR[2]	Note
Licence Extensions (expiry year)					
Abu Dhabi ADCO (oil) (2014)	9.5%	2010	820	55%	
Abu Dhabi GASCO (NGL) (2008)	15%	2005	100	7%	In Base Case
Venezuela (2013)	100%	2004	400	25%	[3]
Denmark (2012)	46%	2005	100	7%	[4]
Malaysia (2012+)	Various	2012+	90	6%	
Syria (2014)	64%	2004	10	1%	
Oman PDO (2012)	34%	2004	0	0%	[5]
Brunei (2003)	50%	2003	0	0%	[6]
Big Tickets and Strategic Options					
Risked (unrisked in parentheses) proved reserves additions 2003 - 2008					
Development					
Sakhalin	51% ex-MI	2003	1420 (1420)	95%	
Pinedale	50%	2004+	280 (280)	20%	
Salym	50%	2003	270 (270)	20%	
Bonga incremental	55%	2004/5	240 (270)	15%	
Kashagan	20%	2003/6	190 (190)	10%	
Gulf of Mexico	Various	Various	160 (160)	10%	
Doro FLNG	33%	2006	139 (350)	10%	
Sunrise	27%	2005	127 (300)	9%	
Exploration and Appraisal (cut-off at 150 mln boe risked proved reserves additions potential)					
Gulf of Mexico – all prospects	Various		780 (1980)	50%	
USA Coalbed methane	100%		214 (430)	15%	
Kazakhstan	20 – 60%		193 (485)	10%	
Brazil	Various		364 (1430)	25%	
Nigeria SNEPCO	Various		233 (1170)	15%	
UK	Various		200 (880)	15%	
New Business / Strategic Options:					
SURE	100%	2008	911 (2980)	60%	[7]
Qatar SMDS	70%	2005	690 (1150)	45%	
Russia Heartlands	50%	2003	425 (425)	30%	A&D
Iran SMDS	75%	2005	396 (1070)	25%	
Russia Zapolyarnoye Neocomian	50%	2005	380 (1090)	25%	
Libya all opportunities	30 – 100%		337 (3390)	20%	
Iraq Halfayah farm-in	55%	2005	253 (1010)	15%	A&D
Abu Dhabi Whale	14%	2003	210 (420)	15%	A&D
Iran LNG	50%	2004/7	176 (780)	10%	
Iraq Bin-Umr farm-in	20%	2005	146 (580)	10%	A&D
Kuwait OSA	50%	2004	103 (410)	7%	organic? [8]
Venezuela LNG	30%	2006	94 (240)	6%	

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[1] **Approximate** Proved Reserves Additions, million boe, Shell share

[2] **Approximate** contribution to Proved Reserves Replacement Ratio if all the reserves quoted were booked in a single year.

[3] Several opportunities exist to expand and extend current business in Venezuela, with a potential reserves impact over time of some 2.4 bln boe. The estimate reflected here corresponds approximately to extension of the existing service agreement beyond 2012.

[4] Not under Shell control: negotiation to be conducted exclusively by Concessionaires (A.P. Moller).

[5] Within –licence reserves may contain exposures. Substantial post-licence reserves potential exists, but this will depend on the pace of project maturation. At this stage it is assumed that extension will lead to no immediate net additional reserves booking.

[6] Reserves already booked assuming that BSP's rights to two 15-year licence extensions will be exercised. Any reserves upside would be in relation to the negotiation of further extensions beyond the 30-year window, but this may be offset by potential equity reduction in the first two 15-year extensions.

[7] May not qualify for conventional petroleum reserves disclosure – treat similar to AOSP project.

[8] Cash-based Service Agreement with little exposure to oil price. Reserves bookings rights need to be confirmed.

Appendix C: Potential Reserves Exposure Catalogue (July 2003)

Revisions since end-2002 are shown as either ~~struck-through~~ or underlined

Asset (Year booked)	Proved mln boe	Exp'n mln boe	Comment
Australia Gorgon (1997)	557	785	Booked in 1997 in anticipation of imminent FID, subsequently deferred indefinitely by the downturn in Asian economies and the consequent reduction in demand for LNG. It is inevitable that a resource of this magnitude will be developed eventually. 2003 CA submission addresses "unrisked" proved reserves of only 427 mln boe; consider revising booking down to this level for consistency with internal business planning.
Norway Ormen Lange (1999, 2000)	109	186	Reserves were partially booked ahead of VAR3 and FID, whilst it appears that there are issues that could prevent it proceeding. De-booking will be considered only when and if it becomes clear that development definitely will not proceed. FID is planned in Q4 2003.
Italy Tempa Rossa (acquired 2002, Enterprise)	25	34	Phase I reserves were retained at 31.12.2002 on the assumption that the project will reach FID imminently. If FID is not certain to be taken by end 2004, reserves should be debooked at 31.12.2003. Discussions are ongoing with the Italian authorities and it is currently viewed as "certain" that FID will occur in 2004.
Russia KMOC (acquired 2002, Enterprise)	~~±100~~ 0	~~±300~~ 0	~~Associated company. No data to audit; retain Ryder Scott Proved Reserves assessment. Significant elements of the KMOC portfolio are understood not to be associated with approved development projects and may be difficult to commercialize.~~ Assets divested during 2003.
Netherlands, Waddenzee (Various)	26	37	Government-enforced moratorium on Waddenzee drilling, due to environmental concerns, could ultimately prevent development from proceeding. NAM field codes MGT, NES, LWO, VHZ (VHN?)
Brunei legacy (Various)	20	ca. 30	Historical reserves bookings that can no longer be supported are inventorized and actively managed. It is expected that the remaining balance will be reduced to zero by end-2004, in consultation with national regulatory authorities.
Pending: SEC Enquiry	±300	0	Exposure if SEC interpretation of Lowest Known Hydrocarbon (LKH) is used.
Total	**1037**	**1072**	
Shell reserves, 31.12.2002	**19347**	**32848**	**Excluding AOSP**

Expectation Reserves include post-licence volumes.

In addition, the following threats are presented by ongoing production constraints or by tightening of the SEC rules (or Shell's interpretation thereof):

Asset	Proved mln boe	Exp'n mln boe	Comment
Production constraints:			
Oman PDO	up to 450		Up to half of PDO's within licence proved reserves of 907 mln boe relies on delivery of major new development projects to combat decline of production from existing assets. Securing rights to post-2012 production would alleviate any potential exposure.
Abu Dhabi	up to 117		OPEC quota constraint. Exposure calculation is based on the assumption that actual 2002 production rate will continue throughout the remaining lifetime of the licence (to 2014).
Nigeria SPDC	~~up to 600~~		~~Effect of OPEC quota prior to licence expiry in 2019.~~ Resolved in January 2003: enforceable right to licence extension exists under Nigerian law.
Technical and Commercial Maturity:			
Nigeria SPDC	ca 220		Potentially exposed due to lack of audit trail and / or demonstration of maturity: plan in place to address exposures prior to recommencement of new reserves bookings, perhaps in 2005.
PSC entitlement: Exposure created by the use of Reference Price ($16/bbl) instead of year-end price ($28.66/bbl). Any exposure would be offset partially by an increase in reserves at higher oil price due to extension of the economic lifetime of fields in tax/royalty concessions. Inclusion of tax paid on behalf of Shell by NOCs would also help to offset any exposure.			
Oman Gisco	98		
Iran	48		
Malaysia	47		
Russia (Sakhalin Holding)	23		
Syria	23		
Nigeria (SNEPCO)	21		
Egypt	17		
Kazakhstan	10		
Philippines	6		
Bangladesh	2		
Total, PSC	296		
"Novel Contracts": for information only: no potential exposure, although there may be a requirement in future to disclose separately and / or clarify the bookings in external disclosures.			
Venezuela Risk OSA	222	358	
Oman GISCO	186	186	
Iran buy-back	97	97	
Brazil Merluza OSA	28	28	
Total, Novel Contracts	533	669	

Expectation Reserves include post-licence volumes.

Information: Sponsored by MGDWV

01 SEP 2003

Note for Information

Group Audit Committee Briefing on Reserves Accounting Guidelines and Procedures

Please find attached the Note for Information on Group Audit Committee Briefing on Reserves Accounting Guidelines and Procedures

It is the intention to present this to the GAC in October next.

In the mean time we will get to the bottom of the "Fuel and Flare" issue. It appears that RD/ST&T are the only companies reducing their proved reserves by approximately 3% to reflect own use and flaring.

"POTENTIAL EXPOSURE" SOME LOOK LIKE THEY SHOULD BE DEBOOKED

MGDWV, 28/08/2003

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EXHIBIT
Van der Vijver
30
2/1/07

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Note for Information

Group Audit Committee Briefing on Reserves Accounting Guidelines and Procedures

This note summarizes (1) EP's response to the reserves accounting recommendations in the Group Reserves Auditor's 2002 report, and (2) changes that have been made to the reserves accounting guidelines. In addition it (3) describes the status of correspondence with the Securities and Exchange Commission (SEC) on matters relating to proved reserves disclosures and (4) discusses areas of potential concern over Shell's (and, generally, industry's) interpretation of the SEC regulations.

The Sarbanes-Oxley Act of 2002 provides for an increased level of corporate accountability for compliance with the applicable disclosure regulations of the SEC. In response to this, it is appropriate that internal procedures covering all aspects of the Group's financial disclosures are reviewed and that measures are in place for ensuring continued compliance in future. Items (1) and in particular (2) of this Note describe measures that have been introduced in relation to proved reserves disclosures. They enhance the level of corporate control of the reserves accounting process, providing further assurance to EP and Group management of compliance with the applicable regulations. As such, they are designed to improve the transparency and consistency of the Group's external disclosures and to ensure that procedures are in place to regularly review compliance in future.

An overview of the current corporate controls on proved reserves accounting can be found in Attachment 1.

1. Group Reserves Auditor's 2002 Report

In his review of the Group's proved reserves at 31 December 2002, the Group Reserves Auditor made eight recommendations for the improvement of reserves accounting guidelines and procedures. All eight recommendations have been accepted by the EP Executive and have been implemented. Please refer to Attachment 2 for detail, the main points of which may be summarized as follows:

- Reserves bookings for major projects will be linked to Final Investment Decision (FID) or other public demonstration of commitment to proceed with the project. In addition the guidelines have been revised to require that, as a minimum, gas reserves that rely on the creation of access to market (e.g. LNG) must be underpinned by binding Heads of Agreement for sales contracts.
- Regional reserves challenge sessions will be introduced, starting in 2003, with the objective of endorsing or otherwise challenging material proved reserves changes that are proposed by the Asset Holders.

2. Petroleum Resource Volume Guidelines and Administration Procedure

The internal guidelines for proved reserves reporting are reviewed annually to ensure continuing compliance with the SEC regulations. In the 2003 edition (EP 2003-1100, currently in drafting), the following key revisions have been made:

- Major projects: trigger for reserves bookings: see (1) above.
- Gas sales contracts: see also (1) above.
- "New contracts": the criteria for booking reserves in relation to new contract structures (i.e. those that are not traditional tax / royalty licences or Production Sharing Contracts) have been clarified. The change will bring the guidelines into line with actual practice as documented in the 1996 Group Audit Review of reserves disclosures for Venezuela and Oman GISCO.
- No changes to the guidelines have been made in relation to matters that are currently the subject of correspondence with the SEC (please refer to (3) below).

The full inventory of documents that describe and / or control procedures for proved reserves estimation and disclosure is as follows:

EP 2003-1100 **"Petroleum Resource Volume Guidelines: Resource Classification and Value Realisation"**: updated annually: 2003 edition in draft for publication in September.

This describes the petroleum resource volume classification system and the rules and guidelines that are to be followed in the estimation of all such volumes, including proved reserves.

EP 2003-1101 **"Petroleum resource volumes submission requirements for internal and external reporting"**: updated annually: 2003 edition in draft for publication in October.

This describes the manner and format in which petroleum resource volumes, and in particular changes to said volumes, are to be reported annually by all Asset Holders.

EP 2003-1102 **"Guide for the Administration of Proved Reserves and Production for External Disclosure"**: updated when required: 2003 edition issued in July 2003.

This describes the controls that are in place to assure the accuracy of the external proved reserves disclosures and their compliance with SEC rules.

EP 2003-1102 is an update to a similar document that was first published in 1986 and which was revised in 1996. The key change that has been incorporated in the 2003 update is the introduction of a "Reserves Committee" to provide further assurance on the quality and integrity of the Group's external proved reserves disclosures.

The Reserves Committee consists of the following permanent members:

- EP Chief Financial Officer (EPF)
- EP Corporate Support Director (EPS)
- EP Director Shell Technology (EPT)
- EP Hydrocarbon Resource Coordinator (EPS-P)
- SI Deputy Group Controller (FCG)

In addition, the Group Reserves Auditor attends the Reserves Committee in an advisory role.

The Reserves Committee reports to the EP Chief Executive Officer and the other members of the EP Executive on all procedural matters concerning the disclosure of proved reserves. In this context, its duties include, but are not limited to:

- To understand, challenge and ultimately to authorize on behalf of the EP Chief Executive Officer the proved reserves figures that are disclosed externally, together with any explanation thereof that is to be published.
- At least annually, to review internal procedures (as described in EP 2003-1102) and the Petroleum Resource Volume Guidelines (EP 2003-1100) with a view to determining the need for revision and to direct such revisions where necessary.
- To coordinate relevant correspondence with the United States Securities and Exchange Commission on behalf of the Group Controller.
- To maintain an interface with the external Group Auditors.
- To monitor action taken by Regions/Asset Holders or by the EP organization as a whole in response to Group Reserves Auditor recommendations and to inform the external Group Auditors accordingly.
- To assist in the resolution of disagreements between authorizers of proved reserves at different levels in the EP organization.

Furthermore, EP 2003-1102 provides for the introduction of annual regional reserves challenges sessions, in which the material proposed changes to proved reserves volumes will be reviewed in advance of year-end for compliance with the Group guidelines.

3. SEC Enquiry

In October 2002, the SEC began an enquiry into practices surrounding the disclosure of proved reserves in the Gulf of Mexico. The enquiry was conducted through correspondence with individual companies and it appears to have encompassed virtually all companies owning subsurface assets in the Gulf of Mexico. The initial focus was on the booking of proved reserves in the absence of a production flow test.

Correspondence is still ongoing and, in a total of four rounds to date, the SEC has broadened the scope of its enquiry beyond the Gulf of Mexico and has introduced several additional areas of focus. The four most important issues are:

(a) Production Flow Test

The initial focus of the enquiry was on the following SEC rule:

> *"Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test."*

The SEC indicated its view that a full production flow test is required in order to meet the "conclusive formation test" criterion. It is understood that the overwhelming response from the industry (including Shell) was to reject this interpretation, citing the fact that core, log, pressure and fluid sample data, properly calibrated with reference to analogue reservoirs, has been viewed widely as meeting the "conclusive formation test" criterion for many years now. The SEC appears to have partially accepted this view: in a recent web bulletin it acknowledged the use of analogue data, although commenting that the analogue reservoir must be within the same field. This is still a more strict interpretation than is applied in the industry, where reference is commonly made to similar reservoirs in other nearby fields.

(b) Trigger for proved reserves booking

The SEC requested comments on its views concerning the type of criteria that it expects to see in relation to demonstration of commitment ("reasonable certainty") to proceed with a development project. These criteria included:

> "*the approved application for the setting of a platform...*", and
>
> for reserves that would be developed by sub-sea tie back: "*evidence of flow line construction or platform modification...*"

In a previous round of correspondence Shell had already advised the SEC, in broad terms, of the criteria that are used internally for establishing the existence of "reasonable certainty" that a development will proceed. These criteria, which are understood to be broadly comparable with those adopted by other companies in the industry, are substantially less stringent than the SEC appears to require. Shell responded to the SEC with the view that "*such a strict interpretation would go substantially beyond the intent of the proved reserves definitions regarding 'reasonable certainty*'". To date no further comment on this issue has been received from the SEC.

(c) Reserves entitlements for Production Sharing Contracts (PSCs)

The SEC expressed its view that FAS 19[1] requires reserves entitlement for PSCs to be disclosed separately (i.e. as a separate line item) from other reserves. After review of FAS 19, supported by reference to external legal counsel (Cravath, Swain and Moore), Shell's long-standing view was confirmed: FAS 19 does not provide any requirements for the separate disclosure of reserves that would extend to include PSCs. This view was communicated to the SEC, with no response yet having been received.

Informal discussion with industry colleagues suggests that (1) the SEC did not communicate its views to all companies that have PSCs in their portfolios (raising the unfortunate possibility that the SEC's views are being communicated selectively and not universally to the industry) and (2) Shell's interpretation of FAS 19 appears to be shared by at least two major competitors. In addition to the latter point, it is observed that none of Shell's major competitors discloses PSC reserves separately.

(d) Lowest Known Hydrocarbon (LKH)

Recently the SEC has indicated to Shell its view that the Lowest Known Hydrocarbon (LKH) as defined by drilling (and logging) must constrain the part of any reservoir for which proved reserves are booked. This view seems to run against the original FASB definition, which stipulates the above condition only "in the absence of information on fluid contacts". Hence it runs contrary to Shell's (and the industry's) established practice of interpreting "information on fluid contacts" to include indirect observations such as pressure-depth cross plots and, in some cases, 3D seismic data.

If the SEC were to insist on the adoption of its revised interpretation, an exposure of some 300 mln boe in Shell's 2002 proved reserves disclosure would be created, equating to approximately 1.5% of Shell's total proved reserves. This exposure would erode over time as further drilling and production performance information is gathered on the subject reservoirs.

As with the PSC issue (see (c) above), it appears that the SEC's views on this matter have been communicated selectively and not universally to all registrants. It is understood that the SEC has advised at least one major competitor that it has concluded its correspondence with them and that the LKH issue was not raised during the course of its correspondence with that company. It is also known that while correspondence continues with another, this issue has not yet been raised with them. In both cases it is understood that the companies would share Shell's reservations concerning the SEC's interpretation.

Shell has challenged the SEC's interpretation of the LKH criterion, on the grounds that it is not in line with either (1) the spirit or intent of the SEC rules, (2) the views of the SEC's own staff members, as published previously or (3) long-standing, established industry practice. Recently Shell staff visited the SEC offices in

[1] United States Financial Accounting Standards Board (FASB), Statement of Financial Accounting Standards number 19 (FAS 19).

Washington DC with the objective of reinforcing these points. The SEC expressed considerable interest in Shell's views (for the purpose of learning, not enforcement) but did not concede any ground on the interpretation of its rules.

Who went? Who was there from SEC

As follow-up, Shell is preparing to contribute to an industry-wide challenge of the SEC's interpretation through such means as consultation between the SEC and the Society of Petroleum Engineers' (SPE) Reserves Committee (on which Shell has one member) and through a workshop between the SEC and industry that is organized in October each year by the Society of Petroleum Evaluation Engineers (SPEE).

4. Possible areas of non-compliance with SEC regulations

On several key points the SEC regulations on proved reserves are vague or are not explicit, leaving room for interpretation and a consequent risk that some practices might be deemed to be against the spirit and intent of the regulations if subjected to external scrutiny. The problem of interpretation is not unique to Shell – it is clear that many registrants experience similar problems in determining (1) whether a right to disclose reserves exists, under certain circumstances, and (2) the basis upon which reserves should be estimated. Evidence for this comes from the many interpretive responses that have been provided to industry questions by the SEC staff and from discussions at the SPEE workshops (see (3) above).

The main areas of potential concern at present are summarized below, with the current potential reserves exposures being listed in Attachment 3:

- **Trigger for booking reserves:**
  See 3(b) above. The move towards booking reserves for major projects at FID should bring Shell into line with industry practice, although some exposure will remain pending FID on projects for which reserves have already been booked.

- **Definition of the "proved area":**
  The extent to which the reservoir has been "proved up" away from well control is subject to interpretation outside the United States or in any situation where the concept of a "legal well spacing" does not apply. Shell's practices are believed to be broadly consistent with the rest of industry. See also 3(d) above.

- **Production Sharing Contract (PSC) entitlement:**
  Shell reports reserves on the basis of economic entitlement, as opposed to working interest share, in line with industry practice and SEC preference. However, Shell uses its internal oil and gas reference prices in this calculation, rather than the year-end price preferred by the SEC. At least one major competitor is known to take a similar approach. This practice could be deemed to overstate reserves at times of high actual oil price, but the effects are offset by a corresponding understatement of reserves in tax/royalty concessions. Furthermore, unlike some competitors, Shell does not currently include reserves

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in some PSCs in relation to tax that is paid on its behalf by the National Oil Company.

- **Non-traditional contracts:**
  Over the last few years Shell has taken interests in novel contract structures for which the SEC regulations provide little, if any, direct guidance on how reserves entitlements should be treated. In the interests of informing the investor in a meaningful way, honouring the spirit and intent of the SEC regulations, reserves are calculated and disclosed analogous to the economic entitlement method that is used for PSCs. Competitors are understood to adopt similar approaches.

- **Royalties:**
  Outside the US, the SEC regulations permit net production (and reserves) to be disclosed inclusive of royalty "if more appropriate" than exclusive of royalty. This is interpreted to mean that royalty taken in kind must be excluded, but royalty taken in cash may be included. Practice is believed to be aligned with competitors, but no hard details of competitor practices in general are available.

- **Post-licence entitlements:**
  Shell discloses reserves beyond the current term of licences and concessions when (1) an agreement for extension or renewal is in place or (2) the regulatory authorities have a track record of granting renewals or extensions "as a matter of course" (the latter condition being supported by SEC guidance). In some cases consideration may be given to recognizing post-licence reserves when the licensee has a legally enforceable right to extension or renewal. The recent problems experienced by BP in booking reserves in Russia may relate to a lack of "reasonable certainty" concerning licence extension, and the situation for Shell's intended reserves disclosures in Russia is currently under review.

Much, if not all, of the potential exposure arising from interpretation of the factors listed above is offset by Shell's practice of not disclosing reserves in relation to gas production that is consumed on site as fuel or (incidental) flaring and venting. Shell's approach seems to have been based on interpretation of the original SEC regulations, introduced in Accounting Series Release number 257, dated December 1978. This stipulated the requirement to disclose (1) proved reserves and (2) production "as sold". Shell took the view that the "as sold" condition applies both to the production and reserves figures (the latter being the sum of the former for future years). In fact these two issues seem to be viewed separately by the SEC, and it is expected that reserves are disclosed "as produced", whereas production "as sold" must be disclosed in addition for comparison. A review of competitor practices indicates that most include fuel and (possibly) at least some flare gas in their reserves disclosures (with the notable possible exception of BP), and a further review is in progress to examine the implications of changing Shell's reporting practice.

Reserves Accounting: Overview

An overview of responsibilities for controlling the annual proved reserves disclosures is presented below, in approximately the correct chronological sequence:

Asset teams	Prepare estimates based on Group Guidelines (EP 2003-1100).
Asset Holder / Region Reserves Focal Point	Assists asset teams in preparing estimates and collates information for submission to EP Hydrocarbon Resource Coordinator
Regional Challenge process	Senior technical experts in Region verify compliance of annual proved reserves changes with Group Guidelines
Asset Holder / Regional Technical Management	Authorize estimates as having been prepared in compliance with Group Guidelines.
EP Hydrocarbon Resource Coordinator	Collates information submitted by Regions / Asset Holders, clarifies and challenges where necessary, prepares information in correct format for external disclosure.
Group Reserves Auditor	In conjunction with Group External Auditors, reviews information submitted by Regions / Asset Holders, clarifies and challenges where necessary, verifies correct transcription of information for external disclosure by EP Hydrocarbon Resource Coordinator.
Reserves Committee	Reviews information to be externally disclosed, clarifies and challenges where necessary, and ultimately endorses (EPF and EPS, who also provide a Letter of Comfort to the Group External Auditors certifying that the disclosures comply with the applicable SEC regulations).

In support of this annual process are the following additional control and review responsibilities:

Group Reserves Auditor	Periodic audits of Asset Holder reserves accounting procedures, verifying that same are compliant with Group Guidelines.
Reserves Committee	Annual review of Group Guidelines for continuing compliance with SEC regulations and FASB disclosure requirements, taking into account (any) new SEC guidance, Group Reserves Auditor recommendations and issues arising from recent disclosures.
EP Hydrocarbon Resource Coordinator	Updates Group Guidelines where and when necessary in accordance with Reserves Committee direction. Disseminates same to Asset Holders.
Asset Holder / Regional Technical Management	Ensures that procedures in place locally for proved reserves estimation are in accordance with Group Guidelines.
Asset Holder / Regional Reserves Focal Points	Disseminate Group Guidelines locally, support management in assuring that appropriate procedures are in place, support asset teams in preparation of proved reserves estimates.

The financial aspects of external reserves disclosures (notably the agreement of production figures with disclosed sales volumes and the information used in preparing the Standardized Measure of Discounted Cash Flow) are subject to similar approvals by Asset Holder / Region Finance Management.

Reserves: 2002 Group Reserves Auditor Report

This note summarizes the actions that have been taken or that are planned in response to the reserves accounting recommendations made by the Group Reserves Auditor in his report on the Group's proved reserves disclosures as at the end of 2002.

In summary, all the recommendations of the Group Reserves Auditor have been accepted and action has been taken. The specific recommendations are reproduced below, with action summarized in each case.

1. *Maintain the present vigilance regarding the continued booking of Proved reserves volumes with poor justification, as highlighted in [the Group Reserves Auditor's] report and re-consider the booking of these volumes as appropriate.*

   Action: The procedure for administering proved reserves information for external disclosure has been updated and is documented in report EP 2003-1102: "*Guide for the Administration of External Disclosure of Proved Reserves and Production*" in line with changes to the EP Proved Reserves Management procedure that were introduced in 2002 (the previous update was made in 1996). The principal revision has been to establish a Reserves Committee which will report to the EP Executive. It will oversee the integrity of all aspects of the external proved reserves disclosures and the procedures by which they are administered.

   Vigilance and the integrity of reserves bookings will be maintained and further improved by the establishment of the Reserves Committee and by actions taken with respect to other recommendations (e.g. 2 and 4 below). The EP Hydrocarbon Resource Co-ordinator ("HRC") will continue to maintain a Potential Reserves Exposure Catalogue, first compiled in 2002, and bring this forward for consideration by the Reserves Committee at least twice per year (in July and October).

2. *Consider a further tightening of conditions under which first-time booking of major project reserves can be allowed by Group reserves guidelines. The prime condition should be a clear public commitment by the Group that development will be undertaken. This could be FID, but also a Declaration of Commerciality if the latter is sufficiently binding.*

   Action: The recommendation is accepted. The guidelines for the estimation and reporting of proved reserves are updated annually. The 2003 edition (EP 2003-1100: "*Petroleum Resource Volume Guidelines: Resource Classification and Value Realisation*") is currently being drafted for publication in September 2003. It will include a modification of the criteria for booking reserves for all major projects (not only "first-time bookings") in line with this recommendation.

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3. *Maintain and, if necessary, increase EP ExCom's attention to the preservation of the integrity of OU reserves bookings in the light of the potential threat emanating from reserves addition targets in score cards.*

   Action: The potential threat from scorecard targets is well understood and was taken into account when changes to the EP Proved Reserves Management procedure were considered in 2002. As well as the vigilance of the EP Hydrocarbon Resource Coordination function and the attention of EP Executive members to the figures disclosed, further controls have been introduced through the introduction of regional reserves challenge sessions (see (4) below) and through the establishment of a Reserves Committee (see (1) above). The Reserves Committee includes three EP Executive members and it has the duty to authorize the proved reserves figures for external disclosure and to assist in the resolution of disputes within the EP organization concerning proved reserves estimates. Disputes related to score card items would fall into the latter category. Please refer to EP 2003-1102 for further information.

4. *Consider a tightening of the control on reserves changes by introducing regional reserves audit teams which are to carry out annual reserves audits with OUs and which have the power to approve / disallow OU proposed reserves changes.*

   Action: Regional reserves challenge sessions are to be introduced commencing in 2003. They will take place in September or October each year, this timing being selected on the basis that it is sufficiently late in the year to allow a meaningful consideration of the proved reserves changes for the year, whilst being early enough to allow such consideration to take place in advance of discussions with partners, co-venturers and host government representatives.

   The challenge session in each region will be attended by senior technical professionals drawn from the region. They will review material proposed changes for compliance with the Petroleum Resource Volume Guidelines and, hence, with the SEC rules. In principle, each session will be attended either by the EP Hydrocarbon Resource Coordinator or the Group Reserves Auditor and by a representative of another region (to promote the adoption of common standards globally). The sessions will ensure an appropriate level of peer review of the proposed changes. This may result in the proposed changes being withdrawn, deferred, modified, considered sound or referred to EP management for determination. The outcome of the sessions, including recommendations and any matters requiring consideration by EP management, will be reviewed subsequently by the Reserves Committee (see (1) above).

   For 2003, whilst the EP organization is still in a transition phase, it is possible that challenge sessions will be held in only three of the five regions (EPE, EPA and EPW), with the other two commencing in 2004 (EPM and EPG).

5. *Re-evaluate the effect of using PSV oil prices instead of end-year oil prices on PSC and other reserves bookings at regular (bi- or tri-yearly) intervals.*

Comment: This recommendation stems from the SEC requirement that proved reserves be evaluated with reference to conditions applicable as at the date of the estimate, i.e. 31st December each year. This includes product prices. In fact proved reserves are calculated using the prevailing Group reference price.

For PSCs, reserves entitlement is inversely proportional to oil and gas price, whilst in tax/royalty licences there is a positive (or neutral) correlation. Consequently the effects of changes in oil and gas price on reserves for these two types of contract oppose each other, tending to limit the degree to which EP's total proved reserves figure is dependent on product price. That being the case, it is convenient to evaluate proved reserves at a single set of reference price conditions that can be linked readily to assumptions that are made for the purpose of business planning. Indeed, it is viewed as highly desirable to maintain such a link, since the use of two different price assumptions, and hence two different "proved reserves" estimates, could lead to confusion and hence erosion of the integrity of the external proved reserves disclosures. There are also logistical reasons related to the process of estimating reserves which make it highly desirable (and even necessary) to determine reference oil and gas prices well in advance of the end of the year.

For PSCs the difference between reserves entitlement at the reference price compared with the year-end price is collected every year as part of the reserves reporting exercise.

Capturing reliable and comprehensive data on the corresponding effects for tax/royalty licences is significantly more difficult and time-consuming. It was last attempted in 2000, and it is planned to repeat the exercise in 2003. Tri-annual frequency appears to strike a good balance between the effort expended and the need to periodically check that the two effects on reserves are broadly equal and opposite.

Only in the event that a material discrepancy arises between the total reserves bookable according to the reference price assumption, compared with actual year-end pricing, would a change to the current reporting practice be considered.

Action: The recommendation will be implemented at three-yearly intervals, the next to occur when the 31.12.2003 reserves estimates are filed by the Asset Holders.

6. *Ensure that OUs, in particular PDO and SPDC, prepare proper composite production forecasts (built up from realistic individual field forecasts, both Proved and Expectation) demonstrating the reasonable certainty that Proved reserves can be produced within current licence durations. The annual forecast rates should not exceed those presented as the Base Plan in the latest Business Plan.*

   Action: This matter is being addressed with the companies mentioned, both of which will be subjected to audit by the Group Reserves Auditor in 2003. The 2003 edition of the Petroleum Resource Volume Guidelines (EP 2003-1100) will stress this point.

7. *Challenge OUs with regard to their submissions of estimates of amounts by which Proved reserves should rise if there were no licence duration constraints.*

   Comment: External disclosures of proved reserves must respect the constraints imposed by licence durations and therefore the estimates of "post-licence" reserves do not influence Shell's external disclosures. Nevertheless, this information is of use not only for determining the reward associated with licence extension or renewal, but also in judging the reasonableness of the overall proved reserves estimate in relation to the expectation reserves estimate. In the 31.12.2002 reserves submission, several OUs reflected substantial changes to their estimates of post-licence reserves compared with the previous year, prompting this comment from the Group Reserves Auditor.

   Action: This matter has been addressed with the OUs concerned and, with relatively minor exceptions, the estimates registered at 31.12.2002 have been confirmed as correctly reflecting the OUs' current views. The 2003 edition of the Petroleum Resource Volume Guidelines (EP 2003-1100) will stress the importance of ensuring accuracy in this information and will clarify the intention behind capturing the data.

8. *Include guidelines with respect to appropriate methods of proved and Expectation forecasting in the next edition of the Group reserves guidelines.*

   Action: The 2003 edition of the Petroleum Resource Volume Guidelines (EP 2003-1100) will include appropriate guidance.

Appendix C: Potential Reserves Exposure Catalogue (July 2003)

Asset (Year booked)	Proved mln boe	Exp'n mln boe	Comment
Australia Gorgon (1997)	557	785	Booked in 1997 in anticipation of imminent FID, subsequently deferred indefinitely by the downturn in Asian economies and the consequent reduction in demand for LNG. It is inevitable that a resource of this magnitude will be developed eventually.
Norway Ormen Lange (1999, 2000)	109	186	Reserves were partially booked ahead of VAR3 and FID, whilst it appears that there are issues that could prevent it proceeding. De-booking will be considered only when and if it becomes clear that development definitely will not proceed. FID is planned in Q4 2003.
Italy Tempa Rossa (acquired 2002, Enterprise)	25	34	Phase 1 reserves were retained at 31.12.2002 on the assumption that the project will reach FID imminently. If FID is not certain to be taken by end 2004, reserves should be debooked at 31.12.2003. Discussions are ongoing with the Italian authorities and it is currently viewed as "certain" that FID will occur in 2004.
Netherlands, Waddenzee (Various)	26	37	Government-enforced moratorium on Waddenzee drilling, due to environmental concerns, could ultimately prevent development from proceeding. NAM field codes MGT, NES, LWO, VHZ (VHN?)
Brunei legacy (Various)	20	ca. 30	Historical reserves bookings that can no longer be supported are inventorized and actively managed. It is expected that the remaining balance will be reduced to zero by end-2004, in consultation with national regulatory authorities.
Pending: SEC Enquiry	±300	0	Exposure if SEC interpretation of Lowest Known Hydrocarbon (LKH) is used.
Total	1037	1072	
Shell reserves, 31.12.2002	19347	32848	Excluding Athabasca Oil Sands Project (AOSP)

Expectation Reserves include post-licence volumes.

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In addition, the following threats are presented by ongoing production constraints or by tightening of the SEC rules (or Shell's interpretation thereof):

Asset	Proved mln boe	Exp'n mln boe	Comment
Production constraints:			
Oman PDO	up to 450		Up to half of PDO's within licence proved reserves of 907 mln boe relies on delivery of major new development projects to combat decline of production from existing assets. Securing rights to post-2012 production would alleviate any potential exposure.
Abu Dhabi	up to 117		OPEC quota constraint. Exposure calculation is based on the assumption that actual 2002 production rate will continue throughout the remaining lifetime of the licence (to 2014).
Technical and Commercial Maturity:			
Nigeria SPDC	ca.220		Potentially exposed due to lack of audit trail and / or demonstration of maturity: plan in place to address exposures prior to recommencement of new reserves bookings, perhaps in 2005.
PSC entitlement: Exposure created by the use of Reference Price ($16/bbl) instead of year-end price ($28.66/bbl). Any exposure would be offset partially by an increase in reserves at higher oil price due to extension of the economic lifetime of fields in tax/royalty concessions. Inclusion of tax paid on behalf of Shell by NOCs would also help to offset any exposure.			
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Iran	48		
Malaysia	47		
Russia (Sakhalin Holding)	23		
Syria	23		
Nigeria (SNEPCO)	21		
Egypt	17		
Kazakhstan	10		
Philippines	6		
Bangladesh	2		
Total, PSC	296		
"Novel Contracts": for information only: no potential exposure, although there may be a requirement in future to disclose separately and / or clarify the bookings in external disclosures.			
Venezuela Risk OSA	222	358	
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Brazil Merluza OSA	28	28	
Total, Novel Contracts	533	669	

Expectation Reserves include post-licence volumes.

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Ewart, Pauline M SI-MGDPW

From: Van De Vijver, Walter SI-MGDWV
Sent: 09 November 2003 11:17
To: Watts, Philip B SI-MGDPW
Subject: FW: LKH

Phil,

Reference our discussion on reserves on monday 3/11,please find attached the summary on LKH.
The issue of LKH is not just a US issue (perhaps you were implying something there?).
I am becoming sick and tired about lying about the extent of our reserves issues and
the downward revisions that need to be done because of far too aggressive/optimistic bookings
in the past ,aside from the embarrassment of having booked reserves prematurely.
Regards,
Walter

-----Original Message-----
From: Bell, John J SIEP-EPS
Sent: 06 November 2003 11:20
To: Van De Vijver, Walter SI-MGDWV
Cc: Pay, John JR SIEP-EPS-P; Coopman, Frank F SIEP-EPF
Subject: LKH

LKH Slide.ppt
(Compressed)

Walter,

You asked for details of our exposure to the LKH issue. The attached is from John Pay. Happy to discuss further if needed.

John will join the EPLF tomorrow to help facilitate the discussion on the acceleration of reserves bookings. He will sit in the GRoup with the RTDs and EPT to assist in assessing ideas and providing data.

John.

000002

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[redacted]

FOIA Confidential
Treatment Requested
LON00010002

LKH Exposures at 1.1.2003

MMboe	Total	Dev	Undev
Brunei	87	1	86
USA	72	20	52
SNEPCO	36	0	36
Sakhalin (ex MI)	26	5	21
Canada	11	0	11
Denmark / Norway	10	5	5
Total	242	31	211

- 24 other OUs indicated zero or negligible exposure
- 3 other OUs were unable to quantify without detailed review, but exposures are not expected to be severe.

- SEC has stated its view that reserves below Lowest Known (Logged) Hydrocarbon do not qualify as proved until sufficient performance history available to confirm higher volume.
- Private correspondence - issue not raised directly with main competitors (but supported by general public SEC statements)
- Exposures mainly in immature fields / undeveloped reserves.
- Exposure will erode over time as performance history builds.
- Current plan is manage exposure rather than debook.
- Debooking, if required, could be offset by adding Fuel to disclosed reserves.

EPS

000003

Unknown

From: Coopman, Frank F SIEP-EPF
Sent: 24 November 2003 06:50
To: Lau, David DNP SIEP-EPF-CT
Cc: Bouchla, Souli C SIEP-EPS-D
Subject: FW: 2003 RRR Review

Importance: High

We need a telcon today..........(you , me)

-----Original Message-----
From: Van De Vijver, Walter SI-MGDWV
Sent: 23 November 2003 15:50
To: Pay, John JR SIEP-EPS-P
Cc: Bell, John J SIEP-EPS; Coopman, Frank F SIEP-EPF
Subject: RE: 2003 RRR Review
Importance: High

John,

I want to have a proper EP view before Conference (3/12/03) how we should manage reserves going forward.
I would prefer to re-state our 1/1/03 reserves and de-book all remaining legacies to allow for a clean start as of 1/1/03 with a healthy organic reserves replacement for 2003 and later years, better reflecting the true health of our business.
This would imply de-bookings on Oman,Nigeria plus perhaps some of the other items that are unlikely will be finally matured in 04/05 (ie Waddenzee,Gorgon,...).
This is a very sensitive issue particularly when we will look at the arguments for doing so:

- stricter SEC guidelines (but could this lead to a fall-out from the SEC?)
- linkage with our reputattion to be conservative?
- are their sound technical arguments that would not make us look technical incompetent and would not hamper the outlook for EP?

I have asked Frank to work the disclosure/SEC issues.
I still find it amazing to compare the 99 and the 03 audit write-ups for Nigeria and for Oman.We better categorise the differences
to have a logical explanation.
I trust there are also exposures wrt previously received reserves bonus fees.

Regards,
Walter

-----Original Message-----
From: Pay, John JR SIEP-EPS-P
Sent: 17 November 2003 13:16
To: Van De Vijver, Walter SI-MGDWV
Cc: Bell, John J SIEP-EPS; Coopman, Frank F SIEP-EPF; Darley, John J SIEP-EPT; Percival, Iain IDR SIEP-EPT-OE-HL
Subject: RE: 2003 RRR Review

The latest reports are (PDO only draft at this stage): Both "Unsatisfactory":

<< File: SPDC03-Rept.doc (Compressed) >> << File: PDO03-Covnt.doc (Compressed) >>

The previous ones, both from 1999, are as follows: "Satisfactory" and "Good" respectively, although comments were made in both cases about the (lack of) audit trail in support of the disclosed figures:

<< File: SPDCovnt.doc (Compressed) >> << File: OmnCovnt.doc (Compressed) >>

The audits were conducted with reference to the 1998 and 2002 editions of the Petroleum Resource Volume Guidelines. In 1998 the criteria for project technical and commercial maturity were somewhat more relaxed than now. Whereas now reserves should in principle be post-FID (major projects) or at least post-VAR-3 (lesser projects),

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in 1998 the criteria were as indicated below. Key points that now are subject to much more stringent interpretation are highlighted in red. The increased stringency stems both from SEC guidance and from the desire to ensure that reserves bookings are tied more closely to investment decisions. Furthermore, the 1998 guidelines continued to endorse the use of probabilistic (p85) proved reserves estimates. The emphasis is now on deterministic techniques which tend to yield lower estimates in immature fields.

1998: Technical and Commercial Maturity

The classification scheme uses a project's technical and commercial maturity as the primary criteria to distinguish between reserves and scope for recovery (SFR). Resource volumes can be classified as reserves only if the associated project that will result in production of those volumes is considered to be technically mature and commercially viable. If it cannot, the resource volumes should be classified as SFR. SFR needs an activity (e.g. exploration appraisal, field trial, gas market development, etc) to achieve technical maturity and commercial viability. Secondary technical and commercial distinctions (between proved and unproved techniques SFR and between commercial and non-commercial SFR) further identify resource volumes at various stages in the life cycle.

Project Basis

Technical and commercial maturity reflects the status of remaining uncertainties in the assessment of the optimal development project and its associated recovery. A project is any proposed or notional modification of the wells, the production facilities and/or the production policy, aimed at changing the company's sales product forecast. It can also be a modification of the company's share in a venture (purchase/ sales-in-place, unitisation, new terms). The generic term 'project' is also used to describe a group of (sometimes alternative) projects, each with a certain chance of realisation, depending on the results of further data gathering. In that case, the project NPV is replaced by the Expected Monetary Value (or EMV, see Appendix 6).

Technically Mature

For a project to be **technically mature**, information on the resource volume, including its level of uncertainty, is such that an optimal project can be defined with an auditable project development plan, based on a resource and development scenario description, with drilling/engineering cost estimates, a production forecast and economics. The plan may be notional or it may be an analogy of other projects based on similar resources. However, there should be a reasonable expectation that a firm development plan can be matured with time. Projects do not have to have a completed development plan.

Commercially Mature

A **commercially mature** project is commercially viable over a sufficiently large portion of the range of possible scenarios that reflect the remaining resource uncertainties. The definition of what constitutes "a sufficiently large portion" may vary from case to case and could for example require the project NPV for the low reserves scenario to be positive for appropriate commercial criteria. It is also likely to include an assessment of the capital exposure in case of project failure due to adverse resource realisations. The selected range of scenarios should be documented and auditable.

A scenario is **commercially viable** if the NPV is expected to be positive under the applicable terms and conditions for the acreage and for the current advised Group reference criteria for commerciality (Reference 9).

A project is **economically viable** if the expected NPV under the applicable terms and conditions for the acreage exceeds the separately advised Group project screening criteria or if the project has already been approved by shareholders. Projects generally have to demonstrate economic viability in order to obtain investment approval. However, economic viability or formal project approval is not required for a project to be considered commercially mature. Reserves may be booked before project approval is sought.

John Pay
Group Hydrocarbon Resource Coordinator
Shell International Exploration and Production B.V.
Shell Exploration & Production International Centre
Kessler Park 1, 2288 GS,
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RIJSWIJK-ZH,
The Netherlands

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Email: john.pay@shell.com
Internet: http://www.shell.com/eandp-en

NOTE – 30 Sept 2003

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2003 AUDIT "unsatisfactory" due to project immaturity.

From: Anton A. Barendregt — Group Reserves Auditor, SIEP – EPF - GRA

To:
Frank Coopman — Chief Financial Officer, SIEP – EPF
John Bell — Corporate Support Director, SIEP – EPS
Chris Finlayson — Managing Director, SPDC

Copy:
Mark Comer — Development Director, SPDC
Steve Ratcliffe — Business Director, SPDC
Cees Uijlenhoed — Finance Director, SPDC
Promise Egele — Petroleum Engineering Manager, SPDC
John Hoppe — Head, Reservoir Engineering, SPDC
(circulation) — SIEP – EPS-P: Hans Bakker, John Pay
Tom van Leenen — Technical Director, Europe & Africa Region, SEPI – EPG
Martin ten Brink — Finance Director, Europe & Africa Region, SEPI – EPG
Ken Marnoch — Internal Auditor EP, SI-FSAR, The Hague
Han van Delden — Partner, KPMG Accountants NV (2x)
Brian Puffer — PriceWaterhouseCoopers

PROVED RESERVES PROCESS AUDIT - SPDC (NIGERIA), 18-19 Sept 2003

I have audited the processes underlying the Proved Reserves submissions of SPDC for the year 2002 and the current measures undertaken by SPDC to introduce improvements in these processes. The reserves submissions present the SPDC contribution to the Group's externally reported Proved and Proved Developed Reserves and associated changes as at 31 December 2002.

Total Group share Proved Reserves booked by SPDC at the end of 2002 were 404 mln m3 of Oil+NGL and 85 bln sm3 of gas. This represents some 16% of total Group share Proved Reserves on an oil-equivalent basis. Proved reserves replacement ratios for SPDC over 2002 were -6% for oil+NGL and -55% for gas.

The last previous SEC proved reserves audit for SPDC was carried out in 1999. This current audit is a partial audit of reserves reporting processes only (in The Hague), replacing a full audit, which has been deferred to 2004. The audit took the form of presentations and detailed discussions about the reserves reporting process with a small selection of SPDC staff.

The audit found that SPDC's portfolio of proved oil reserves estimates appears far less mature than during the last (1999) reserves audit. One important reason for this is that the Group guidelines for Proved reserves have been tightened considerably with respect to the need for properly defined FDPs and the passing of either VAR3 or FID hurdles. It was also found that SPDC's annual proved oil reserves submissions during the years 1999-2002 have been 'managed' as a total sum only, without taking heed of the underlying individual field estimates.

SPDC have realised these shortcomings and have taken steps to set up a full inventory of oil project forecasts and reserves with the ultimate aim of obtaining complete consistency between the reserves data base, Capital Allocation / Business Plan volumes and end-year reserves submissions. By end this year it should be possible to have a good overview of the maturity of the project portfolio, in terms of development hurdles passed or to be passed. Under the present circumstances there can be no doubt that the portfolio of proved oil reserves per 1.1.2003 has been overstated due to insufficient maturity in the underlying future projects. The precise correction that will be needed per 1.1.2004 will depend on further evaluations to be undertaken by SPDC during the remainder of 2003.

The audit finding is therefore that the present status of SPDC's proved oil reserves is unsatisfactory. Efforts are underway to address this situation. Proved gas reserves at 1.1.2003 appeared insufficiently founded on firm contracts but this will now be corrected with the commitment to a fourth and a fifth LNG train.

It must be realised that the scope for increasing SPDC proved oil reserves beyond present (inflated) levels is probably limited. The reason is that many projects will not be required until the next decade. It seems unlikely that these projects will be matured in the next few years (VAR3 or FID), which means that proved reserves for these cannot yet be booked.

A summary of the findings and observations is included in Attachment 1.

A.A. Barendregt

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Attachments 1, 2, 3

Attachment 1

PROVED RESERVES PROCESS AUDIT - SPDC, 18-19 Sept 2003

MAIN OBSERVATIONS

1. **SPDC's portfolio of proved oil reserves** estimates appears **far less mature** than during the last (1999) reserves audit. The two main reasons for this are:
   - The Group guidelines for Proved reserves have been tightened considerably with respect to the need for properly defined FDPs and the passing of either VAR3 or FID hurdles,
   - SPDC's annual proved oil reserves submissions during the years 1999-2002 have been 'managed' largely by keeping the sum of oil and condensate recoveries constant and by presenting declining reserves through subtraction of annual production only, without taking heed of the underlying individual field estimates.

   The latter approach did also not take sufficient account of the fact that realised offtake rates during 1999-2002 remained well below those originally planned (due to OPEC quota's, local community disturbances etc), while future planned rates (up to a doubling of offtake over a period of some 5-7 years) proved unrealistic due to investment level restrictions. With the perceived end-of-licence in 2019 this meant that considerable volumes of proved reserves would be produced after that date and thus became unbookable. This was not reflected in the reported estimates.

   This approach would have amounted to a serious loss of integrity of SPDC's proved reserves submissions. However, the integrity loss was reduced significantly by the realisation by SPDC during 2002 that Nigerian law does provide for a right to extend production licences and that such extensions have been granted without any serious hindrances in the past. Thus, any shortfalls in current or future production levels would no longer have any effect on producible volumes within-licence, and therefore not on bookable proved reserves.

   However, the above does not imply that all of SPDC's currently (1.1.2003) reported reserves are sound.

2. To date, SPDC have maintained **three separate sources of proved reserves estimates:**
   - The annual reserves submissions ('managed' separately, as described above),
   - The ARPR reserves volumes data base, built up from individual reservoir estimates,
   - The annual Capital Allocation / Business Plan ('CA/BP') submissions, which provide production forecasts and proved and expectation reserves estimates for developed fields and future projects.

   Consistency between these three sources has been incomplete at best and, in the case of the annual reserves submissions, it was allowed to deteriorate further. SPDC have now realised this and steps have recently been taken to bring the three in closer alignment, aiming for full alignment in the course of 2004. This is strongly supported.

3. The approach taken by SPDC (with assistance by SIEP EPT-OE-VAS) has been to link the inventories of **CA/BP project data with individual reservoir data through a large combined spreadsheet.** The reservoir data was obtained directly from the Petroleum Engineering field teams, not from the ARPR, whose current volumes are seen as less reliable in many cases.

   This spreadsheet was enhanced by the addition of a set of criteria checks, which give a reflection of the technical maturity of each of the reservoirs plus the maturity of their their development planning and reserves estimates. These checks relate e.g. to the appraisal status and general knowledge of the reservoirs, but also to the passing of development hurdles and to the potential for community disturbances (see Att. 2). These criteria checks should provide significant insight into the appropriateness of SPDC's proved reserves submissions and they are strongly supported.

   A number of the criteria checks coincide with necessary conditions for booking proved reserves, in accordance with the most recent (2003) Reserves guidelines. These are highlighted in Att. 2. A first pass run through the spreadsheet data seemed to indicate that only 44% of proved developed reserves and not more than 7% of proved undeveloped reserves fulfil the criteria for proved reserves. It is likely that these percentages are too low. There are still a considerable number of 'empty' entries in the spreadsheet and these should be completed before end year. However, there is a strong indication that in particular the undeveloped proved reserves estimates have not kept pace with the increased requirements for booking such reserves as defined in the recent Group guidelines. The most significant of these is that the associated development projects must have passed either VAR3 (for small brownfield projects) or FID (for new field and major projects).

   It is noted that the availability of 3D seismic (one of the spreadsheet criteria) is not strictly a necessary condition for booking proved reserves. However, it is unlikely that fields without modern seismic will have passed recent VAR2/3 reviews and/or FID.

   The insertion of two additional criteria would be useful. There should be a check to indicate whether the proved volumes are consistent with 'known' fluid levels (from logs and/or pressures) as this is one of the key requirements for proved reserves ('proved area'). In addition, the inclusion of the intended year of start of development would allow a better assessment of the imminence (or otherwise) of the various development activities. The insertion of both criteria into the spreadsheet is recommended.

4. **The incomplete alignment between CA/BP and individual field forecasts** and plans implies that not all fields and reservoirs carrying reserves are taken up into the CA/BP, nor are all CA/BP forecasts tied into specific fields. Both of these 'orphaned' forecasts and reserves are at present included into the spreadsheet. It is possible that they may overlap to some extent and that their addition is not strictly valid. In any event, both groups should be eliminated from the spreadsheet (and indeed from the CA/BP data). SPDC have recognised this and are aiming towards full alignment between CA/BP and reserves data in the course of 2004. This is fully supported.

5. There are some obvious redundancies in the spreadsheet's criteria. This provides scope for **automatic checking for consistency** of the various entries. Examples are:
   - Brown-field developments must have developed reserves / production in the same field,
   - New field developments must have no developed reserves and zero production,
   - Productivity is always proven if cumulative production is >0, etc.

   Use should be made of these redundancies to enhance the quality and robustness of the spreadsheet entries.

6. To provide better insight into the maturity of SPDC's proved oil reserves portfolio it is suggested that, following completion and validation of all spreadsheet entries, a distinction is made into **seven categories of proved oil reserves**:
   A Proper proved developed reserves
   B Proved developed reserves in reservoirs without properly defined 'proved areas'
   C Proper proved undeveloped reserves
   D Reservoirs / projects that are likely to pass VAR3/FID in the next 2 years
   E Reservoirs / projects that are likely to pass VAR3/FID between 2 and 5 years from now,
   F Reservoirs / projects that are likely to pass VAR3/FID more than 5 years from now,
   G Reservoirs / projects that fall into none of the above and hence are completely immature.

   It is possible that a slightly different set of reserves categories may be more descriptive of the portfolio's maturity spectrum. This should be discussed between SPDC and SIEP EPS-P when the spreadsheet data set is complete (early December?). The proved (and expectation) oil reserves volumes for each of the categories should be reported in a table format similar to that presented in the lower half of Attachment 2.

7. With a few exceptions for the more mature fields, the proved reservoir and field reserves are largely based on probabilistic volumetric estimates. Although the **ratio between proved and expectation reserves** should show an increasing trend with field maturity (i.e. with the ratio between cumulative production and expectation ultimate recovery), this trend is not apparent in the current field data, see Attachments 3.1-3.4. In particular it is noted that:
   - P/E ratios for developed oil reserves are generally lower than for undeveloped oil reserves (the reverse is expected) and they do rarely show an increasing trend with field maturity,
   - The P/E ratios for undeveloped gas reserves are close to 1 in many fields, including some immature ones; this cannot give a proper reflection of remaining uncertainties.

   It is suggested that plots as presented in Att. 3 are used to verify the appropriateness of proved vs. expectation estimates.

8. During the presentations it was mentioned by SPDC that a large amount of the reservoir/project proved oil reserves showed **volumes below 2 MMstb per reservoir (100%)**. Their combined volume was said to amount to some 30-50% of total proved oil reserves. The reason for this could not be made clear during the audit. SPDC should investigate whether this is due to inappropriate conservatism in the estimates, to genuine end-of-life maturity ('scraping the barrel') or to the small size of the many (>3000) reservoirs. The subject should be addressed during the 2004 Proved Reserves Audit.

9. **SPDC's gas reserves** are in principle based on committed volumes to date. A gas strategy is in place. Booked reserves volumes at 1.1.2003 included contracted volumes for NLNG trains 1-3 (all now operating), a 42 bln sm3 allowance for the DomGas-East project and a small (notional) allowance of 4 bln sm3 for the West Africa Gas Pipeline (all volumes Shell share). The latter two projects' volumes have not been secured by contract yet and are at this stage uncertain. These will be reduced / debooked per 1.1.2004. On the other hand, volumes for NLNG trains 4 and 5 have now been secured and these will allow an increase of some 54 bln sm3 in proved reserves, while a modest commitment for the DomGas West project will allow booking of 16 bln sm3 of gas. The net increase by 1.1.2004 could be some 30 bln sm3 Shell share. The precise status of contractual commitments for all these volumes was not discussed in detail during this audit and this should be addressed more fully during the 2004 audit.

10. As for further future gas reserves volume bookings, there is the potential problem that future **NLNG sales** may be more **on a spotmarket basis** rather than a firm long term gas sales contract. This brings the NLNG marketing closer to that of a mature gas market, similar to land based markets in the USA and Europe. Present reserves guidelines still require firm sales commitments for LNG gas reserves volumes, although gas volumes into existing (mature) gas markets can be booked without such commitments. It is suggested that

the next (Sept 2003) guidelines should be revised in such a manner that 'existing markets' are defined more precisely and may include mature LNG markets.

11. **SPDC's condensate reserves** (associated with non-associated gas (NAG) production, have been 'managed' in conjunction with the oil reserves, i.e. their combined volume was made to increase with the annual liquids production, without a specific link to actual field volumes. This kept condensate/LNG reserves artificially low and the link with actual field volumes should be re-established. SPDC condensate reserves should therefore be based fully on foreseen (and committed) NAG field gas sales and should be administered fully separately from the oil reserves.

12. The Nigerian authorities are now vigorously pursuing a **'flares out' policy, to be reached by 2008**. This means that Associated Gas Gathering ('AGG') plans must be in place for each of the major processing centres and their associated fields, and that implementation must be assured by 2008 before the associated post-2008 oil forecasts (and hence reserves) can be accepted as proved. SPDC have rightly included this criterion into their spreadsheet. Current improved modelling runs (and field gas measurements) indicate that GOR trends may rise more slowly than originally thought. In addition, there are continuing delays in the on-stream dates of new oil projects. There is said to be sufficient NAG capacity in initial years to take up the shortfall.

13. In summary, **the way forward for SPDC's oil, condensate and gas reserves** booking per 1.1.2004 is suggested to be as follows:
- Proved gas reserves can be booked as per plan, i.e. for NLNG trains 1-5 and appropriate, committed volumes for domestic gas,
- Proved condensate reserves should be evaluated in line with foreseen NAG sales and should be administered to their full (proved!) extent, independently from oil reserves,
- Proved oil reserves are at present overstated and a reduction in 1.1.2004 proved oil reserves will probably be necessary. The precise value of the reduction cannot be assessed at this stage as it will depend on SPDC's evaluation of the maturity spectrum of their portfolio by early December. At the least, all volumes in category G (fully immature or undefined, see 6 above) and probably those in category F (long term projects) will need to be removed from the proved reserves portfolio.

14. A fundamental consideration is that the Reserves / Production ('R/P') ratio for SPDC's proved reserves submission per 1.1.2003 is 11 years for developed reserves and 22 years for undeveloped reserves. Both these ratios are considerably in excess of the Group average, which are 6 and 7 years respectively. To some extent this reflects the present constraints to SPDC's current and future offtake rates. However, it also suggests that **the scope for a further increase in SPDC's proved reserves is rather tenuous.** Many of the presently foreseen developments are not required until well into the next decade, even at a favourable upturn in offtake levels (an increase from 0.8 MMb/d to 1.4 MMb/d in 100% SPDC offtake levels is assumed by 2009). Also, some projects need to be delayed because they require ullage in presently fully utilised facilities. This means that investment decisions (VAR3/4's and FID's) for these projects are not likely to be taken in the near future and hence, that proved reserves for these activities cannot properly be booked at this stage.

Recommendations

1. Verify and complete all entries in the SPDC reserves/ projects spreadsheet such that a proper scan of the maturity of the reserves portfolio can be made.

2. Add (and complete) two additional maturity criteria to the spreadsheet:
- Confirmation that proved reserves are consistent with 'known' fluid levels (logs and/or pressures)
- The intended year of start of development.

3. Use should be made of data redundancies to verify and enhance the quality and robustness of the spreadsheet entries.

4. The proved and expectation oil reserves volumes for each of the seven suggested (or somewhat modified) reserves categories should be reported in a table format similar to that presented in the lower half of Attachment 2.

5. SPDC condensate reserves should be based on foreseen (and committed) NAG field gas sales and should be administered fully separately from the oil reserves.

6. Proved oil reserves per 1.1.2004 should exclude all volumes in category G (fully immature or undefined, see 6 above) and probably those in category F (long term projects). This should be reviewed jointly with SIEP EPS-P.

7. Plots as presented in Att. 3 should be used to verify the appropriateness of proved vs. expectation estimates.

8. The 2004 audit should specifically look at:
- The status of the maturity of future projects in SPDC's portfolio and the effect that this will have on bookable proved reserves,
- The reason why small (<2 MMbl) reservoir reserves volumes occur in a large majority of cases,
- The precise status of gas contractual sales commitments,
- The reasons for the low Proved/Expectation reserves ratios in many fields (Att. 3).

These issues are already covered by the general Reserves Audit Terms of Reference, but in the case of SPDC reserves they require particular attention.

9. The (Sept 2003) Group reserves guidelines should be revised in such a manner that 'existing markets' are defined more precisely and may include mature LNG markets (action: SIEP EPS-P).

ATTACHMENT 2 - SPDC – SPREADSHEET CRITERIA FOR PROVED OIL RESERVES

Criterion (as included in SPDC's integrated reserves spreadsheet)	Proved Dev'd Resvs		Proved Undev'd Resvs					Comment
	Prov Resvs OK	'Proved area' not OK	Prov Resvs OK	Resvr OK FID <2 yr	Resvr OK FID 2-5 yr	Resvr OK FID >5 yr	Im-mature resvrs and projects	
3D Seismic available?								
OWC defined?								
No Proved volumes below LKH or OWC from pressures?	+	X	+	+	+	+		
Productivity proven?	+	+	+	+	+	+		
Properly appraised?	+	X	+	+	+	+	R	
Near / far from existing infrastructure?								Not relevant if VIR OK?
AGG plans defined?	+	+	+	+	+	+	e	Needed for all post-'flares out' (2008) reserves
Community disturbance non-critical?	+	+	+	+	+	+		
Facilities not vandalised?	+	+	+	+	+	+	m	
VAR2 passed recently?			+	+	+	+		
VAR3 passed (if brown-field)?			+				a	
FID passed (if new field)?			+					
Project executed / executing?	+	+						
In production now (or shortly)?	+	+					i	
VIR / economics OK?			+	+	+	+	n	Only used for 'Unplanned' at present – should be inserted for all undeveloped reserves!
Volume < 2 MMstb (100%)?			+	+	+	+	d	Crude screening only – should be replaced by VIR/economics-check
Intended year of project's start of execution				≤2005	2006-2009	≥2010	e	
CA/BP 'Developed'	+	+	X	X	X	X	r	Prov Dev must be in CA/BP 'Developed'
CA/BP 'Base'	X	X	+	+	+	X		Prov Undev must be in 'Base' if pre-2010, otherwise in 'Options'
CA/BP 'Options'	X	X	+	X	X	+		
CA/BP Unplanned?	X	X	X	X	X	X		All proved reserves projects must be in CA/BP!
CA/BP 'Not known'?	X	X	X	X	X	X		All CA/BP projects must be 'known'

In italics *Criteria not yet in spreadsheet!*
+: Necessary criterion (must be 'Yes')
blank: Not needed
X: Not allowed (must be 'No')

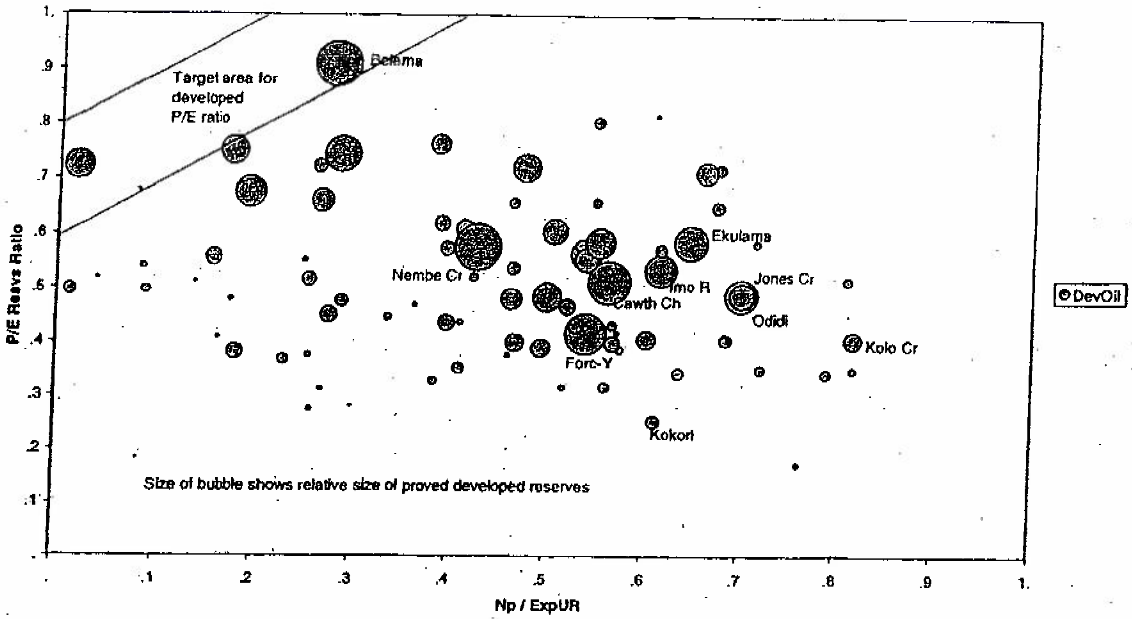
SPDC Group share oil reserves volumes (MMstb) as per data base Sept 2003

	Proved Dev'd Resvs	% of booked resvs	Proved Undev'd Resvs	% of booked resvs	Proved Total Resvs	% of booked resvs
In CA/BP, fulfilling proved reserves requirements	**377**	**44%**	**125**	**7%**	**502**	**20%**
In CA/BP, not fulfilling requirements	319	37%	1325	79%	1644	65%
In CA/BP, 'Unknown' reservoirs	178	21%	198	12%	376	15%
Not in CA/BP, 'known' reservoirs ('Unplanned')			590	35%	590	23%
Total in data base	874	102%	2238	134%	3112	123%
Total actually booked 1.1.2003	**854**	**100%**	**1670**	**100%**	**2524**	**100%**

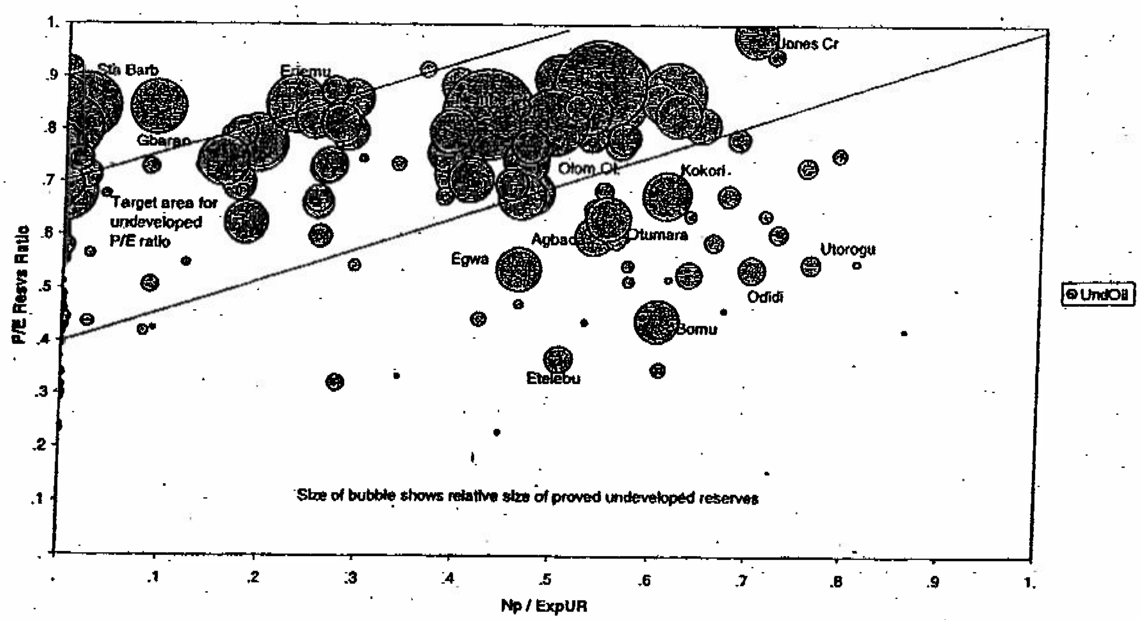
Note: 'Unknown' and 'Unplanned' volumes may overlap – addition is not strictly valid!

Attachment 3.1

SPDC - OIL DEVELOPED PROVED / EXPECTATION RESERVES 1.1.2003

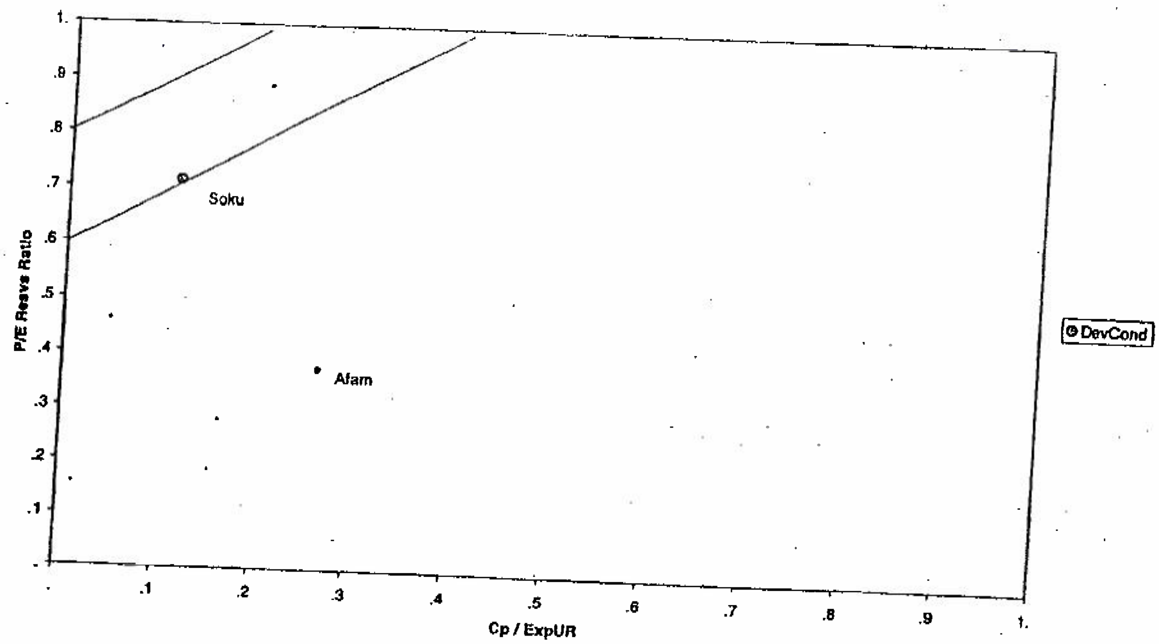


SPDC - OIL UNDEVELOPED PROVED / EXPECTATION RESERVES 1.1.2003

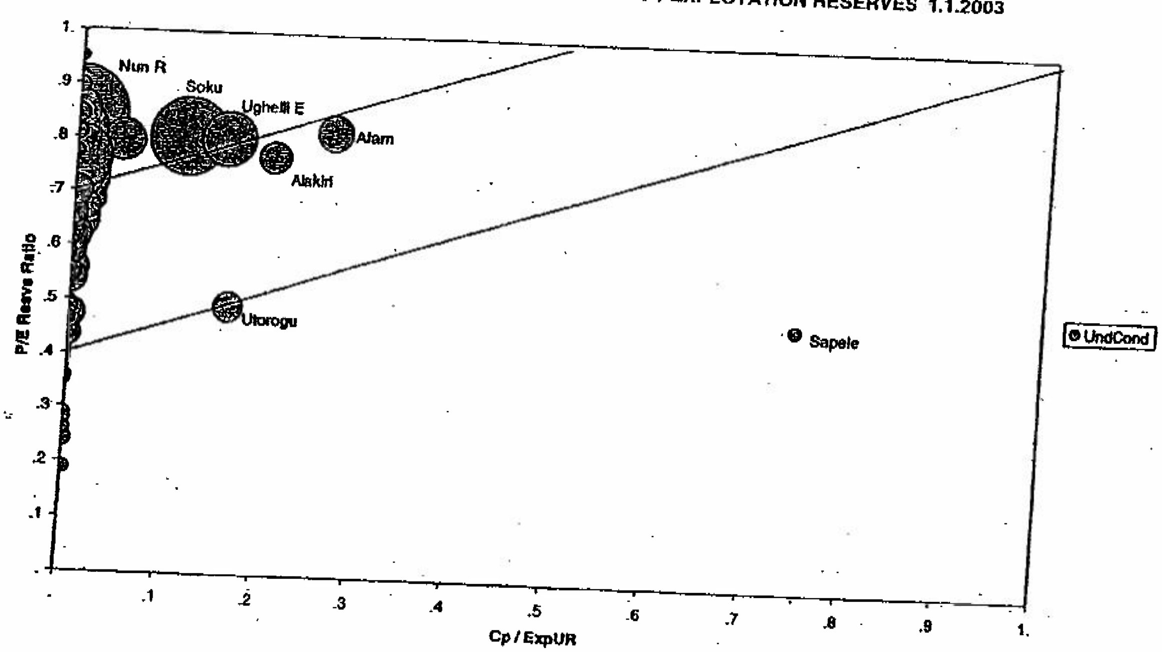


Attachment 3.2

SPDC - CONDENSATE DEVELOPED PROVED / EXPECTATION RESERVES 1.1.2003

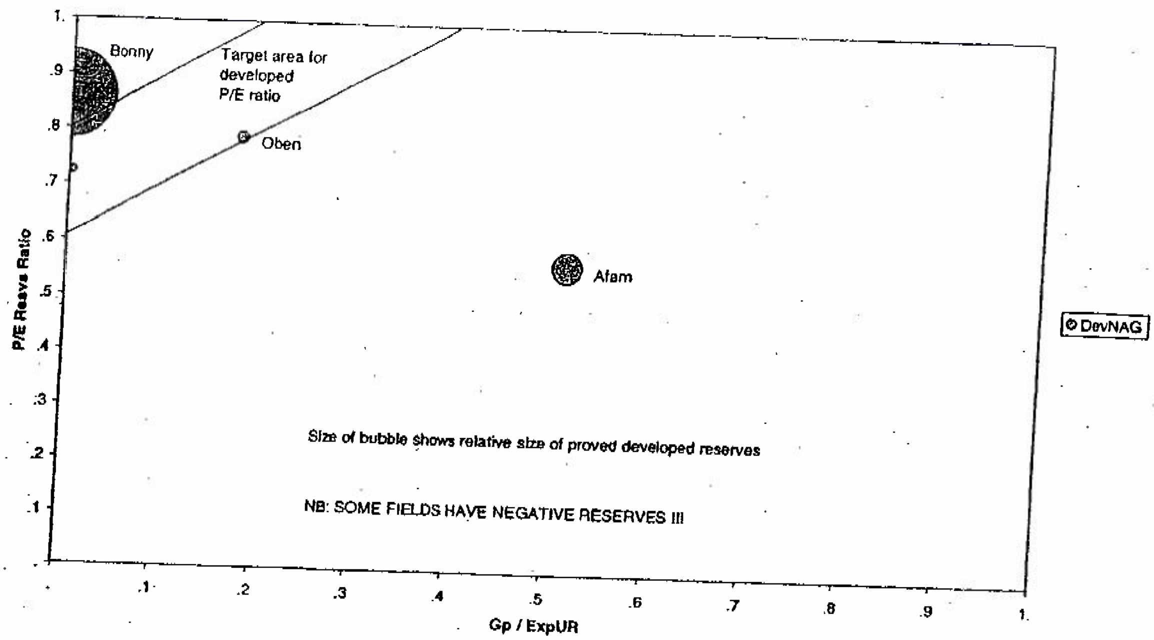


SPDC - CONDENSATE UNDEVELOPED PROVED / EXPECTATION RESERVES 1.1.2003

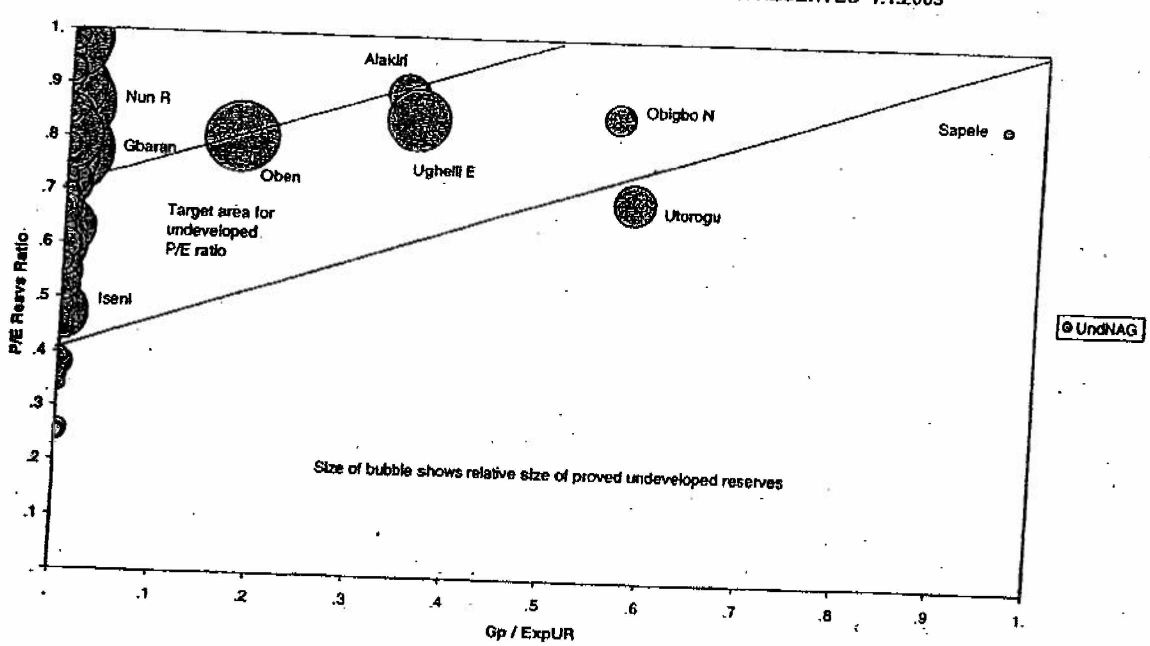


Attachment 3.4

SPDC - NAG DEVELOPED PROVED / EXPECTATION RESERVES 1.1.2003



SPDC - NAG UNDEVELOPED PROVED / EXPECTATION RESERVES 1.1.2003



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RJW00770726

DRAFT NOTE – 3 Nov 2003 **CONFIDENTIAL**

From:	Anton A. Barendregt	Group Reserves Auditor, SIEP – EPF - GRA
To:	Frank Coopman	Chief Financial Officer, SIEP – EPF
	John Bell	Corporate Support Director, SIEP – EPS
	John Malcolm	MD, PDO
	Andy Wood	General Manager, Shell Representative Office, Oman
Copy:	Abdulla Lamki	Deputy Managing Director, PDO
	Stuart Clayton	Head, Economics, Technology & Planning, PDO
	Stuart Evans	
	Fatima Kharusi	Finance Director, PDO
	Guy Jansens	Controller, PDO
	Lynda Armstrong	Exploration Director, PDO
	(circulation)	SIEP – EPS-P: Hans Bakker, John Pay
	Andrew Vaughan	Technical Director, SEPI – EPM
	René Zwanepol	Finance Director, SEPI – EPM
	Ken Marnoch	Internal Auditor EP, SI-FSAR, The Hague
	Han van Delden	Partner, KPMG Accountants NV
	Brian Puffer	PriceWaterhouseCoopers

SEC PROVED RESERVES AUDIT - PDO (OMAN), 25-28 Oct 2003

I have audited the Proved Reserves submissions of Petroleum Development Oman (PDO) for the year 2002 and the processes that were followed in their preparation. These submissions present the PDO contribution to the Group's externally reported Proved and Proved Developed Reserves and their associated changes as at 31 December 2002.

Total Group share Proved Reserves booked by PDO at the end of 2002 were 144 mln m3 of oil. This represents some 5% of total Group share Proved Reserves on an oil-equivalent basis. Proved reserves replacement ratio for PDO over 2002 was –19%.

The last previous SEC proved reserves audit for PDO was carried out in 1999. This current audit verified the PDO procedures against those laid down in the "Petroleum Resource Volume Guidelines, SIEP 2002-1100/1101" (based, inter alia, on FASB Statement 69). It included a verification of the technical and commercial maturity of the reported reserves, a verification that margins of uncertainty were appropriate, that Group share and net sales volumes had been calculated correctly and that reported reserves changes were classified correctly. It also included a verification that the annual production (sales) submission through the Finance system was consistent with the reserves submission. The audit took the form of detailed discussions about the reserves reporting process with PDO staff. Emphasis was placed on the procedures and methods followed and less on detailed individual field estimates.

The audit found that PDO's Group share proved developed reserves are largely reasonable, but that the proved total reserves are currently overstated by some 40%. The reason for this was partly the progressive tightening of Group reserves guidelines (following SEC guidance), but more fundamentally that proved reserves had not been reviewed and reduced in the light of recent downturns in oil production rates. The technical maturity of the projects associated with proved undeveloped reserves had also been eroded through lack of medium- to long-term field development planning work. PDO have recognised this and have embarked on an aggressive study programme to address the maturation of these projects. A foreseen extension to the current production licence agreement with the Government during 2004 may provide some relief from the necessary de-booking of the overstated volumes.

The audit recommendation is that the present erroneous volumes be continued unchanged per 1.1.2004 (reduced by 2004 production), but that a properly based portfolio of proved reserves should be submitted by 1.1.2005. The overall opinion on the state of PDO's 1.1.2003 Proved Reserves submission, taking account of the audit's findings (see Attachment 3), is unsatisfactory. Improvements have been set in motion.

A summary of the findings and observations is included in the Attachments.

A.A. Barendregt

EXHIBIT
Van der Vijver
34
2/1/07

Attachments 1, 2, 3

RJW00950013

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Attachment 1

SEC PROVED RESERVES AUDIT - PDO and GISCO 25-28 Oct 2003

MAIN OBSERVATIONS

1. **PDO** are the operator in a land-based concession in the Oman interior. Shareholders in PDO are the Oman Government (60%) and the 'private shareholders' (Shell, BP and Partex). Shell holds 85% of the private shareholders' share of 40% and has thus title to 34% of the PDO produced crude. PDO are free to use produced gas for own use and for re-injection where needed, but the Oman Government has exclusive title to the exported gas. Hence, no gas reserves are carried by PDO. The current production licence started in 1967 and ends on 24th June 2012.

   A separate agreement has been concluded between Shell, Total and Partex with the Oman Government regarding processing and further export of the associated and non-associated gas produced from PDO fields. This gas plant has been funded jointly between the co-venturers and the Oman Government and in recognition of this funding each of the co-venturers receives an annual fee, which is translated back into entitlement volumes for gas and NGL. This operation, administered by **GISCO**, is not addressed in this audit report.

   PDO projects are in principle approved by the PDO board. The Group Capital Allocation system has little influence on these decisions. The verbal statement was made that many of the latest projects might not have passed the stringent Group criteria. Previous UTC levels were at some $4/bl, but these have risen in recent years and the current outlook is that these may rise further to levels up to $10/bl.

2. **PDO production levels** have climbed gradually from 200 Mb/d in the early 1970's to a plateau of 850 Mb/d in the late 1990's. A relatively steep decline has set in since 2000 and current production is at some 700 Mb/d. The fundamental reason for the decline is the progressing maturity of the many producing fields, as evidenced by increasing water cuts and, to a lesser extent, increasing GORs. The first signs of field decline had been countered by an aggressive drilling campaign, including many horizontal wells, which has helped to maintain the earlier plateau production level. Decline, or at least production at lower levels, has now been accepted by PDO (and the shareholders) as inevitable, although further development options are still pursued vigorously.

   At the request of the Oman Government, PDO have committed a team from SIEP-EPT to carry out a comprehensive review of the STOIIPs and reserves of the PDO operated fields (the **STOIIP and Reserves Review Team, or RSST**). This review was in the final stages of completion during the audit. Preliminary conclusions by the RSST were that PDO's STOIIP estimates could largely be confirmed and that current reserves estimates were generally in line with field performance, with the exception of Yibal, Marmul and Qarn Alam. Expectation reserves in these fields were concluded to be overstated by some 100 MMstb out of a total expectation reserves base of some 730 MMstb as at 1.1.2003. The RSST also noted that the great majority of the projects associated with the undeveloped reserves were not properly defined (i.e. passed VAR3) and that some were notional to very notional.

   The auditor is indebted to the RSST for sharing their preliminary conclusions with him. The review was found to be highly opportune and it provided a firm basis for the audit's findings.

3. **The characteristics of the PDO fields** tend to be complex in nature. The predominant reservoirs in the northern part of the concession are the Natih and Shuaiba carbonates, which are generally tight and which show varying degrees of fracturing. The predominant reservoirs in the South are the Haima and Al Khlata sandstones. The latter is of glacial origin and has been deposited onto the heavily scoured and eroded Haima sands. It tends to be highly heterogeneous, showing poor to excellent permeabilities.

   The oil in these reservoirs varies from medium-light to heavy quality, with generally low GORs. Coupled with generally poor aquifer activity, this means that reservoir energy tends to be low and that pressure maintenance methods of recovery have to be applied. Water injection is used most widely, but gas injection under gas-oil gravity drainage has been implemented successfully in the steeply dipping Fahud field. Steam and polymer injection have been tried with varying success in the Marmul field in the South. A steam injection pilot has been in progress for several years in the heavily fractured Qarn Alam field and a field wide application is now planned. Injection of gas alternated by water (WAG) is seen as a possible further recovery mechanism. Horizontal wells have been used quite successfully and these have led to significantly improved field rates and, in many cases, improved recoveries.

   However, the heterogeneous nature of both the carbonates and the sandstones make good sweep efficiencies a challenging target. The current average recovery factor is some 23% and major fields like Fahud and Natih have recovery factors in this range. The best recoveries are in the 40-50% range (Yibal, Rima, Saih Nihaida). The aspiration by the Oman Government and by PDO is to raise the target recoveries to the latter level for all fields. This will require extraction of the oil from the less permeable portions of the reservoirs, which is counteracted by the many bypass routes (higher permeable 'thief zones' or fractures) that surround these tighter portions.

Many of the PDO fields started production before or during the 1970's and **production declines** are apparent in a number of them. As mentioned, these declines have been countered by an aggressive drilling campaign, and this has helped maintain the PDO plateau production through the 1990's. The many infill wells did not always yield the additional reserves that were aspired. A striking example is seen in the Yibal field, where a massive horizontal infill well campaign did raise production, but now shows a decline towards an ultimate recovery that is not much different from that seen before, see Fig.1. A possible mild arrest of the decline may be evident from recent measurements. The lesson seems to be that many fields will yield additional recoverable volumes, but that they need sufficient time. The prevailing reservoir heterogeneities make gas-oil gravity drainage or induced/spontaneous water imbibition the only realistice option for further recovery. The associated time frames can hardly be accelerated.

4. The RSST have identified that lack of **reservoir understanding** is the single most important bottleneck to production increases and further oil development maturation. Good reservoir understanding requires a reliable and representative 3D reservoir model (first static, then dynamic) and the experience in many other operations in the Group is that the availability of **good 3D seismic** is key to such modelling. Spectacular results have been seen in a number of places making e.g. reservoir character or oil fill clearly visible. Many PDO teams claim that, due to the complex overburden (a number of strong reflective events) and due to the poor acoustic contrast at reservoir level, little use can be made of the available seismic in reservoir characterisation and 3D mapping. This opinion seems to be contradicted by experience in the Rima field, where it has been shown that dedicated re-processing (Cheats and van Gogh filtering) and close cooperation with Exploration Processing can yield much improved results. This should be pursued further to see whether similar results can be obtained in other fields.

5. There is **mis-alignment between individual field proved reserves and the corporate PDO submission.** The root cause for this has been that PDO have historically focused mainly on expectation reserves because these are the subject of intensive discussions with the Oman Government (and also the basis for reserves addition bonuses). Proved reserves estimates for individual fields were prepared but these have hardly been updated and they have now shrunk to unrealistic levels (see 6 below). Because of this, PDO have maintained corporate Group share proved total reserves as an independent entity, not linked to individual field volumes. This approach has not only caused problems with the audit trail but, more seriously, it allowed the Group proved reserves estimate to drift away from realistic levels, see 8 below.

6. **Probabilistic estimates** of STOIIP and ultimate recoveries have been prepared by PDO prior to and in early stages of field development. Recovery factor ranges were obtained from preliminary reservoir modelling. The probabilistic parameter ranges tend still to be based on early well data only, i.e. no adjustment has been made for subsequent dynamic STOIIP and recovery determination from production performance. Hence, the current **proved vs expectation recovery ranges** are too wide for the current stage of field development. The 1999 reserves audit made the same observation. It is therefore disappointing to see that no progress has been made in this respect.

   The conservative nature of the current field proved (P85) recoveries has been further exposed by progressing cumulative production from the fields. With proved and expectation ultimate recoveries fixed, the range between proved and expectation remaining reserves will widen with progressing production. This is clearly visible in Figure 2. Cumulative production has already overtaken proved ultimate recovery in some fields, with the result that these fields now carry negative proved remaining reserves, which is of course impossible. Examples are Rima, Sayyala, Wafra and Runib.

   Group reserves guidelines state clearly that field / reservoir reserves estimates should be made separately for developed (no further activity, or NFA) and undeveloped reserves. The latter must be project based, i.e. they must be associated with clearly identified future development activities (wells, facilities). Estimation of total recoveries based on (largely assumed) recovery factors is archaic and is considered indefensible with the current state of petroleum engineering technology.

   Proved developed reserves should be derived in a deterministic manner, using reservoir model simulations and production trend extrapolations. Proved undeveloped reserves should be evaluated in the same manner, using a low case model realisation. This practice should result in proved undeveloped reserves growing towards expectation levels with progressing field maturity, see Fig. 2.

7. Expectation **developed reserves** are generally, and correctly, derived from well and cluster decline analysis (through Oil Field Manager software) or from reservoir simulation models. The origin of the Group share proved developed estimate was not clear (poor audit trail, see below), but its volume seems broadly in line with the expectation NFA forecast, cut off at the end-of-licence in 2014. This is in accordance with Group guidelines. However, the link between Group share / corporate proved reserves and individual field estimates should be re-established.

8. There is a serious flaw in the corporate **total proved reserves** estimate (and, by implication, in the undeveloped reserves estimate) in that this estimate was not reviewed when the PDO oil production started to decline rapidly from 2000 onwards. Group share reserves should be producible within the current licence period (ending in 2014) and the achievement of production of the stated volumes in that time period has rapidly become unlikely.

The majority of **undeveloped field reserves** are associated with identified projects. However, many of these are notional or highly notional, while others do not even have a forecast associated with them in the Business Plan. There are of course more mature projects, but many of these are recognised as needing further work or re-work in order to become matured towards the required VAR3 (or FID) level. Even some projects/volumes based on FDPs from the late 1990's, which did pass VAR3 earlier, are now seen as out of date because of subsequent well and field performance. The estimate made by PDO and the SRRT is that 80-90% of the presently identified undeveloped reserves are yet to pass through the VAR3 stage. This means that these volumes do not fulfil present Group and SEC guidelines. It is accepted that the latter have tightened over the last three years (from 'defined' projects to VAR3) and thus further increased the exposure.

The main reason for this regrettable situation is that proper modern static and dynamic modelling has received insufficient attention in PDO in recent years. Much attention was diverted towards short-term activities to provide new well proposals. The situation is now being addressed through an urgent and aggressive study programme.

The Group share total (i.e. undeveloped) reserves booked at 1.1.2003 have thus been seriously overstated. A preliminary estimate by PDO is that of the 907 MMstb (Group share) booked at 1.1.2003, some 400 MMstb are exposed as insufficiently mature according to present Group guidelines.

The impact of this overstatement of reserves is somewhat reduced by the fact that discussions between PDO and the Oman Government towards an extension of the current production licence are currently in progress and that a Heads of Agreement is expected before the end of 2003. A formal extension agreement could then be signed during the first half of 2004. This should bring some 300 MMstb (230 MMstb developed, 70 MMstb undeveloped) into the Group reserves portfolio.

9. It has been noted during the audit that PDO carry a number of projects with **positive expectation reserves but zero proved reserves**. These volumes relate to projects and exploration discoveries, whose development plan is not yet sufficiently mature to merit the booking of proved reserves. The expectation volumes have been agreed with the Oman Government and reserves addition- and exploration bonuses have been received for them. The Group guidelines state clearly that expectation reserves can only be booked if the associated projects fulfil the conditions for proved reserves. If the latter is not the case, the expectation volumes should be booked as SFR. This should be addressed in the forthcoming submission.

10. The **consistency between reserves and Finance** was good. There was full agreement between the 1.1.2003 submissions for reserves and for annual production through Ceres/FIRST, without any corrections being required.

The verification of the correctness of proved developed and proved total reserves used for UOP asset depletion calculations was not relevant in the case of PDO, because UOP asset depletion has not been applied in the past. The operating agreement stipulates a 40-30-10-10-10% depreciation profile for all capex and this is applied for calculation of the PDO profit margin and for PDO tax returns. Shell Group accounts returns are prepared by Shell Oman Trading (SOMANT) and they do not declare any share in the PDO assets.

PDO accounts are managed with depreciation through the abovementioned 5-year profile. This is not in accordance with international accounting practices, which require **UOP depletion**, based on proved total and proved developed reserves. This has led to qualifications in external auditor reports, which the Oman Government now want to see removed. Hence, PDO will need to start maintaining proper estimates of individual field proved developed and proved total (i.e. undeveloped) reserves. In view of the current state of PDO's proved reserves estimates (both corporate and by field), PDO have considered it not realistic to start with the new method of UOP accounting per 1.1.2004. A start per 1.1.2005 was seen to be the earliest possible as it would be desirable to avoid major swings in individual field reserves and asset values due to the necessary corrections to be applied during 2004. This view is fully supported.

Following the implementation of the new method of asset accounting, PDO will be required to re-state their accounts back to 2000. The intention was to do this on the basis of the 1.1.2005 volumes, correcting back only for annual production. The auditor recommendation is to include annual transfers from undeveloped to developed volumes (i.e. development activity) as well, since without this correction the earlier proved developed reserves would become too large.

11. By way of **audit trail**, PDO issue an annual ARPR report, which lists full life cycle (i.e. 30-years) recoverable volumes of oil+condensate (from PDO facilities) and associated gas. The format of the report seems somewhat cumbersome (duplicated data and unnecessary data, e.g. depletion rates, high estimates) and it could benefit from a simplification.

There is no note or report describing the basis or background for the Group share reserves submission. There is a spreadsheet, but this is not very accessible. Individual field proved reserves in the 1.1.2003 submission are clearly wrong (e.g. larger than expectation volumes and also larger than full-field-life proved reserves). The submission listed changes in the 'Improved Recovery, 'Extensions and Discoveries', and 'Transfers form Undeveloped to Developed' categories, but there was no audit trail to link this back in a quantitative manner to individual fields. The audit trail for PDO's shell share proved reserves is thus extremely poor. Guidelines for a proper audit trail are published on the EPB-P website ('Planning'/'Reserves', to be moved to a new EPS website in due course) and these should be followed. What is needed is a set of tables as presented in Att.2, with a brief note describing the source of the constituent data.

It was noted that there seems to be no effective central PDO library and field teams tend to keep project reports in personal filing cabinets. The RSST reported instances where documents had to be obtained from the Ministry because no copies could be found within PDO, following the temporary abandonment and re-assignment of the Fahud field team. This clearly an undesirable situation and corrective measures should be undertaken.

12. The auditor's suggestion for **the way forward** is as follows:

- In view of the short period left to end-2003, continue booking the present proved developed and proved total Group share reserves volumes in the 1.1.2004 submission, correcting only for 2003 production and for transfers from developed to undeveloped. Total proved reserves replacement ratio should thus be –100%.

- Conclude the production licence extension agreement with the Oman Government during 2004

- Book the proper sum of full life cycle proved developed reserves for all fields and proved undeveloped reserves for all projects fulfilling Group reserves criteria per 1.1.2005. This would require the maturation of at least some 200 MMstb of proved project volumes, to obtain a 100% proved reserves replacement ratio over 2004, see Table 1 below. Group share reserves should be a straight 34% of PDO oil reserves.

- It is suggested to invite the Group Reserves Auditor for a consultation visit towards the end of 2004 to verify with him the status of the of the proved developed and proved undeveloped reserves portfolio.

Group share total proved reserves 1.1.2003 (MMstb)	907
2003 Production	-87
Group share total proved reserves 1.1.2004 (MMstb)	820
Group share total proved reserves 1.1.2004 (MMstb)	820
Overstatement 400 MMstb	-400
Transfer from beyond-licence	+287
New matured proved reserves	+200
2004 Production	-87
Group share total proved reserves 1.1.2005 (MMstb)	820

Table 1 – Progression of PDO Group share proved reserves during 2003 / 2004

Recommendations

1. Pursue the possible improvements in reservoir characterization and modelling that may be obtained from dedicated seismic re-processing (cf Rima).
2. Declare proved developed as equal to expectation developed reserves in fields where there is either a good simulation history match or where there is a well-defined decline rate extrapolation. New fields and reservoirs with neither of these should be assigned a conservative (low case) value for proved developed reserves.
3. Prepare proved and expectation estimates of undeveloped reserves by individual project and by field. Proved estimates should preferably be based on low case simulation model realisations and should be seen to be growing towards expectation levels with progressing field cumulative production. Projects should be ranked according to their maturity, e.g. 'firm' (VAR3/FID), 'mature' (documented FDP), 'possible' (VAR2) etc.
4. Invite the Group Reserves Auditor for a consultation visit towards the end of 2004 to verify the status of Group share proved developed and proved undeveloped reserves.
5. In the re-statement of PDO accounts for years back to 2000, correct the 1.1.2005 volumes back to earlier years by adding annual production and by subtracting annual transfers from undeveloped to developed reserves.
6. Classify projects with expectation reserves but zero proved reserves as SFR in the 1.1.2004 submission.
7. Improve the audit trail for the Group reserves submission by following the guidelines for on the EPB/Planning/Reserves website.
8. Consider the installation of a central library where properly indexed copies of reports and meeting notes (e.g. with the Ministry) can be stored and kept.

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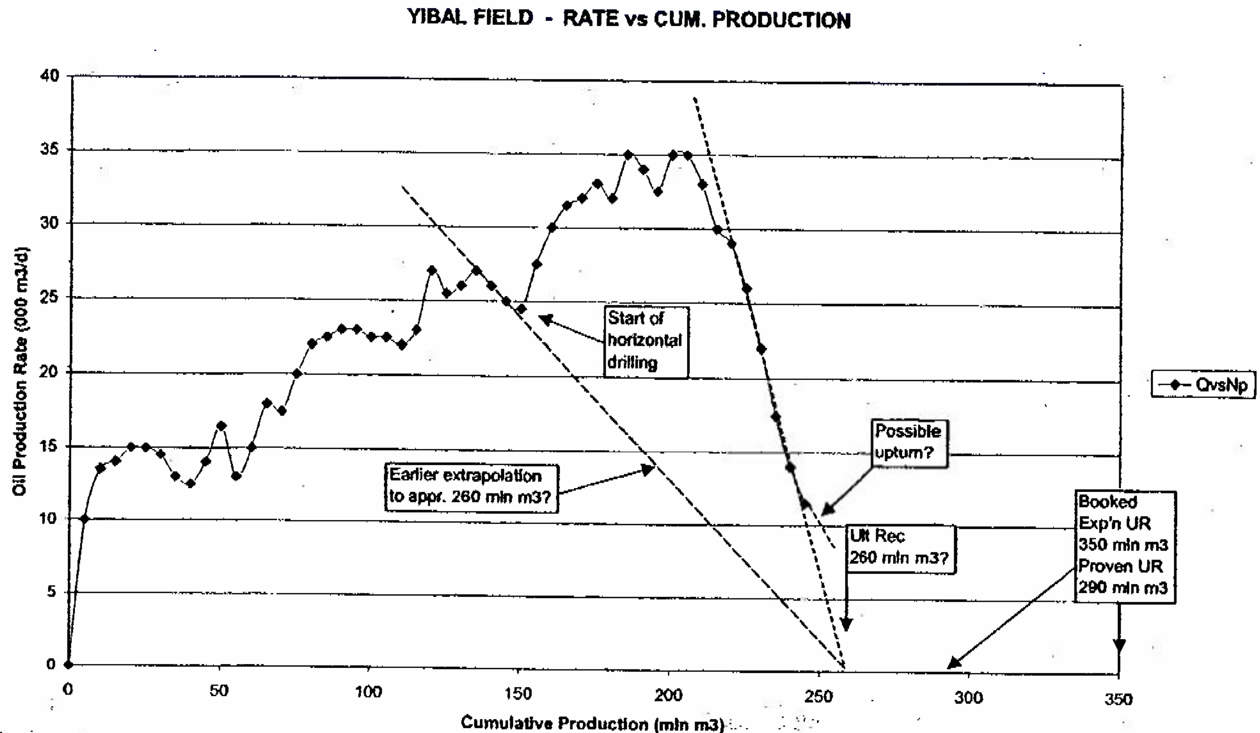

Figure 1 - Yibal field oil rate decline versus cumulative production

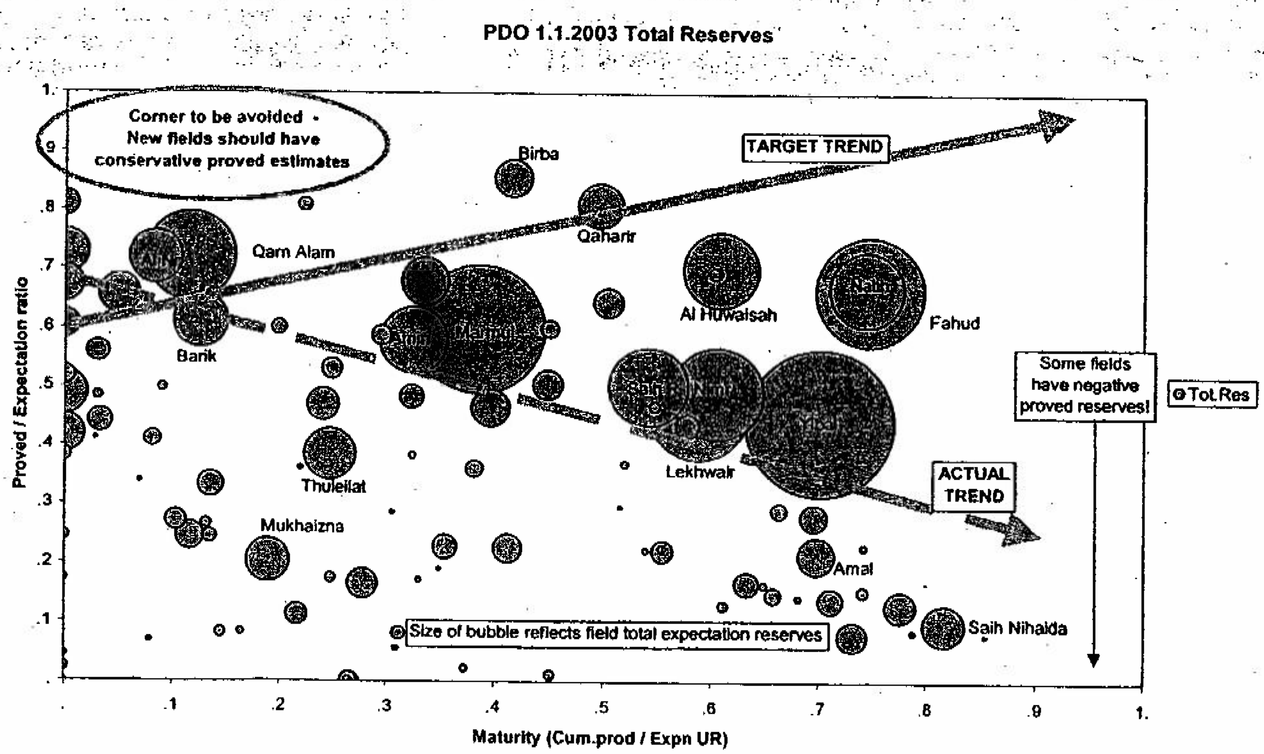

Figure 2 - Ratio of Proved / Expectation Reserves versus progressing field maturity

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Attachment 2

PDO — Proved Oil / NGL / Gas Reserves as at 1.1.2003

Area / field	Proven HIIP (MMstb / Bscf)	Exp'n HIIP (MMstb / Bscf)	Cum. Prod + Sales 1.1.2003 (MMstb / Bscf)	Proved Rem. Recov. Dev'd (mln m3)	Proved Rem. Recov. Undev (mln m3)	Exp'n Rem. Recov. Tot'l (mln m3)	Maturity (Cum.pr / Exp'n UR) %	Dev. / Tot'l Proved UR %	Prov / Expn Rem %	Proved RF Tot'l %	Exp'n RF Tot'l %	Fract'n w/i lic. comtd Pr.Dev. %	Fract'n w/i lic. comtd Pr.Undv %	Within Licence comtd Pr.Dev. mln m3	Within Licence comtd Pr.Tot'l mln m3	Venture Shell share %	Shell Equity Pr.Dev. 10^6 sm3/10^9 sm3	Shell Equity Pr.Tot'l 10^6 sm3/10^9 sm3	1.1.2003 Subm'n Pr.Dev 10^6 sm3/10^9 sm3	1.1.2003 Subm'n Pr.Tot'l 10^6 sm3/10^9 sm3	Prov. Res / Prod Dev. yrs	Prov. Res / Prod Tot'l yrs
Oil																						
YIBAL	567.79	695.12	246.22	10.76	35.39	105.07	70%	69%	44%	51%	50%	400.65%	44.71%	43.12	58.94	34.00%	14.66	20.04			2	9
FAHUD	845.49	1016.77	166.40	35.59	0.79	56.44	75%	100%	66%	24%	27%	49.68%	868.52%	18.18	25.00	34.00%	6.18	8.50			10	11
MARMUL	463.11	566.37	49.21	10.91	35.97	78.48	39%	53%	60%	21%	23%	191.09%	79.16%	20.85	49.32	34.00%	7.09	16.77			6	22
LEKHWAIR	230.75	311.51	67.98	16.26	5.64	47.63	59%	94%	46%	39%	37%	133.17%	174.22%	21.65	31.47	34.00%	7.36	10.70			3	4
NATIH	414.24	458.39	77.98	16.11	1.78	28.07	74%	98%	67%	23%	23%	83.81%	125.24%	13.50	15.74	34.00%	4.59	5.35			9	10
NIMR	368.61	426.13	62.93	7.56	12.96	41.08	61%	85%	49%	23%	24%	180.38%	109.34%	13.62	27.35	34.00%	4.63	9.30			2	4
RIMA	161.45	177.17	74.36	-1.38	0.03	6.84	92%	100%	-20%	45%	45%	-285.86%	5302.72%	3.94	5.65	34.00%	1.34	1.92			-1	-1
AL HUWAISAH	187.70	248.02	42.25	6.52	12.51	27.23	61%	80%	70%	33%	28%	79.85%	108.19%	5.21	18.74	34.00%	1.77	6.37			4	11
SAIH RAWL	142.32	174.66	35.01	6.71	8.15	29.67	54%	84%	50%	35%	37%	143.74%	128.12%	9.65	20.09	34.00%	3.28	6.83			3	6
QARN ALAM	165.30	186.88	5.07	0.75	27.30	38.91	12%	18%	72%	20%	24%	94.15%	94.58%	0.71	26.53	34.00%	0.24	9.02			8	318
Other Fields	2509.29	3638.80	240.78	38.02	85.67	276.44	47%	76%	45%	15%	14%	89.97%	129.57%	34.21	145.21	34.00%	11.63	49.37			2	7
Total Oil (mln m3)	6056.04	7899.62	1068.17	148.80	225.80	734.66	59%	84%	51%	24%	23%	124.07%	106.03%	184.62	424.03	34.00%	62.77	144.17	62.77	144.17	3	8
NGL																						
(No NGL reserves carried)							0	0	0	0	0			0.00	0.00		0.00	0.00				
Total NGL (MMstb)	0.00	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0.00	0.00	0	0.00	0.00	0.00	0.00		
Gas (Dry, sales gas volumes)																						
(No gas reserves carried)							0	0	0	0	0			0.000	0.000		0.000	0.000				
Total Gas (Bscf)	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0	0	0	0	0	0.000	0.000	0	0.000	0.000	0.000	0.000		

Conversion factors used by PDO:
1 m3 = 1 m3
1scf = 0.0283 sm3

Conversion factors used by SIEP:
1 stb = 0.159 m3
1 scf = 0.0283 sm3

Licence expiry date: 24 June 2012

Audit Trail: Proved developed and undeveloped field volumes (100%) derived from exp' devd/undev'd volumes, multiplied by proved/exp'n total reserves ratio.
Disconnect between field volumes in submission and actual field volumes (e.g. within-licence volume exceeds 100% field volume in some cases!)
Negative proved field reserves in Rima!

PDO — Proved Oil Reserves Changes 2002 (100%, mln m3)

Field	Prov.Res. 1.1.2002	Revisons/ Reclassns	Improved Recovery	Extens./ Discov's	Purchase in-place	Sales in-place	New Devel'd Reserves (Transf. Und. to	Product'n 2002	Prov.Res 1.1.2003	Shell Equity Share % 1.1.2002	Shell Equity Share % 2002 Prod	Shell Equity Share % 1.1.2003	Net Shell Equity 1.1.2002 (10^6 m3)	Net Shell Equity 1.1.2003 (10^6 m3)	Comments
Proved Developed Reserves															
YIBAL	15.76	0.00						5.00	10.76	136.22%	34.%	136.22%	21.47	14.66	
FAHUD	40.15	0.00						3.56	35.59	16.89%	34.%	16.89%	6.78	6.18	
MARMUL	13.09	0.00						2.18	10.91	64.97%	34.%	64.97%	8.50	7.09	
LEKHWAIR	21.17	0.00						4.91	16.26	45.28%	34.%	45.28%	9.58	7.36	
NATIH	17.90	0.00						1.79	16.11	28.5%	34.%	28.5%	5.10	4.59	
NIMR	12.06	0.00						4.50	7.56	61.33%	34.%	61.33%	7.39	4.63	
RIMA	0.21	0.00						1.59	-1.38	-97.19%	34.%	-97.19%	-0.20	1.34	
AL HUWAISAH	8.31	0.00						1.79	6.52	27.15%	34.%	27.15%	2.26	1.77	
SAIH RAWL	9.03	0.00						2.32	6.71	48.87%	34.%	48.87%	4.42	3.28	
QARN ALAM	0.84	0.00						0.09	0.76	32.01%	34.%	32.01%	0.27	0.24	
Other Fields	56.04	0.00						17.02	38.02	30.59%	34.%	30.59%	16.84	11.63	
		0.00													
Prov.Dev.Resv (mln m3)	193.56	0.00	0.00	0.00	0.00	0.00	0.00	44.76	148.80	42.57%	34.%	42.18%	82.41	62.77	
Proved Undeveloped Reserves															
YIBAL	35.39	0.00							35.39	15.2%		15.2%	5.38	5.38	
FAHUD	0.79	0.00							0.79	291.9%		291.9%	2.32	2.32	
MARMUL	35.97	0.00							35.97	26.91%		26.91%	9.68	9.68	
LEKHWAIR	5.64	0.00							5.64	59.24%		59.24%	3.34	3.34	
NATIH	1.78	0.00							1.78	42.58%		42.58%	0.76	0.76	
NIMR	12.56	0.00							12.56	37.18%		37.18%	4.67	4.67	
RIMA	0.03	0.00							0.03	1830.13%		1830.13%	0.58	0.58	
AL HUWAISAH	12.51	0.00							12.51	36.78%		36.78%	4.60	4.60	
SAIH RAWL	8.15	0.00							8.15	43.56%		43.56%	3.56	3.56	
QARN ALAM	27.30	0.00							27.30	32.16%		32.16%	8.78	8.78	
Other Fields	85.67	0.00							85.67	44.05%		44.05%	37.74	37.74	
		0.00													
Prov.Undev.Res (mln m3)	225.80	0.00	0.00	0.00	0.00	0.00			225.80	36.05%		36.05%	81.40	81.40	
Net Group Equity															
Proved Developed Reserves	82.41	-4.42					0.00	15.22	62.77	62.77					
Proved Total Reserves 10^6 m3	163.81	-4.42	0.00	0.00	0.00	0.00		15.22	144.17	144.17		Audit Trail:			
1.1.2003 Submission															
Prov.Dev.Res	65.80	4.92					7.27	15.22	62.77	62.77		No 1.1.2002 field data available!			
Prov.Tot'l Res 10^6 m3	162.30	-4.74	8.34	1.49				15.22	144.17	144.17		No audit trail for Transfers undev'd to dev'd, Extensions/Discoveries and Improved Recovery!			

Conversion factors used by PDO:
1 m3 = 1 m3
1scf = 0.0283 sm3

Conversion factors used by SIEP:
1 stb = 0.159 m3
1 scf = 0.0283 sm3

Unknown

From:	Van De Vijver, Walter SI-MGDWV
Sent:	16 November 2003 12:16
To:	Boynton, Judith G SI-MGDJB
Subject:	FW: 2003 RRR Review

Judy,

Some early warning...

We now have two unsatisfactory reserves audits to deal with (I have not seen the report yet):

Oman 400 MMbo , Shell share "overbooking"
Nigeria 720 MMbo, Shell share reserves without any development plans (should be de-booked)

Both countries have had the following:

- history of aggressive reserves bookings "stimulated" by reserves fees in our NIAT "contract" (Nigeria stopped in '99 after new MoU)
- lack of technical staffwork (no quality reserves maturation plans)
- countries not delivering on production promises and hence reserves defered until after license expiry date

All highly embarrassing for a company that is supposed to be conservative!

Regards,
Walter

-----Original Message-----

From:	Pay, John JR SIEP-EPS-P
Sent:	14 November 2003 12:09
To:	Van De Vijver, Walter SI-MGDWV
Cc:	Bell, John J SIEP-EPS; Coopman, Frank F SIEP-EPF; Darley, John J SIEP-EPT; Percival, Iain IDR SIEP-EPT-OE-HL
Subject:	2003 RRR Review

Walter,

The material we discussed with John Bell and Frank this morning is attached.

2003 Reserves
20031114.ZIP

John Pay
Group Hydrocarbon Resource Coordinator
Shell International Exploration and Production B.V.
Shell Exploration & Production International Centre
Kessler Park 1, 2288 GS,
PO Box 60, 2280 AB,
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Email: john.pay@shell.com
Internet: http://www.shell.com/eandp-en

—
Incoming mail is certified Virus Free.

EXHIBIT
Van der Vijver
35
2/1/07

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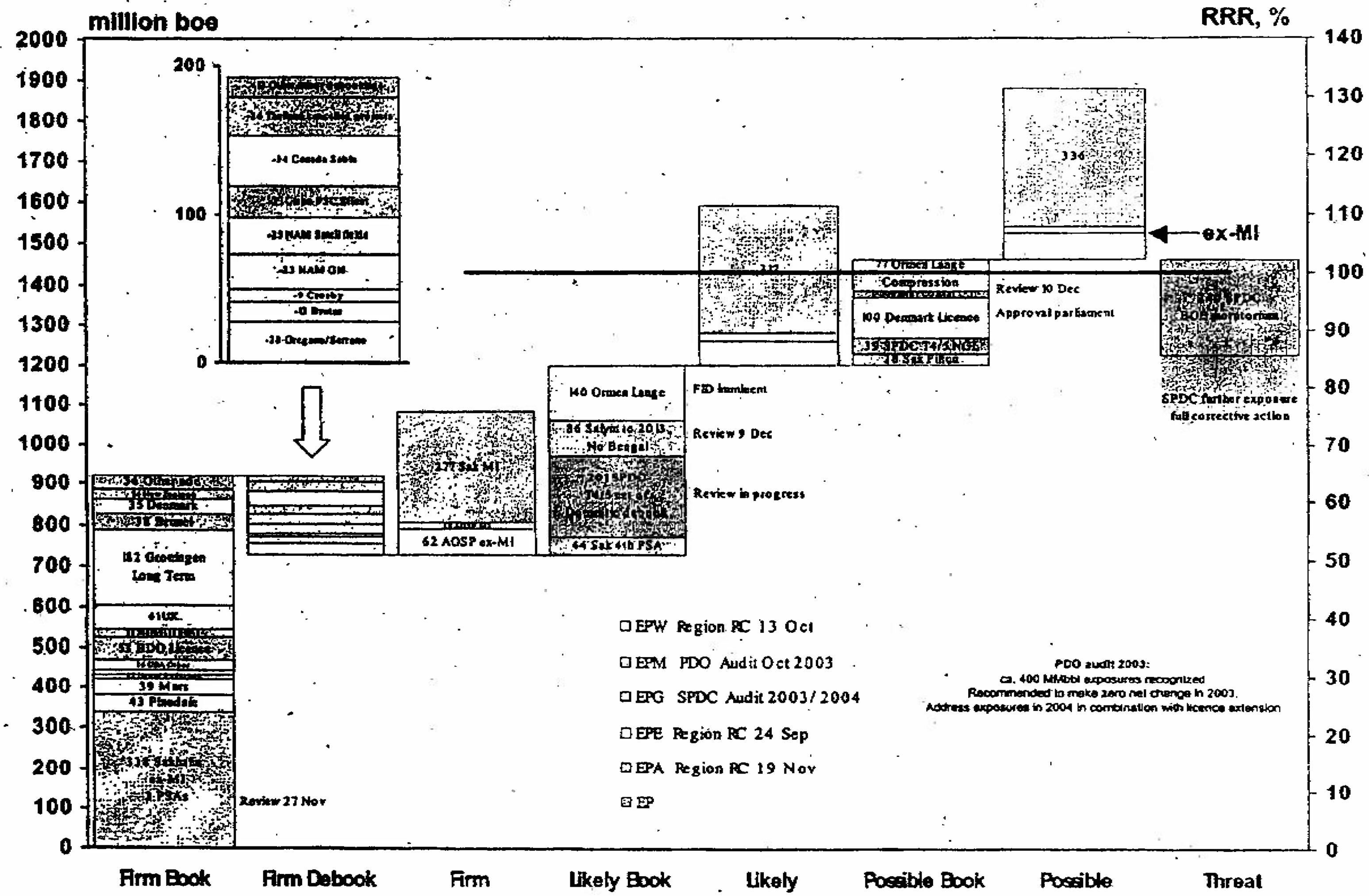
V00010813

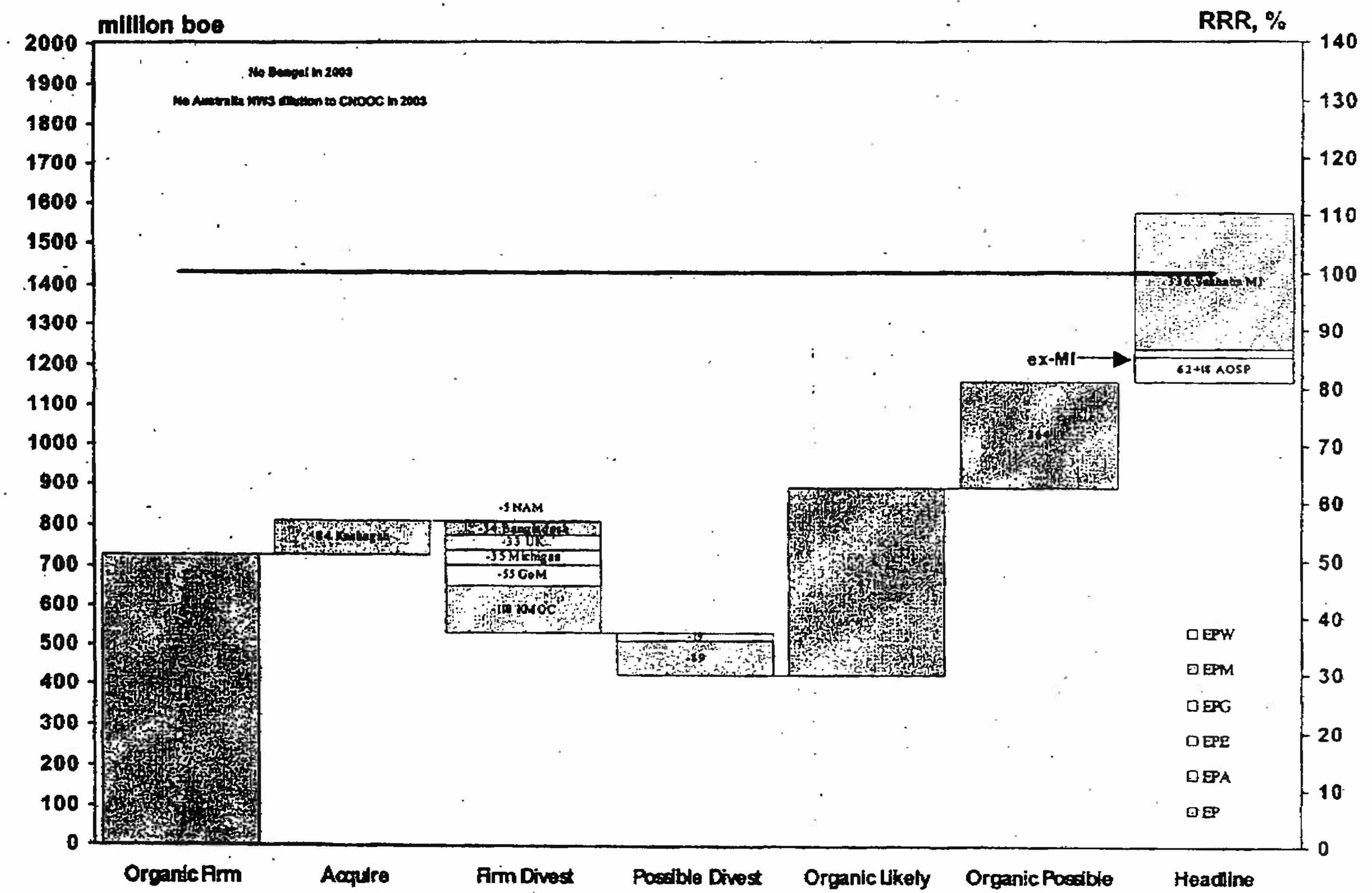
2003 Organic Proved Reserves Additions

Confidential



2003 Total Proved Reserves Additions

Confidential

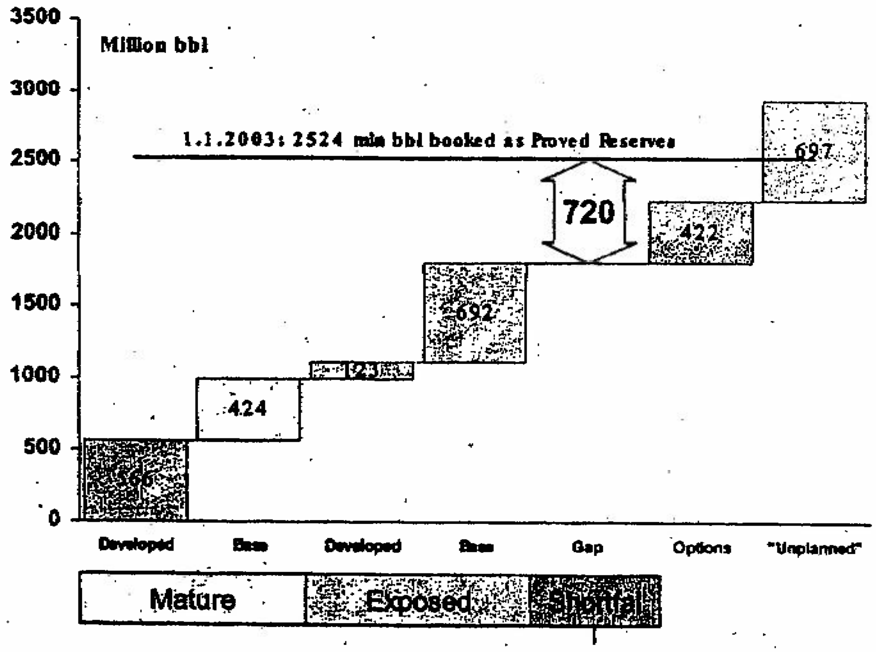


EPS 2003 Proved RRR Review 14 Nov 2003

2003 Reserves 20031114.ppt

SPDC Oil

Confidential



	Developed	Base	Options	Unplanned
Alakiri	2	2	41	0
Belema	37	9	0	10
Biseni	0	16	0	0
Bonny	4	23	0	0
Cawthorne Channel	97	126	0	1
EA	0	157	13	0
Forcados-Yokri	52	125	0	4
Gbaran/Ubie	48	81	27	3
Jones Creek	24	23	10	5
Kalaekule	8	0	29	0
Nun River	22	4	50	0
Oben	4	0	0	39
Obigbo	68	70	39	37
Odidi	39	36	27	34
Oguta	10	14	66	0
Otumara	26	1	49	41
Sapele	12	32	0	25
Soku	117	182	9	125
South Forcados	50	110	0	51
Ughelli	66	81	48	235
Warri	0	0	0	14
Unallocated	0	14	14	54
Total	688	1116	422*	697
			1119*	

* Doesn't (yet) include H-Block and Utapate

Excludes any contribution from the CIW project.

Base + Developed	1804
Currently booked oil	2524
Gap	720

- Gap between Business Plan portfolio and SEC Proved Reserves: 720 million bbl
- Portfolio of ca. 1100 million bbl with which gap *could* be closed over time
  - Mix of small and major projects: 'small' insufficient to bridge gap
  - All long-term, post-plan period, immature
  - Acceleration cannot be accommodated within plan Capex ceiling
- May require carrying known exposure vs. FID criterion for several years

Darley, John J SIEP-EPT

From:	Coopman, Frank F SIEP-EPF
Sent:	02 December 2003 07:54
To:	Bell, John J SIEP-EPS; Bichsel, Matthias M SIEP-EPX; Darley, John J SIEP-EPT
Cc:	Pay, John JR SIEP-EPS-P
Subject:	proved reserves

Please find attached our draft note which is now with Walter. No comments as yet.
My functional boss is not happy.

Script for Walter on the prove...

Frank Coopman
Chief Financial Officer for EP
Shell International Exploration and Production B.V.
PO Box 60, 2280 AB Rijswijk ZH, The Netherlands

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Email: Frank.Coopman@shell.com
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EXHIBIT
Van der Vijver
36
2/2/07

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RJW00780060

Script for Walter on the proved reserves position

Facts

1. Recent (October –November) audit reports and completion of reserves studies concerning the proved reserves positions as per year end 2002 for SPDC and PDO Oman tell us that the 31/12/02 proved reserves for those companies were overstated by approximately 1.3 bln boe.

2. Correspondence with the SEC in 2003 (last letter received in September) on the topic of the LKH issue leaves us with the message from the SEC to de-book the volumes below the Lowest Known Hydrocarbon logged. These volumes are estimated to be approximately 300 mln boe.

3. The proved reserves bookings as filed in the 2002 20F included a number of items which, while in compliance with our own guidelines at that time, were possibly at odds with the strictest possible interpretation of the SEC guidelines. It was decided to leave them as, in aggregate, they were regarded as immaterial in relation to our total proved reserves position. The largest single position was Gorgon (557 mln boe). All others added up to less than 200 mln boe.

Consistency with previous presentations

The position described above is consistent with an October presentation to the GAC and a related NFI to CMD. What is new are the items under point 1 above, which became known only very recently.

Materiality

With the SPDC and PDO Oman volumes, the total volume not in compliance with SEC guidelines in the proved reserves filing in the 20F as per 31/12/02 has become significant (2.1 bln boe or 11% of the Group's total proved reserves).

The materiality test is whether the total change in reported reserves would be viewed by a reasonable investor as having significantly altered the total investment information available. Applying that parameter, the absolute quantity and the percentage is material.

If a de-booking or restatement was considered, the financial impact thereof is very limited (approximately 40 mln dollars after tax in 2003) and not material in Group (or EP) terms. This is because virtually all volumes to be adjusted are registered as proved undeveloped reserves – this category only rarely drives DD&A.

There is no effect on existing or past reserve addition bonus schemes (in Oman and Nigeria).

Completeness

If we were to de-book /restate points 1 – 3 above, would we then be in full compliance with the SEC guidelines?

There is a possible issue around our Kashagan reserves (380 mln boe). Total is being challenged right now by the SEC to de-book on the grounds of the absence of a government approved development plan.

Both PDO Oman and SPDC will have to further mature field development plans in 2004 to be fully compliant and avoid further adjustments.

Fuel and Flare

All major competitors include fuel and incidental flare in proved gas reserves, with the exception of BP who report on the same "as sold" basis as Shell.

Including fuel and flare would result in approximately 300 mln boe additional reserves as reported at 31.12.2002. However, implementation is not as straightforward as it would at first appear. Inclusion of fuel and flare requires a corresponding Opex charge to be made (at fair market value of the gas consumed), offset by a revenue entry. Consequently, including fuel and flare in any restatement of historically disclosed reserves would also require changes to several financial report line items. Whilst feasible, this would be a major undertaking requiring dedicated study work on the part of every operating company that disclosed production in recent years.

Therefore, it is recommended not to include fuel and flare in the restatement.

Legal Consequences and Required Steps

If and from the time onwards that it is accepted or acknowledged by the management of the issuers (Royal Dutch and STT) that, when applying the SEC rules, the 2002 proved reserves as reported in the Form 20-F are materially wrong, the issuers are under a legal obligation to disclose that information to all investors at the same time and without delay. Not to disclose it would constitute a violation of US securities law and the multiple listing requirements. It would also increase any potential exposure to liability within and outside the US. Note that the reserves information also appears in the non 20-F Annual Reports.

Disclosure cannot await the next Form 20-F 2003 appearing in April 2004. With respect to the 2002 Form 20-F there are two possible approaches to address the previously reported reserves: (i) a stock exchange release stating the key issues on reserves restatement followed by a filing of a restated 2002 Form 20-F as soon as possible thereafter or (ii) the same stock exchange release with the added message that the changes will be reflected in the 2003 Form 20-F and no filing of a restated 2002 Form 20-F. The preference is for the more robust approach in i) as the SEC is likely to request for a restated 2002 Form 20-F and the reliance by investors on an uncorrected 2002 Form 20-F remains an issue.

A significant number of additional measures will be required around a restatement of the 2002 Form 20-F and the previous dissemination of incorrect proved reserves data on Group websites and in other publications. Sox 302 re-certification, Form 6 K filing, consultation with external auditors, communication with the SEC, briefing for analysts etc.

IR issues

The announcement of restating or de-booking the reserves will be a significant negative IR event. We will point out that we did not lose any significant hydrocarbon volumes, as this is basically a re-classification. Our expectation estimate of the total volume of resources will be largely unaffected. Our own strict rules and governance triggered this adjustment. The LKH issue remains controversial in the industry (but rules are rules, etc). The Gorgon development decision is getting closer, as the recent bi –lateral declaration of intent demonstrated.

Frank Coopman
John Pay

1 December 2003

Van De Vijver, Walter SI-MGDWV

From:	Van De Vijver, Walter SI-MGDWV
Sent:	02 December 2003 09:57
To:	Boynton, Judith G SI-MGDJB
Cc:	Van der Laan, Marian M SI-MGDWV/DIRMB
Subject:	RE: Reserves

Judith,

I will investigate.Indeed this whole issue is extremely serious and I had concluded from my numerous discussions with Frank (and your separate discussions)
that Frank knew he was expected to do the staffwork and create options,ie not to come with a firm recommendation.
Indeed the full consultation needs to happen with all key stakeholders and I was assured by Frank that he knew what was expected from him.
Earliest I can probably work this is early tomorrow morning.

Regards
Walter

-----Original Message-----

From:	Boynton, Judith G SI-MGDJB
Sent:	02 December 2003 07:55
To:	Van De Vijver, Walter SI-MGDWV
Subject:	Reserves

Walter—I have been trying to reach you but I understand that you have been busy with our ongoing deal. Just to let you know that Frank sent me today a copy of a script he has sent you regarding reserves. Neither the Group Controller nor I were consulted about the script before it was written or sent. Frank was out of bounds in documenting views without full consultation. This is a very serious matter and I would appreciate talking about it at your earliest convenience. I am in the Hague today X4151. Thanks, Judy

Judith G. Boynton
Group Managing Director and Chief Financial Officer
Royal Dutch/Shell Group of Companies
Shell Centre, London SE1 7NA
Tel: +44 (0)207 934 3003 Fax: +44 (0)207 934 7132
Internet Address: judith.boynton@shell.com

EXHIBIT
Van der Vijver
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2/2/07

Van De Vijver, Walter SI-MGDWV

From: Van De Vijver, Walter SI-MGDWV
Sent: 02 December 2003 09:52
To: Coopman, Frank F SIEP-EPF
Subject: RE: reserves

This is absolute dynamite,not at all what I expected and needs to be destroyed!

We are only at this stage flagging issues and creating options,not making a firm recommendation.
You well know that I have not accepted the latest audit reports and need far more answers before coming to a recommendation (given the Group impact this needs formal sign-off by CMD,GAC,etc).
I have been absolute clear on this at numerous occasions.

Regards,
Walter

-----Original Message-----
From: Coopman, Frank F SIEP-EPF
Sent: 02 December 2003 07:12
To: Van De Vijver, Walter SI-MGDWV
Cc: Rose, Jennie SI-MGDWV
Subject: reserves

<< File: Script for Walter on the proved reserves position.doc (Compressed) >>

Frank Coopman
Chief Financial Officer for EP
Shell International Exploration and Production B.V.
PO Box 60, 2280 AB Rijswijk ZH, The Netherlands

Tel: +31 70 447 4303 **Fax:** +31 70 447 5959
Email: Frank.Coopman@shell.com
Internet: http://www.shell.com/eandp-en

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EXHIBIT
Van der Vijver
38
2/2/07

V00010836

Unknown

From: Van De Vijver, Walter SI-MGDWV
Sent: 08 December 2003 00:05
To: Pay, John JR SIEP-EPS-P
Cc: Coopman, Frank F SIEP-EPF; Darley, John J SIEP-EPT; Bell, John J SIEP-EPS
Subject: RE: Proved Reserves Part 1: DRAFT FOR COMMENT

John,

Many thanks.
My comments on the note:

- I would include the internal/external timeline in the summary.Wrt the table it should flag all large bookings and be checked (later in the text it talks about 660 MMboe for SPDC!).The summary should also clarify the large change in 96 which led to > 200 % RRR.This also applies to the chronological summary on page 9! I like to see impact to expectation reserves in summary also (earlier we stated that expectation reserves would be largely unaffected!)
 I still feel uncomfortable with the "increased tightening of the SEC guidelines" as if the SEC is the reason we have a problem today! The reality appears to be with us driving for aggressive reserves bookings as far as we could stretch the SEC rules! I want this re-worded! It should also be made clear that as of late 2001 there was a real drive to top-down improve integrity of our reserves base, earlier attempts to do so since 2000 were left to lower authority levels whilst pushing for max. RRR.
 Was the FRD now initiated in 1997 or 1998,conflicting references!

- why can't we be more clear about why the bookings happened when they happened as we have done before by breaking it into categories such as known aggressive bookings, new SEC interpretation and new operational learning? Suggest the text on page 20 and 22 looks too much like trying to find the PLE's ! I also consider that the text on page 37 could be improved by bringing in the clarity what these license extension would actually deliver (automatic right in SPDC ie what would otherwise exposure be? and currently ongoing negotiations in Oman).
 Can we move the figure on page 21 into the summary as well? I would guess that only LKH's and PSC's would fall under new SEC interpretation and that perhaps 300 MMboe would fall under new operational learning (mainly Oman)?!
 When looking at SPDC and PDO is it really valid to portray that we only recently (top page 23) discovered the problem in Oman and Nigeria?
 I think we knew much earlier and this was reflected in formal assurance letters/audit reports?!
- I personally find the coding under competitor compliance very confusing (page 16/17) ,suggest to simplify it without codes!
- Have we fully worked the new bookings in case of de-bookings in Oman and Nigeria? I was hoping for larger volumes with the new waterfloods going for VAR 4 in 2004/05 in Oman and the various T4/5/6 projects in Nigeria? GOing above 100 % RRR in 2004 would be a big prize!
- Assume all PD de-bookings are related to Nigeria, please confirm. The earlier attachments have disappeared!

(please re-check my questions from this morning,do not think all are addressed)

Separately we still need to decide as EP where we want to go with this based on the various analyses:

- do you have a recommendation on size of de-bookings and how will we do it, also thinking reputation/IR?
- assume for CMD we also have all data on reserves bonuses in Oman and Nigeria on achieved track record and potential exposure
- assume for CMD we have the impact on financials and SM data reported
- do we have a storyline that is close to ""merely reclassification " of proved reserves asit mainly affectes proved developed?

Suggest that we discuss this early in the morning as I do want to get this issued by noon latest today!
Thanks,

Walter

-----Original Message-----
From: Pay, John JR SIEP-EPS-P
Sent: 07 December 2003 22:15
To: Van De Vijver, Walter SI-MGDWV; Boynton, Judith G SI-MGDJB; Morrison, Tim TDR SI-FC
Cc: Coopman, Frank F SIEP-EPF; Darley, John J SIEP-EPT; Bell, John J SIEP-EPS
Subject: RE: Proved Reserves Part 1: DRAFT FOR COMMENT

... and "Jim" Morrison - feeling bad, no need to say any more

<< File: Proved Reserves Dec 2003 Part 1 v06.doc (Compressed) >>

John Pay
Group Hydrocarbon Resource Coordinator
Shell International Exploration and Production B.V.
Shell Exploration & Production International Centre
Kessler Park 1, 2288 GS,
PO Box 60, 2280 AB,
RIJSWIJK-ZH,
The Netherlands

Tel: +31 (70) 447 2547 **Other Tel:** +31 (0)6 5252 1964
Email: john.pay@shell.com
Internet: http://www.shell.com/eandp-en

-----Original Message-----
From: Pay, John JR SIEP-EPS-P
Sent: 07 December 2003 20:46
To: Pay, John JR SIEP-EPS-P; Van De Vijver, Walter SI-MGDWV; Boynton, Judith G SI-MGDJB; Morrison, Jim R SITI-ITDPET
Cc: Coopman, Frank F SIEP-EPF; Darley, John J SIEP-EPT; Bell, John J SIEP-EPS
Subject: RE: Proved Reserves Part 1: DRAFT FOR COMMENT

Recall initiated on version sent in error to the wrong John Bell, plus message from John Darley instructing the recipient to delete.

<< File: Proved Reserves Dec 2003 Part 1 v06.doc (Compressed) >>

John Pay
Group Hydrocarbon Resource Coordinator
Shell International Exploration and Production B.V.
Shell Exploration & Production International Centre
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Email: john.pay@shell.com
Internet: http://www.shell.com/eandp-en

-----Original Message-----
From: Pay, John JR SIEP-EPS-P
Sent: 07 December 2003 19:35
To: Van De Vijver, Walter SI-MGDWV; Boynton, Judith G SI-MGDJB; Morrison, Jim R SITI-ITDPET
Cc: Coopman, Frank F SIEP-EPF; Darley, John J SIEP-EPT; Bell, John J SI-ITCG
Subject: Proved Reserves Part 1: DRAFT FOR COMMENT

Please find attached a draft of the proposed CMD paper for comment.

I will bring a paper copy to Judy at the Kurhaus at approximately 21:00, but I will not leave it unless it can be delivered by hand.

<< File: Proved Reserves Dec 2003 Part 1 v06.doc (Compressed) >>

John Pay
Group Hydrocarbon Resource Coordinator
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Internet: http://www.shell.com/eandp-en

Note to CMD
Oil and Gas Reserves
Proved Reserves

The attached note provides an overview of the current situation and recent changes with respect to estimates of proved oil and gas reserves, as disclosed in the Supplementary Information to the Group Financial Statements. The note is submitted in preparation for tomorrow's review. The summary of 5 pages provides the technical perspective on the most relevant developments. Further refinements are ongoing to double-check the numbers and to finalise the very recent work in Oman and Nigeria.

MGDWV
8th December 2003

EXHIBIT
van der Vijver
40
2/2/07

8 December 2003 Confidential

Note to CMD

Proved Reserves

1. **Summary**

A combination of recent audit report findings and the gradual application of tighter internal EP guidelines reflecting stricter interpretation of the SEC rules on reserves bookings suggests that EP is overstating proved reserve volumes in the SEC filing (20-F) by some 2.1 to 3.6 bln boe. This would clearly represent a material change to the Group's proved reserves position as at end 2002 (19.3 bln boe). The SEC rules and guidance are open to some degree of interpretation. This note examines the facts and circumstances of the current reserves situation.

Background

Proved oil and gas reserve volumes are filed as Supplementary Information in the Annual Report on Form 20-F with the SEC. In addition, they are published in the 5 year Financial and Operational Information and in summary form in the Annual reports of RD and ST&T.

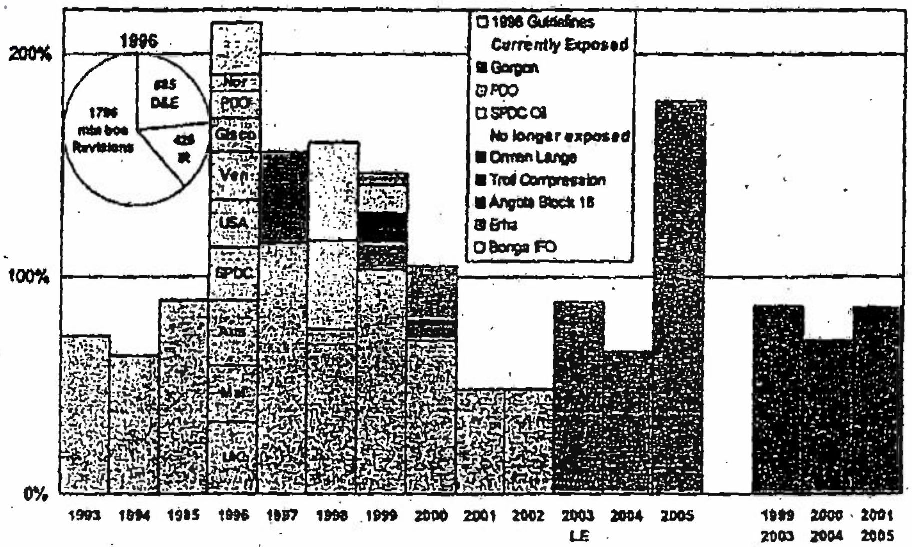
The official text of the guidelines governing the public disclosure of oil and gas reserves was published by the SEC in 1978. These guidelines ("borrowed from FASB and the DOE") remain unchanged. The criteria relate to the technical and commercial conditions under which oil and gas reserves can be considered proved. The first extensive, written, public guidance on technical interpretation of the formal rules was published on the SEC website in March 2001. The interpretation provided additional definition on the technical and commercial compliance requirements governing proved reserves, including the acceptable extent of a proved accumulation and evidence of commitment to develop the reserves. Subsequent communication with officers of the SEC has confirmed their increasingly rigorous interpretation of the official text, which they see as being necessary for compliance with proved reserves definitions.

The approach to proved reserves reporting in the Group followed two distinct paths, which have merged into a single approach following the integration with Shell Oil. Historically, as a US-based company filing reports with the SEC (and DOE), SOC (now SEPCo) closely followed the SEC reserves rules, including strict investment criteria on reserves bookings (e.g. FID required prior to reserves booking for major projects). Through the 1980s and first half of the 90s, the Shell International approach applied and further defined a rigorous methodology for the technical interpretation of hydrocarbon reserves. Probabilistic modelling techniques were used and proved reserves were defined at the low end of the uncertainty range. Technical maturity and commercial viability were introduced as key criteria, but less consideration was given to investment commitments. According to the prevailing Shell guidelines, proved reserves could be booked before project approval was sought.

Another important difference in the Shell Group approach is the recognition, and application, of a range of reserve values in business planning. While the proved volumes are reported as part of the annual disclosure exercise, internal business plans are generally based on the "expectation", or mid-range value of the reserves uncertainty curve. (This is sometimes equated to proved plus probable reserves in the industry). An upside, or high-end value (proved plus probable plus possible) is also used to appreciate possible upside potential in the development options. Shell uses the term "Scope For Recovery" to describe hydrocarbon volumes associated with projects that are not yet sufficiently mature to be classified as "reserves". The SEC approach recognizes only proved reserves (and actually prohibits the publication of all non-proved categories in Form 20-F).

Following a period of low levels of reserve replenishment in the first half of the 1990's, concerns were voiced that the Shell approach to proved reserves definition was overly conservative. A stronger drive to identify and book proved reserves was then promoted across the EP business, resulting in 1996 in substantial additions driving RRR over 200%, mainly through revisions but also with new business (Venezuela, Gisco). In 1997-1998, a LEAP Value Creation Team assessed the opportunities to "Create Value through Entrepreneurial Management of Hydrocarbon Resource Volumes". Drivers for change included an appreciation of inherent conservatism (e.g. by comparison with proved reserves booking of JV partners in certain shared ventures) and a need to complement technical strength with a focus on value. Recommendations included changes to the Petroleum Resource Volume Guidelines, plus a number of initiatives to boost entrepreneurship, knowledge sharing, risk management, etc. . In fact some 1000 mln boe were actually booked as 'revisions' in the period 1998 to 2000, most notably in Nigeria (1998) and Oman (2000). This is illustrated below:

Proved RRR: Organic (excl A&D), excl. the effect of Sakhalin MI, Incl. AOSP



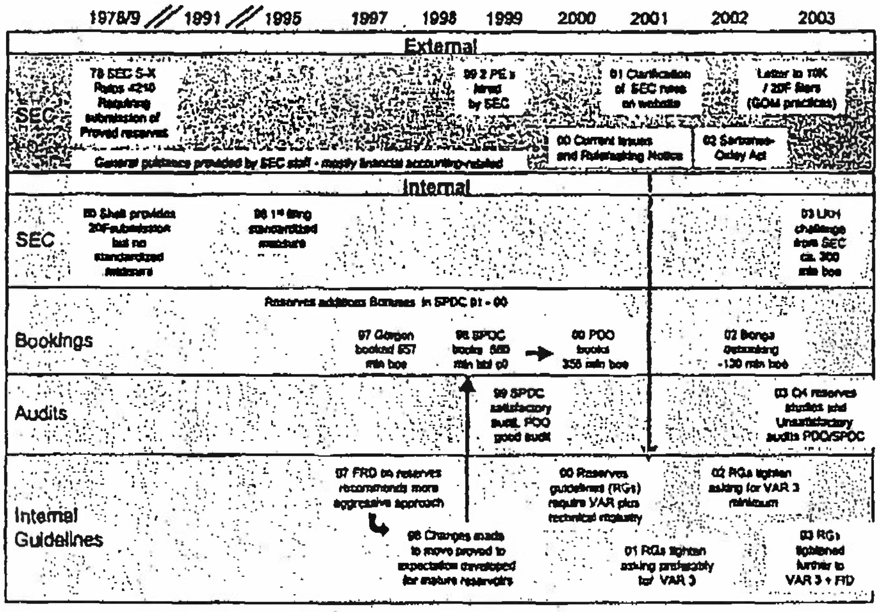
Since late 2000, and following moves to integrate the Shell Oil and SIEP guidelines, Group technical and commercial requirements for the disclosure of proved reserves have gradually tightened. The October 2003 SIEP guideline (presented to the GAC) requires FID for the booking of reserves from a major project and VAR3 compliance (i.e. approved development concept selection) for intermediate sized projects. This is in contrast to, for example, the 1998 guideline, which specified that while there should be a reasonable expectation that a firm development plan could be matured with time, projects did not require a completed development plan to meet the proved criteria.

In parallel with the tightening of the guidelines, measures have also been taken since late 2001 to improve the technical and professional standards which underpin hydrocarbon field development planning -- and hence reserve estimates.. Initiatives to raise performance at an EP level (formation of the Technical and Operational Excellence unit in 2002, roll-out of a competency framework for technical professionals, plus other measures) have been complemented by specific SIEP reviews in Oman (2002 -- 2003) and Nigeria (most recently 2003) to address questions around the confidence of reserve estimates and the corresponding development plans. The reviews have confirmed the requirement to radically improve field development planning capability, and that, in some cases, hydrocarbon reserve estimates were insufficiently under-pinned with comprehensive study work.

Further to the above initiatives, recent audits by the Group Reserves Auditor have revealed poor compliance in SPDC and PDO with the recent SEC criteria, and with the updated Group Guidelines. The technical maturity required to underpin these volumes is indeed questionable due to lack of focus on medium to longer-term project definition. The most significant impact is generally felt on the proved undeveloped reserves volumes, where both technical and commercial maturity are sometimes poorly defined.

The evolution of the changes is captured in the following chart, together with some of the main impacts on booked volumes of proved reserves:

Internal and External Timelines



The consequences of these audit observations and the recent changes to the Shell guidelines (which are seen to bring the Group in line with SEC definitions), is that significant volumes of proved reserves, which were booked under existing Shell guidelines, are no longer compliant with current Shell guidelines. These volumes therefore are not likely to be interpreted by the SEC as compliant.

The realization of this impact has prompted a wider-ranging review of proved reserves compliance with SEC guidelines, with the current situation summarized below. The split between the two categories in the table is indicative only at this stage:

Proved reserves which are likely to be considered as not compliant by the SEC

Country	Field	Non-compliant reserves as at 31.12.2002 (est, mln boe)		Reason
		Proved	Expectation	
Australia	Gorgon	557	785	No FID or investment commitments
Nigeria	Onshore (SPDC)	720	ca. 1400	No mature plans / projects
Oman	Existing fields	234	240	Immature projects, (some) unproved techniques
LKH	Various	ca. 300	0	New SEC guidance
PSCs	Various	291	0	Oil / gas price assumption in calculation of reserves entitlement
TOTAL		**2102**	**2430**	

Proved reserves which might be considered as not compliant by the SEC

Country	Field	Potentially non-compliant reserves (est. mln boe)		Reason
		Proved	Expectation	
Nigeria	Onshore (SPDC)	814	ca 1600	Plans/projects in progress (but not VAR3-compliant)
Oman	Existing fields	150	0	To be firmed up in short-term (2 years)
Kazakhstan	Kashagan	380	500	Government may not approve plan. Technical definition of proved area.
Others	e.g. Corrib, Tempa Rossa	ca. 200	270	No approved plan
TOTAL		**1544**	**2370**	

The reserves identified as likely to be not compliant with SEC guidelines represent 11% of the Group proved reserves (excluding oil sands), while the potentially non-compliant volumes would raise this to 19%. The corresponding figures for expectation reserves would be 7% and 15% respectively.

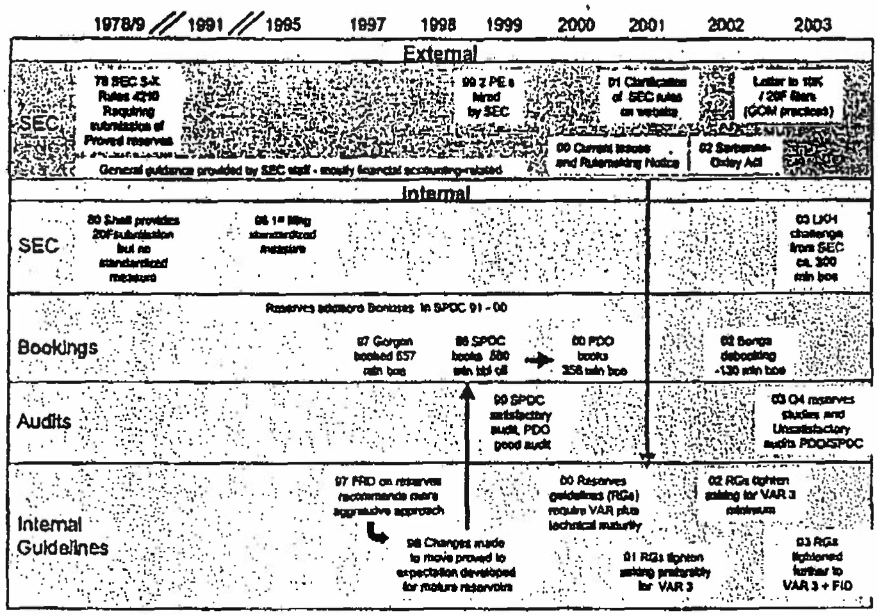
EP is currently in a stage of transition to the adoption of the new guidelines. Booking of new reserves must follow the clear guidelines on VAR3 and FID criteria, and careful audit and control will need to be exercised to ensure this. However, it may be expected that a period of time is needed before all existing booked proved reserves are fully compliant with the new requirements. At the same time, the criteria for retention of reserves as proved volumes require a clear indication of demonstrable progress to technical and commercial maturity.

It should be noted that most volumes debooked at this time would be expected, over time (but in most cases, the long-term), to become fully compliant and bookable again.

2. History of Shell Internal Guidelines Development

The following diagram is intended to provide an overview of the various significant events and developments that have occurred over time, that have influenced the Group's interpretation of its external reserves disclosure requirements. The detail is explained in section 2.1 to 2.4 below:

Internal and External Timelines



2.1 Developments in SEC Rules and Guidance

1978: the US Financial Accounting Standards Board (FASB) issued definitions of proved reserves and related terms (FAS25). The US Securities and Exchange Commission (SEC) adopted these definitions in the same year, (eventually) incorporating them into Regulation S-X and advising the industry of the requirements for disclosure through Accounting Series Release number 257 (ASR-257).

The SEC / FASB definitions and "rules", as embodied in Regulation S-X and FAS19, FAS25 and FAS69, have *not* changed. What *has* changed is that, since 1999, the SEC has become progressively more vocal on the matter. In so doing, it has issued guidance on the manner in which it expects proved reserves to be estimated that imply a far greater degree of rigour and conservatism than typically has been applied in the past, certainly by the Group (and probably non-US-based registrants) outside the US.

1982 – 1989: Staff Accounting Bulletins on "Topic 12" issued. These are presented by the SEC as representing " ... *interpretations and practices followed by the SEC's Division of Corporate Finance and the Office of the Chief Accountant in administering the disclosure requirements of the Federal securities laws.*" The focus was generally on financial accounting issues.

Until early 1990s: "*Most of the SEC technical enforcement during late seventies through early nineties was directed to reviews of Initial Public Offerings (IPOs).*" IV [1]

1998 – present day: "[There was] *No petroleum engineer on SEC staff from* [the] *early nineties until a brief period in 1998. Two engineers ...* [were] *hired in early 1999.*" IV

From 1999, guidance on "technical" (i.e. other than financial accounting) issues increased via:

- Society of Petroleum Evaluation Engineer (SPEE) "Forums for US SEC Reserve Definitions", held annually since October 2000:
  - SEC Petroleum Engineers meet with industry representatives for unofficial mutual learning discussions.
- SEC website publication of March 31, 2001 including "Definition of Proved Reserves"
  - Prepared by SEC Petroleum Engineers. It provided the first written, public guidance (beyond SEC Regulation S-X) on technical topics such as: data needed to support reserve estimates; treatment of reserves from uneconomic production; conclusive formation test; Lowest Known Hydrocarbon (LKH); improved recovery reserves; economic uncertainties; need for markets; commitment to develop; continuity of production; use of numerical reservoir simulation; probabilistic estimation methods (not favoured); determining reserves in Production Sharing Contracts (PSCs); civil liability of individuals involved in reserve estimation and reporting.

2002: Sarbanes-Oxley Act

October 2002 - present: The SEC engaged in correspondence with many registrants (primarily operators of US Gulf of Mexico (GoM) assets), including Shell, requesting information about proved reserves reporting practices.

2003: A noticeable change (hardening) occurred in the SEC staff position on some reserves issues. For example, "*...in May of 2003, they* [SEC Petroleum Engineers] *recanted their position adopted in 2000 whereby they agreed to use certain technical information in the estimation of reservoir* [hydrocarbon-water] *contacts where such data could be used as the basis of a "compelling case". Their "new" position is* [that] *only well bore*

[1] In this section 2.1, quotations marked "IV" ("Independent View") are attributed to a respected, independent technical consultant, based in the US and well versed in both the SEC rules on proved reserves and their practical implementation. Generally they are drawn from private but professional correspondence with Shell staff.

data, primarily well logs, can form the basis of lowest known hydrocarbons. This position completely ignores information available through seismic, through multiple formation pressure [measurements] *and fluid sample and core data.*" [IV]

Overall, the clear focus of the SEC technical staff is to protect the (potential) investor from exposure to unfair risk that might arise from registrants misrepresenting proved reserves and the value thereof. In so doing, they appear to act so as to promote a dictionary definition of the term "proved" and take exception to any element of proved reserves that might be termed "aspirational" in nature. They fully recognize that registrants plan and execute their businesses based on an expectation view of the production to be delivered from their assets, but they are clear that this is quite different to the intended meaning and interpretation of the SEC and FASB definitions. The SEC staff has expressed surprise (verbally) that the industry has not lobbied for the disclosure of probable reserves, in addition to proved reserves (apparently this was discouraged by ExxonMobil during consultation due to fears of an increased audit burden).[2]

Under disclosure rules recently introduced by the Canadian authorities, registrants there are required to report both proved and probable reserves, together with any other resource categories that they wish to bring to the investor's attention.

The Society of Petroleum Engineers (SPE) has recently offered to act as an independent technical consultant to the SEC on matters relating to reserves estimation. The SEC's response is awaited.

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2 The industry has complained that the disclosure of proved reserves alone, i.e. to the exclusion of all other resource categories, provides the investor with little insight to the true value of an enterprise. In issuing FAS69, the FASB recognized this. Whilst the aspiration was for a declaration of Fair Market Value, the board concluded that this would be impracticable for reasons that included the confidentiality of much of the information that would be required for disclosure. In settling on proved reserves, the board was satisfied that the approach would approximate Fair Market Value, without actually achieving it.

2.2 Group Outside US

Early 1970s: The Group's use of probabilistic reserves estimation techniques for internal reporting and management purposes was established. No external disclosures were required at this stage.

1979: In considering how to implement ASR-257, the Group determined that *'For the purpose of reporting proved reserves for the SEC the 85 per cent confidence level is considered 'reasonably certain' within the context of the SEC requirements and should be used as such.'* This view, no challenge of which can be found on record, became the standard by which the Group disclosed proved reserves for the next 20 years. Contrary to widely held belief, both within Shell and outside (e.g. ExxonMobil), the Group appears neither to have sought nor received confirmation from the SEC that this interpretation was acceptable.

Similarly, since ASR-257 mentioned the requirement to disclose proved reserves in one breath and production on an "as sold" basis in the next, it was taken as read that both production and reserves must be expressed on an "as sold" basis (i.e. excluding gas volumes consumed as fuel or flared). This policy was adopted apparently without serious challenge and remains in force today, although it is now clear that the SEC allows (even expects) reserves to be disclosed on a "wellhead production" basis when the gas could otherwise have commercial value. Shell and BP are the only majors that report on a "production available for sale" basis.

1982 - 1995: Despite being a clear FAS69 disclosure requirement, the Group declined to file reports of the Standardized Measure of Discounted Cash Flow (effectively, the Net Present Value of the company's proved reserves). This information was included with effect from 1996 as a precautionary measure, to protect against possible complications in the event of US activities that might require full compliance with SEC rules (e.g. issuing prospectus). In common with virtually all major competitors, the information is accompanied by text warning the investor of its limitations as an indicator of business value and risk.

1988 – 1999: The current Group Guidelines evolved from two reports published in 1988. Requirements for project maturity evolved gradually, but generally were far more lax than is considered necessary today. The following excerpts from the 1998 guidelines are typical of the guidance given in the period:

> "Technical Maturity: For a project to be technically mature, information on the resource volume, including its level of uncertainty, is such that an optimal project can be defined with an auditable project development plan, based on a resource and development scenario description, with drilling/engineering cost estimates, a production forecast and economics. *The plan may be notional or it may be an analogy of other projects based on similar resources. However, there should be a reasonable expectation that a*

> *firm development plan can be matured with time. Projects do not have to have a completed development plan"*
>
> "Commercial Maturity: .. Projects generally have to demonstrate economic viability in order to obtain investment approval. *However, economic viability or formal project approval is not required for a project to be considered commercially mature. Reserves may be booked before project approval is sought."*

1990: Until 1989 proved gas reserves were constrained, under Group Guidelines, to volumes that had been committed to contract. Concerns were voiced that this approach was conservative compared with competitors, was more stringent than required by SEC rules and lead to complications in accounting (different figures were used for depreciation). The guidelines were relaxed to allow the inclusion of volumes that were reasonably certain to be committable beyond, or in addition to, the term of existing sales contracts. As a result, revisions to proved gas reserves amounted to 2100 million barrels of oil-equivalent, contributing 193% out of a total proved Reserves Replacement Ratio (RRR) for 1990 of 334%. This does not contribute to the currently perceived exposure.

1996: Following a sustained period of proved reserves decline in the early 1990s, there was considerable pressure, both external and internal, to correct performance. Major additions were made in 1996, predominantly revisions of reserves in traditional core areas of business but also including first bookings for the Venezuela risked service agreement and Oman Gisco.

1997-1998: Following on form the 1996 efforts to identify additional reserves, concerns were voiced that the Group's proved reserves disclosures were excessively conservative compared with competitors, that they did not sufficiently reflect shareholder value and that they resulted in accelerated depreciation charges. A LEAP Value Creation review was conducted, resulting in the recommendation that the Group abandon its probabilistic technique in favour of deterministic techniques, particularly for mature assets. This recommendation was driven mainly by the observation that competitors (notably Exxon in the North Sea) held substantially higher proved reserves than Shell for the same assets, mainly due to the use of "best estimates" of recovery from the "proved area" of the reservoir, which for mature fields tends to encompass the entire reservoir.

1998: The 1997 review recommendations were implemented in the Group Guidelines, including the advice to book "proved = expectation" developed reserves for mature fields.

This corrected the Group's under-reporting (relative to competitors) of mature field reserves[3], but with the benefit of hindsight it left the Group vulnerable to net over-reporting of immature field reserves, brought about, for example, by registering reserves well in advance of the commitment to develop and including reserves outside the proved area as it would be defined by the SEC.

2000 – present: Technical and commercial maturity requirements for reserves disclosure were gradually tightened:

September 2000: "*Successful completion of a Value Assurance Review (VAR) with sufficient definition supports technical maturity.*"

September 2001: "*This should preferably be VAR3 (Concept Selection)*" and "*The project should be included in the annual Business Plan*".

April 2002: "*For major projects ... VAR3 must at least have been completed*" and "*Support to fund the project [must be] reasonably certain (e.g. the project survives the business planning processes of Capital Allocation) and the project forms (or is reasonably certain to form) part of the relevant business plan.*"

October 2003: " *... reserves in principle should not be reported until a project has been sanctioned (Final Investment Decision: FID). This requirement is to be viewed as mandatory for major projects [cut-off defined] ... For intermediate development projects [cut-off defined] concept selection (VAR3) must at least have been completed.*" The requirement to have the project included in the Business Plan was removed and replaced by the requirements that its "*profitability must meet the Group's investment criteria*" and that "*funding by the Group is reasonably certain to be provided.*" This change was made to allow reserves for long-term projects, outside the Business Plan window, to be registered, subject to adequate justification of commitment to proceed.

With the introduction of the FID criterion for major projects in 2003, the Group's procedures were considered to be fully consistent in this regard with competitor practice and with the SEC's implied requirement to demonstrate "commitment to develop".

These changes were introduced prospectively: it was understood that the tightening of the guidelines would introduce exposures on retrospective bookings, but the (tacit) assumption was that exposures would be retained on the books pending the maturation of the projects concerned to compliance with the updated standards.

The changes were initiated prior to, but were spurred on by, the SEC's publication of guidance in March 2001 and by further clarification received both in public and through private correspondence since then (see 2.1 above). At this time, incorporation of the SEC's guidance into the Group Guidelines has focused primarily on the trigger for booking proved reserves. Current compliance across the full range of SEC rules and requirements is discussed further in section 3 below.

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3 In 2001 the SEC noted that the practice of reporting the expectation estimate of recovery from the proved area is commonplace in the industry, observing that: "*Since the likelihood of a subsequent increase or positive revision to proved reserve estimates should be much greater than the likelihood of a decrease, we see an inconsistency that should be resolved*"

2.3 Shell in the US: Shell Oil Company (SOC) / SEPCo

As a US-based company and a SEC registrant in its own right, SOC was very focused on SEC reserves rules (e.g. only deterministic methods were used, "reserves" meant proved – no emphasis on expectation). Before aligning with Group Guidelines in 2000, SOC/SEPCo required FID to book reserves for major projects. Middle-sized projects could be booked if they met investment criteria (with a track record of funding such projects), were likely to be executed (no legal issues) and were in the approved business plan. Still SOC was not at the "most strict" end of the interpretation range. For example, SOC allowed pressure gradient data for proved area water contacts, EOR reserves (without pilot) in a new field if the target reservoir was similar to a regional formation where the process had been tested, and proved undeveloped reserves for an entire major (multi-year) approved project even if budget funding was granted for only the first year of drilling.

Much more strict was Amoco (a frequent SOC partner in West Texas), who would only book project proved undeveloped reserves for those wells funded in the next year even if there was corporate commitment to the entire project (thus later year well reserves remained in probable until funded). This "strict" interpretation for undeveloped reserves was actually not too unusual (compare SOC's high historical ratio of undeveloped reserves to total proved with other US majors), perhaps because the basis for US income tax cost depletion was total proved reserves. Thus, while net income was reduced by very conservative proved reserves, cash flow was improved from deferred taxes.

Perhaps the biggest difference between SOC/SEPCo and Group (outside US) practices on proved reserves was not as much in the SOC guidelines but the rigour in assuring they were properly followed. As noted, SOC was very focused on SEC requirements and, typical of US companies, always had a strong audit process before reporting year-end reserves. Not only did this catch major "busts" but also fully emphasized to the staff how important following the guidelines really was – every reservoir engineer who reported a major proved reserves change had to "experience" a detailed audit of their reserves understanding and of their supporting technical work. Additionally this and periodic consulting provided a clear understanding of guidelines that removed much of the possibility for individuals to (mis-)interpret the rules.

Other contrasts:

- SOC included own use fuel in proved gas reserves until 2000 – Group Guidelines on this matter are more conservative than required by the SEC.
- SOC's "proved area" was based on the "one offset well location" rule, as supported by the SEC, whereas the Group Guidelines permit a more generous, geology-based definition of the proved area.
- SOC required a specific well location and development plan to be available before proved undeveloped reserves could be attributed.

2.4 Industry Interpretation of the SEC Rules

Apart from the insights summarized in 3.3 below, it is very difficult to know for sure exactly how competitors interpret the SEC rules, less still how these interpretations have changed over time.

SEC and industry (in general) were in agreement in the late 1970s when the regulations were written. However, since then the development and application of new technologies have caused some in industry to move away from the strictest interpretation of SEC rules, provided that these technologies can be defended as demonstrating the "reasonable certainty" that is the foundation of proved reserves. By the late 1990s the SEC rules (and 1978 technology) were quite different from industry practice in some areas (e.g. the requirement for a production flow test in support of "economic producibility" in the US deep water GoM). Nevertheless, some in industry were still very strict about following the SEC "letter of the law" – clearly true of those using consultant reserves evaluators (typically smaller companies) but also some majors (Amoco, see section 2.4). An informal gathering of major to middle-sized companies held in 2003 to discuss the "new" SEC position on Lowest Known Hydrocarbon found that most allowed the use of pressure gradient data to define the water contact for proved area, yet the SEC feels that only a well with a log showing the water contact can determine its location for proved area.

3. Current Consistency with SEC Rules

Despite the guidance that has been issued by the SEC, margin for interpretation exists on several aspects of implementing the rules. Thus there are still several aspects on which the current Group Guidelines could diverge from the strictest interpretation of the SEC rules and / or guidance. This is generally due to (sometimes fundamental) disagreement with the principles promoted by the SEC and the belief that investors are more reliably informed, on a more cost-effective basis, when a more reasonable view is taken of the geological and engineering data at hand. These interpretation differences are clearly highlighted in the Group Guidelines through a tabular explanation of the SEC's guidance on each key point and the preferred Group approach. In each case where differences exist, there are grounds for defending the Group's approach, at least in relation to the spirit and intent of the SEC rules.

In this section, the current Group Guidelines are assessed for compliance in terms of the trigger for reserves booking (3.1) and the volume booked (3.2). Insights into competitor practice are discussed in section 3.3.

3.1 Trigger for Booking Proved Reserves

The introduction in 2003 of the FID criterion (or other public demonstration of commitment) for major projects has addressed, at least prospectively, one of the fundamental exposures in the Group's historical practices. Both ExxonMobil and BP are known to wait for project sanction before disclosing reserves for major projects, an approach that clearly is more compatible with the SEC's views as illustrated by the following specific guidance (March 2001):

> *"Economic uncertainties such as the lack of a market (e.g. stranded hydrocarbons), uneconomic prices and marginal reserves that do not show a positive cash flow can also prevent reserves from being classified as proved ... In developing frontier areas, the existence of wells with a formation test or limited production may not be enough to classify those estimated hydrocarbon volumes as proved reserves. Issuers must demonstrate that there is reasonable certainty that a market exists for the hydrocarbons and that an economic method of extracting, treating and transporting them to market exists or is feasible and is likely to exist in the near future. A commitment by the company to develop the necessary production, treatment and transportation infrastructure is essential to the attribution of proved undeveloped reserves... Affirmation of this commitment may take the form of signed sales contracts for the products; request for proposals to build facilities; signed acceptance of bid proposals; memos of understanding between the appropriate organizations and governments; firm plans and timetables established; approved authorization for expenditures to build facilities; approved loan documents to finance the required infrastructure; initiation of construction of facilities; approved environmental permits etc... An inordinately long delay in the schedule of development may introduce doubt sufficient to preclude the attribution of proved reserves."*

Less clear are the criteria appropriate for booking proved reserves in relation to relatively minor projects and / or incremental projects that may be executed beyond the initial phase of field development. The introduction of the Group's VAR3 criterion was designed to ensure that lesser, but still non-trivial, developments be subjected to a minimum level of subsurface understanding and technical definition in support of proved reserves attribution. This is deemed (internally) to be consistent with demonstrating that, in combination with profitability criteria, it is reasonably certain that the project will be executed and that the reserves registered as "proved" will indeed be produced.

However, this does not necessarily provide the guarantee of project execution that an investor (or the SEC) might require. Consideration might therefore be given to strengthening the criterion only to allow booking of reserves for VAR3-compliant projects if accompanied by a clear track record in the company concerned that (the great majority of) such projects are indeed executed.

3.2 Proved Reserves Volume Estimation

Proved Area. In establishing the proved area of a reservoir (i.e. the area to which proved reserves may be attributed), the SEC rules require that continuity of productive formation throughout the proved area be established with "certainty". This is well nigh impossible to demonstrate until a reservoir has been at least partially developed and placed on production for a period of time. In response to the problems raised by this, SEC guidance, reflecting historical practice generally in the US, is that the proved area is deemed to comprise one offset well location from each existing penetration (i.e. a total of nine well drainage areas around an existing well). This arbitrary constraint, which attributes little value to geological knowledge and experience, can lead to some curious (even bizarre) consequences.

For example, consider a partially developed field in which sufficient performance history has been acquired to justify doubling the planned well density through infill drilling. With regulatory approval for reduced well spacing, the infill plan can reduce the "proved area" around each existing well (by shrinking the size of the proved, undeveloped locations that offset the existing well), causing bookable proved reserves to be reduced simply as a consequence of the infill development decision, which in fact is born of a greater understanding of (and hence certainty in) reservoir performance than had existed in the first place.

Whilst describing the SEC's preferred approach, the current Group Guidelines leave plenty of margin for reserves estimators to assign proved area on a more geologically sound basis.

This has implications for cost allocation. FASB and SEC rules require that any expenditure incurred on drilling wells outside the proved area must be denoted Exploration Expenditure and accounted for accordingly. Strict application of the

SEC guidance on proved area would inevitably cause Expex for the Group to increase and development Capex to reduce by the same amount, all other things being equal.

Analogues: In citing analogue reservoir performance in support of improved recovery reserves, SEC guidance may be taken to imply that such analogues should be reasonably local (say, the same geological play). There are examples in the Group where the analogies cited are actually quite remote from, although geologically similar to, the field in question.

Lowest Known Hydrocarbon (LKH): Pending resolution of disagreement with the SEC, or at least a clear public statement of the procedure to be adopted, the Group Guidelines continue to reflect that reliable pressure gradient data may be used in establishing the vertical extent of hydrocarbon accumulations and, hence, for proved reserves attribution. The current SEC view, which emerged during 2003, is that the proved area must be constrained vertically by the limits of logged hydrocarbon-bearing formation.

Fuel Gas: The Group excludes gas consumed as fuel and flare from proved reserves disclosures, whereas the SEC allows (even expects) at least fuel gas to be included. For convenience, competitors may in fact be disclosing the full wellhead gas production stream in some cases (i.e. including also flared gas). Inclusion of fuel gas would increase Group proved reserves by approximately 300 million barrels of oil-equivalent (about 1.5%, or a 20% annual RRR benefit if incorporated as a revision rather than a restatement). Implementation is under consideration, but would require changes to financial accounting practices in the operating companies (fuel gas consumption would need to be charged as an Operating Cost, resulting in a corresponding additional revenue item).

Production Sharing Contracts (PSCs) and other Economic Entitlement-based Reserves: Proved reserves entitlements are calculated on the basis of the Group's Mid-Project Screening Values (Mid-PSV) of oil and gas price, whereas SEC rules imply that the actual price on the date of the estimate (31 December each year) must be used. When actual prices are substantially higher than Mid-PSV, this causes entitlements to be overstated, since under such conditions fewer entitlement barrels are required to recover costs incurred.

Entitlement at 31.12.2002 was, in principle, overstated by some 290 mln boe due to the use of Mid-PSV, rather than actual year-end price (Brent US$ 28.66 per barrel).

This effect is offset partially by the extension of economic field life in tax/royalty situations at high price relative to Mid-PSV. Further offset is provided by the exclusion of reserves in relation to tax paid on the Group's behalf (usually) by the National Oil Company partner in some PSCs. SEC rules allow bookings in relation to such payments and many competitors include them, as well as taking a similar approach to the Group on price assumptions. Thus, while the full rigour of the SEC rules is not fully applied to each contract and licence, the overall effect on Group proved reserves is demonstrably immaterial, whilst there are considerable logistical benefits in terms of being able to estimate proved reserves in advance of year-end.

Group Guidelines were updated in 2003 to suggest that low cost assumptions be made for PSCs, which would help to ensure conservatism in the resulting proved entitlement estimate.

3.3 Competitor Practices

Detailed insights into competitor practices is generally difficult to come by, particularly when revelation might risk exposure of non-compliant practice. The information presented below represents our current impressions of competitor practice, coded as follows in relation to compliance with SEC rules:

Mobil: Prior to the merger with Exxon, Mobil was one of the most published US majors on the subject of reserves and was noted for its support of probabilistic methods. However on closer inspection, this was for expectation (proved plus probable) reserves – they actually used deterministic methods for proved reserves. SEPCo discussions with Mobil when Aera was first formed confirmed that their basic reserves interpretations were similar to SEPCo's at the time.

Amoco: Prior to takeover by BP, Amoco in the US was notably stricter in interpreting the SEC rules than SEPCo (see 2.4).

Enterprise: Upon acquisition in 2002 it was discovered that Enterprise's approach to reserves booking was more relaxed than Shell's (at the time), a factor likely to be common among small / mid-sized companies with an eye on potential buyers. Having said this, the techniques they applied in the US were in line with general US practice. Some 10% of their proved reserves did not meet the Group's requirements for new reserves bookings in terms of project maturity and consequently they were not booked by Shell (Norway Skarv and Italy Tempa Rossa Phase 2). Furthermore, much of the reserves quoted for KMOC (Russia, again more than 10% of the Enterprise total) appeared to be seriously exposed in terms of commerciality, despite being "supported" by independent certification. These have since been divested to Marathon, who subsequently quoted proved reserves of approximately 1/3 those reported by Enterprise (and Shell) per equity point. Several other projects appeared to have been booked far in advance of project sanction.

ExxonMobil:
Reports "wellhead" gas production as reserves.
Appears to rigidly enforce proved area / deterministic methods, backed up by extensive, well staffed annual global audit effort.
Does not book reserves before project sanction (perhaps one or two exceptions historically).
Suspected of "managing" RRR performance by deferring bookings / suppressing revisions in years of surplus – very predictable and stable RRR trend – indications that this is becoming hard to sustain.

Probably the most rigorous of all majors across their global portfolio.

BP:

Reports "as sold" gas production as reserves.

Appears to rely heavily on probabilistic techniques – suspected of booking very aggressively in terms of volume – few material revisions, whereas SEC rules clearly require that a healthy contribution from annual revisions would be expected. Internally revisions are seen as "something to be avoided", possibly causing revisions to be classified as Improved Recovery or Extensions in some cases.

Does not book reserves before project sanction (practice established based on project approvals by UK authorities).

Reserves (including PSCs) are estimated based on business planning reference price, not year-end price.

Indications that they are gradually waking up to the SEC requirements for increased rigour in proved reserves estimation. Considered likely to be at risk under increased SEC scrutiny.

Fairly high bookings from extensions and discoveries in 2001 (including Thunderhorse) allowed BP to balance overall bookings and take negative revisions in that year (Lake Maracaibo). In August 2003 BP revised downwards its estimate of oil and gas reserves it expects to book for its Russian TNK-BP joint venture because SEC rules will not allow booking beyond the end of licence periods (a well known constraint that it is surprising BP did not take into account when originally quoting its reserves estimates).

Total:

Reports "wellhead" gas production as reserves where there is a gas sales contract in place – otherwise reports no associated gas reserves.

Reserves are believed to be estimated based on business planning reference price, not year-end price (Total is much more exposed to PSCs than Shell).

Indications that they are gradually waking up to the SEC requirements for increased rigour in proved reserves estimation. Of the majors, Total on average reports the highest rate of revisions, suggesting that their approach to initial booking is conservative, although since Improved Recovery changes are rarely, if ever, reported the Revisions category may be inflated by such changes.

Chevron Texaco:

Little insight: externally perceived as being aggressive on volume – possibly also at risk from enhanced SEC scrutiny.

Appears to follow year-end pricing on PSCs (large negative revisions in 1999 quoted as being due to reduced cost-recovery entitlements in Indonesia due to high year-end prices).

Chevron had internal rules for using seismic to book proved reserves and booked volumes meeting those criteria.

Has a full-time Reserves Audit staff to review proposed bookings at least annually.

There appears to be no attempt to manage RRR, e.g. through balancing high extensions/discoveries with low revisions. However, revisions generally are at a low level with, like BP, Improved Recovery regularly exceeding revisions (indication of aggressive volume bookings).

4. Potential Reserves Exposures

The following tables summarizes the proved reserves exposures as currently identified:

Proved reserves which are likely to be considered as not compliant by the SEC

Country	Field	Non-compliant reserves as at 31.12.2002 (est., mln boe)		Reason
		Proved	Expectation	
Australia	Gorgon	557	785	No FID or investment commitments
Nigeria	Onshore (SPDC)	720	ca. 1400	No mature plans / projects
Oman	Existing fields	234	240	Immature projects, (some) unproved techniques
LKH	Various	ca. 300	0	New SEC guidance
PSCs	Various	291	0	Oil / gas price assumption in calculation of reserves entitlement.
TOTAL		**2102**	**2430**	

Proved reserves which might be considered as not compliant by the SEC

Country	Field	Potentially non-compliant reserves (est. mln boe)		Reason
		Proved	Expectation	
Nigeria	Onshore (SPDC)	814	ca 1600	Plans/projects in progress (but not VAR3-compliant)
Oman	Existing fields	150	0	To be firmed up in short-term (2 years)
Kazakhstan	Kashagan	380	500	Government may not approve plan. Technical definition of proved area.
Others	e.g. Corrib, Tempa Rossa	ca. 200	270	No approved plan
TOTAL		**1544**	**2370**	

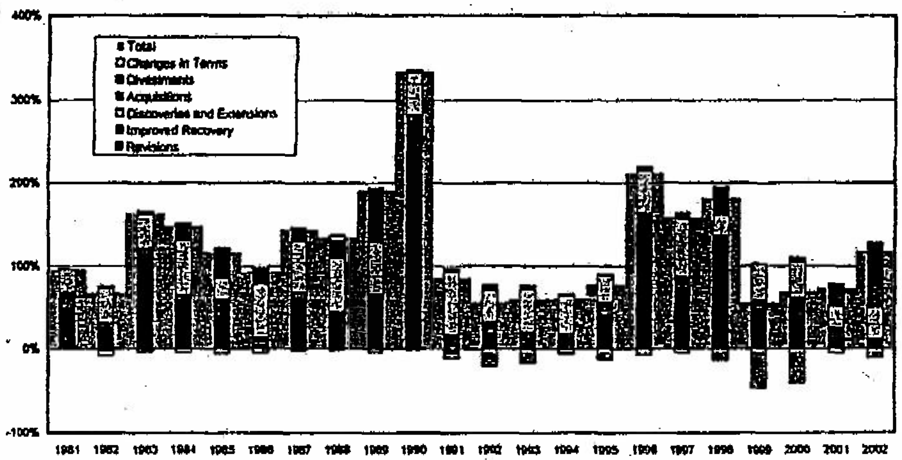
The reserves identified as likely to be not compliant with SEC guidelines represent 11% of the Group proved reserves (excluding oil sands), while the potentially non-compliant volumes would raise this to 19%. The corresponding figures for expectation reserves would be 7% and 15% respectively.

The main exposures were predominantly booked in the period 1997 – 2000. There follows a description of each (Gorgon, SPDC, Oman, LKH, PSC and "others"), after an explanation of the historical context. The manner in which each would be reclassified, and the prospects for re-booking in future are discussed in section 6 below.

4.1 Group Context

The following chart illustrates the context in which the exposures were created:

Proved Reserves Replacement Ratio

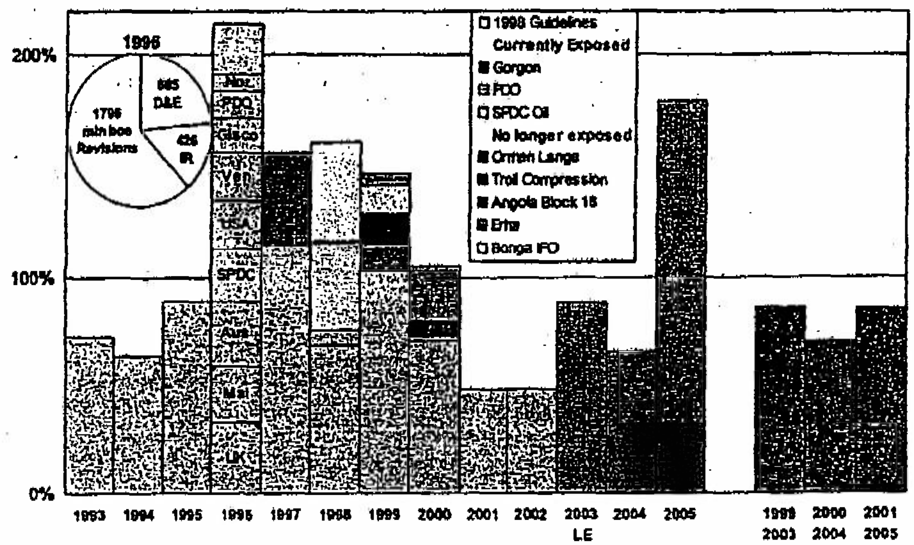


During the 1980s the Group underwent a period of sustained proved reserves growth, with annual RRR generally exceeding 100%. This culminated in 1990 with a record in modern times of 334% RRR, driven mainly by the change to proved gas reserves reporting (see 2.2).

By contrast, during the early 1990s there was a sustained period during which new reserves additions consistently failed to keep pace with production, such that by the mid-1990s the pressure to correct the situation was severe, both from the market and from an internal growth objective. Substantial additions (largely revisions) were made in 1996 and a heightened level of RRR performance was sustained through the next two years, fuelled in part by the implementation of the revised "deterministic" Group Guidelines in 1998. However by 1999 and 2000, new reserves additions were becoming progressively harder to identify, ushering in a new period of reserves decline (excluding acquisitions) that the Group is currently struggling to break out of.

It was during the period 1997 – 2000 that the bulk of the currently identified exposures were created. Although the bookings were made consistent with the Group Guidelines in force at the time, with hindsight the effect has been to accelerate bookings into that period which, under the current guidelines, and under the current interpretation of the SEC rules, might more appropriately have been deferred to future years.

Proved RRR: Organic (excl A&D), excl. the effect of Sakhalin MI, incl. AOSP



In essence, the proved reserves volumes that are currently seen as exposed are in this situation because of recent guidance from the SEC on two issues:

1. Proved undeveloped reserves need to be covered by a firm commitment to development (FID, AFE, MOU etc) before they can be booked as proved,
2. Proved reserves cannot be declared for volumes below levels penetrated by the drill bit (Lowest Known Hydrocarbons, or LKH).

The first item, SEC guidance on which was issued in 2001, has been followed by gradual changes in the Group reserves guidelines since 2000 (see 2.2). The second item arose out of correspondence with the SEC during 2003.

The exposed volumes in SPDC, PDO and Gorgon are affected by the first of these rulings, the LKH volumes by the second.

Many of the SPDC and PDO volumes had been booked during the 1990s, at a time when Group reserves guidelines required only technical and commercial (not necessarily economic) maturity of the associated projects. Many projects had proper Field Development Plans (FDPs) associated with them, e.g. those prepared by the Nigeria Studies Team. However, not all projects needed to have been properly studied and documented. Notional plans, based on analogue developments in the same or neighbouring fields were acceptable and in accordance with then prevailing Group guidelines, provided that there were identified activities and preliminary economics. The recovery factors associated with such notional plans were often assumed or inferred by analogy.

Awareness and Response

Over recent years, concerns have gradually been accumulating amongst reserves coordination staff over the status of some proved reserves elements in relation to the SEC's evolving guidance on, and the Group's evolving understanding of, the applicable rules.

Group External Auditors have questioned the retention of Gorgon on the books, and the overstatement of PSC entitlements have been highlighted frequently in their external review of the Group's proved reserves statements. At the end of 2002, and possibly in response to a fundamental shift in the extent to which individuals and organizations feel themselves to be accountable (pursuant to Sarbanes-Oxley), Group External Auditors expanded the list of items that they felt possibly to be non-compliant, feeling that a record of their opinion should be preserved on file. Notwithstanding this, the Group's argument that the net effect was immaterial in relation to total Group reserves was accepted.

Furthermore, through the linkage of proved reserves additions to business and individual performance score cards, it is possible that situations occurred in which staff involved with reserves estimation were subjected to pressure to propose proved reserves changes that might not have been fully compliant.

Actions to address the perceived problems in SPDC and PDO were begun by freezing the affected reserves at the figures reported in 1999 and 2000 – no new additions were allowed and the balance was reduced annually by production.

Beginning in 2002, these concerns were summarized and brought to management attention through the compilation of a Potential Reserves Exposure Catalogue, which has been updated typically at 6-month intervals and which has been included in relevant notes for information to the EP Executive, CMD and the Group Audit Committee. All items covered by this note have been included on this list, with the exception of Kashagan.

Actions were taken to address some of the more obvious entries that have appeared on this Catalogue, such as the debooking of significant non-compliant volumes in the Nigeria deep water province (Bonga, Erha: 130 mln bbl) in 2002 and the investigation work completed in 2002 to assure SPDC's legal rights to licence extension. Nevertheless, other items on the catalogue were retained, each with a justification that was considered plausible and defensible (pending work to address the exposure through project maturation). Consequently, the view was taken that the exposures should indeed be highlighted and addressed as a matter of priority, but that no corrective action was warranted in the meantime in relation to external disclosures.

Further measures to improve the controls around reserves disclosure were introduced in 2003. A Reserves Committee, comprising senior EP managers and the Deputy Group Controller, was established to oversee procedural matters.

Regional Reserves Challenge sessions were introduced to help assure compliance of all proposed material reserves changes. It is likely that further measures will be taken in 2004, the details of which have yet to be defined.

What has changed recently is the completion of the study and audit work in PDO and, especially, SPDC. These revealed the full extent of the potential exposures in these countries that previously had been suspected but which until now had not been thoroughly enumerated. When combined with the previously known exposures, this caused the total position in effect to be recategorized from "of concern, but acceptable" to "material and, potentially, warranting corrective action".

4.2 Gorgon

Gorgon is a giant gas field on the offshore Australian NW Shelf in which Shell has 2/7 equity. ExxonMobil has 1/7 and operator ChevronTexaco 4/7. The field is far removed from existing infrastructure and the gas has a large inert fraction. A market for the gas is likely to be found in the Pacific rim in the long term, but this is as yet far from mature. Because of the remote location, development economics, while still positive, cause the project to face severe competition from other projects within (and outside) the Group.

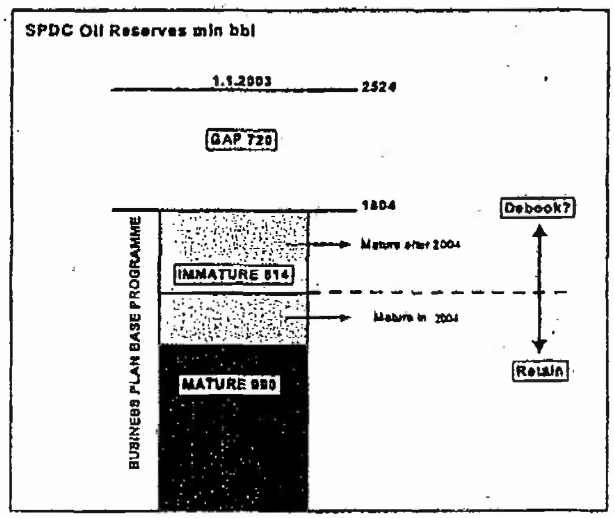
Proved reserves were declared for Gorgon in 1997, in line with then prevailing Group reserves guidelines. The booking was supported by Letters of Intent to sell Liquefied Natural Gas (LNG) into the Asian market and what was believed to be imminent project sanction. The booked volume is 557 million barrels of oil-equivalent, including natural gas liquids, making this the second largest single-field booking in the Group's portfolio after Groningen. Following the Asian economic crisis the LNG sales contracts never materialized and since then field development has struggled to progress, impeded in part by competitor activity in the region. Current Group reserves guidelines, requiring FID for a project this size and at least Heads of Agreement for LNG sales contracts, would not have allowed this volume to be booked. The booking was maintained at 1.1.2003, pending a decision on the way forward.

The proved reserves booking is clearly exposed to the SEC's guidance on commitment to develop in "frontier areas", not least due to the lack of a ready market for the product and excessive delay in bringing the development project to fruition. Progress appears to be being made towards FID in 2005, with an option available for sales contracts covering approximately half the reserves. However, this project also represents a substantial Investor Relations issue since the market does not appreciate that reserves have already been booked and it will be expecting substantial reserves additions once FID and firm sales contracts are announced. Neither of the partners in the field has booked reserves to date.

4.3 SPDC Nigeria Oil

Current Status

SPDC's proved oil reserves at 31.12.2002 were 2524 million barrels (mln bbl) Shell share. However, SPDC's Business Plan "Base Programme" only covers a volume of 1804 mln bbl and of this, only 990 mln bbl fully complies with the current Group Guidelines.



The 720 mln bbl (Shell share) gap between reserves booked and the base programme implies that no realistic projects have been identified to cover this, now highly exposed, volume. While SPDC's total resource base (expectation reserves and scope) is very large, additional volumes cannot be accommodated in the base programme before about 2010 within current constraints, particularly funding. Therefore it will not be possible to bridge the 720 mln bbl gap between the base programme and the reserves at 1.1.2003 for at least several years.

A major reserves review that SPDC carried out in the second half of 2003 also identified that a significant number of projects in the base programme (together 814 mln bbl) did not fulfil the recently tightened Group reserves guidelines which required VAR3 or FID for compliance with SEC rules, as they are now understood. An important reason why these projects were now seen as immature was the lack of Associated Gas Gathering (AGG) plans for the field / project in question. With the 'flares-out-by-2008' policy imposed by the Nigerian Government this meant that oil production would have to be shut in, unless there was an export or utilisation route for the associated gas. Many projects were found to be lacking firmness of definition, i.e. they were still a long way from a possible request for funds. Other projects were found to be notional only, with no study or development plans defined at all. Whilst such projects would have been acceptable for booking as proved reserves under pre-2000 Group guidelines, they were now no longer in compliance.

The 814 mln bbl in the base programme that does not fully meet the guidelines can be broken down as follows:

		mln bbl
Developed Reserves:		
	No AGG solution by 1.1.2008	86
	Facilities vandalised	19
	Reservoir exposure – no plans yet defined	18
	Total	123
Undeveloped Reserves:		
	Ongoing studies	150
	Remedial action plan	446
	No plans yet defined	96
	Total	692
TOTAL		814

It is unlikely that much of the remaining exposed volumes will be matured during 2004. Some 86 mln bbl is associated with developed reserves that have no AGG solution in the base programme beyond 1.1.2008 (the target date for implementing the "flares out" policy). As such this volume will probably be removed from next year's programme. Some 19 mln bbl also lies in fields which have vandalised surface facilities (including the Northern Swamp). There are 96 mln bbl of undeveloped reserves and 18 mln bbl of developed reserves with various reservoir, AGG and project exposures for which firm plans have not yet been defined. Some of this will be addressed by the asset teams in 2004, but the volume that can be matured by end 2004 is uncertain at this stage.

As indicated above, studies are ongoing to mature 150 mln bbl of the exposed volume. These are in the Gbaran/Ubie (75), Oguta (14) and Ughelli (60) nodes. Gbaran/Ubie is a major integrated NAG/oil/ AG project that will supply both NLNG Trains 4/5 and 6. It has taken VAR3 and is due the take VAR4 in mid-2004. The exposure related to this volume is therefore relatively low and there is a high degree of confidence that it will be fully mature by end 2004. The other studies are at a lower stage of maturity by comparison and there is more uncertainty about the viability of AGG facilities. As such, there is a relatively low level of confidence that these will be fully mature by end 2004.

A remedial action plan has also been initiated which will target a further 446 mln bbl of the exposed volume. This consists of 18 field studies and will take an estimated 42 man-years of effort. Much of the work will have to be carried out in Nigeria, but will be supported by external EP staff. The plan aims to complete

80% of this work by end 2004, but this is a stretch target with 50% being a more realistic 50/50 estimate (i.e. 220 mln bbl reserves estimated to be matured by end 2004). The studies will also address about 140 mln bbl that are not currently covered by the base plan, but which are in the same fields to be studied (principally Nembe Creek, Santa Barbara and Soku). However, it is unlikely that significant additional volumes would be mature by end 2004 and it is also questionable whether the related development projects can be accommodated within the base programme.

Based on the above assessment, there is a high level of confidence that the "fully mature" volume will increase from 990 to about 1300 mln bbl by end 2004. This assumes that Gbaran/Ubie takes FID and 50% of the remedial action plan is carried out. The volume would increase to about 1450 mln bbl if 80% of the ongoing studies and remedial action plan could be completed by end year. However, this is considered a stretch target.

In all, there is little doubt that there are significant oil resource volumes within SPDC's licence areas and that these provide a solid base for sustainable production within the company. Exploration drilling continues to make material additions to SPDC's already large portfolio of discovered oil resources. The main issue is how much of the discovered volume can be booked as proved reserves. Under the Group's current understanding of the SEC rules, it is questionable how much of the current SPDC oil bookings, beyond the 990 mln bbl of "fully mature" reserves, could withstand external scrutiny, should the need arise. This view was supported by a review of the current status and maturity of SPDC's proved reserves by the Group Reserves Auditor in September 2003. This in no way reduces the longer term potential and is only a reflection of the volume that can be considered fully technically and commercially mature at a given time.

Historical Reserves Bookings

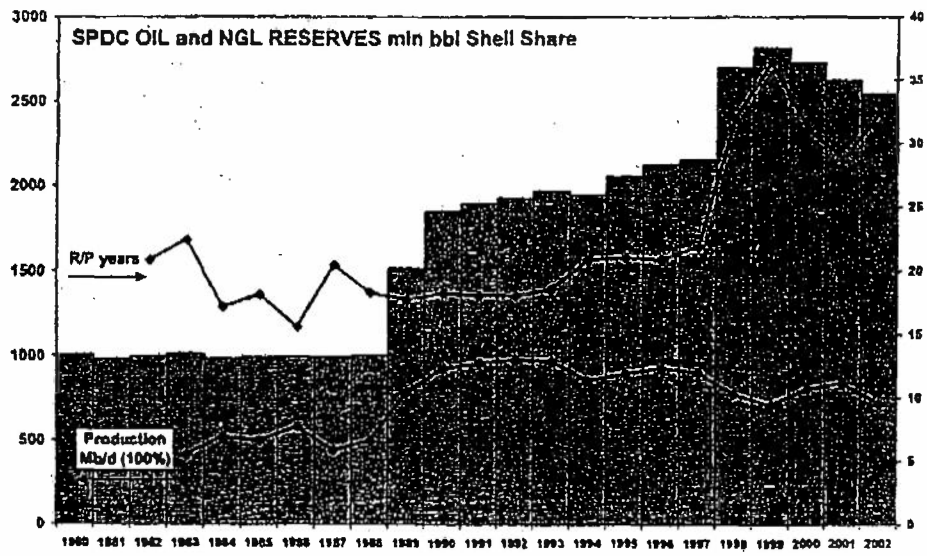
SPDC's reserves steadily increased during the 1990s:

- There was a significant step-up in production rate from 1989 to 1991 and increased reserves were therefore required to be able to sustain production levels in the long term.
- SPDC was gearing up for further growth, although this was repeatedly frustrated, principally by funding constraints, community disturbances and political instability.
- A Reserves Addition Bonus was provided under the 1991 Memorandum of Understanding (MOU), which encouraged the JV operators to increase their reserves base.

As shown below, there was a fairly stable reserves to production (R/P) ratio of 18 years from the early 1980's through to 1993. However, this ratio started to increase from 1994 onwards, partly owing to a decline in actual production rates.

A sizable proved reserves addition (some 580 mln bbl oil Shell share) was booked by SPDC in 1998, following a major review of the portfolio of projects and of reservoir blocks with negative reserves (conservative proved volumes now overtaken by cumulative production). Approximately half of the addition was also attributable to revised Group reserves guidelines which stated that, in line with industry practice, proved reserves should equal (or be close to) expectation reserves in mature fields, of which SPDC has many.

A "moratorium" was introduced on further reserves additions in 1999 owing to concerns about the ability of the business to deliver the stated proved reserves in view of further delays to production growth. Declared proved reserves were maintained independently over the period 2000-2003, not linked to any sum of individual projects or fields. There was also concern that it would not be possible to accommodate additional volumes prior to licence expiry in 2019. However, detailed investigations in 2002 showed that reserves do not need to be constrained by licence expiry as the Government has an obligation to renew licences (so long as contractual commitments have been met) and there is already an established track-record of JV licence renewals. While this removed the significant exposure regarding proved reserves volumes beyond end-of licence, it still did not resolve the disconnect between individual projects and total proved reserves.



Future Outlook

Any SPDC oil reserves that are de-booked at this stage would be reclassified as Scope for Recovery (SFR). The de-booking would also trigger a reclassification of expectation reserves to SFR[4].

The following charts show a projection of future reserves bookings assuming that a de-booking is made of 1224 mln bbl, down to 1300 mln bbl. The de-booking would reduce the R/P from the current level of some 32 years down to less than 12 years – low by comparison with the potential prize associated with SPDC's resource base, but more in line with the average for the Group as a whole. At this starting level it will be essential to establish and maintain a reserves replacement ratio in excess of 100%.

It has been assumed that a volume equivalent to the 814 mln bbl exposed in the current base programme can be matured over the next three years (2004-2006). It would be impractical to mature a larger amount, as these volumes are needed simply to underpin the base programme and this is already constrained by factors such as funding. No reserves additions would be made in 2004 as study efforts in this year would be aimed at clearing the 310 mln bbl exposure that would remain under this de-booking assumption.

Additional reserves booking after 2006 would be mainly associated with large integrated oil and gas projects such as Oguta or Otumara. The projections are based on maturing 200 mln bbl a year.

The projections suggest that it would be impractical to increase the R/P ratio back to historical levels under the current interpretation of the SEC guidelines. However, this does not change the underlying fundamentals of the programme, and only indicates that some of the later activity in the programme will not meet the more stringent current reserves criteria until such time that the required level of project definition has been achieved.

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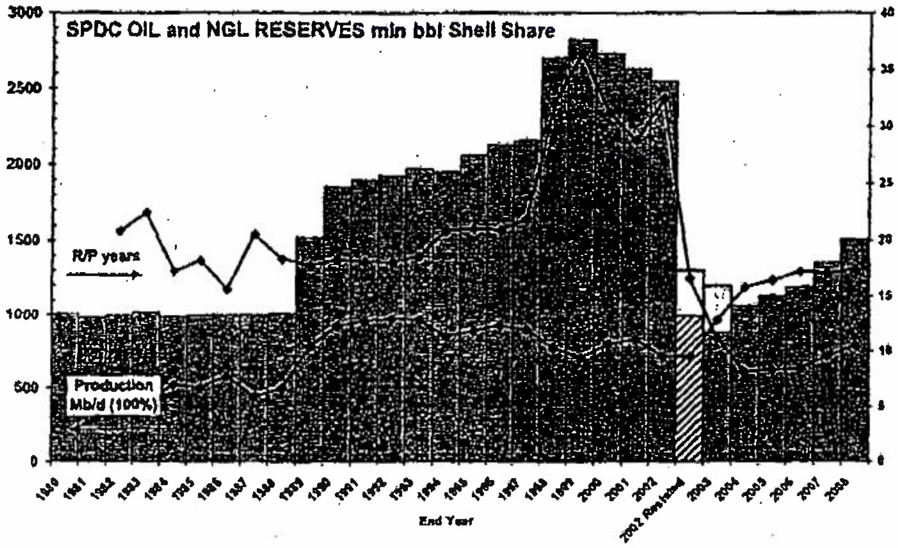
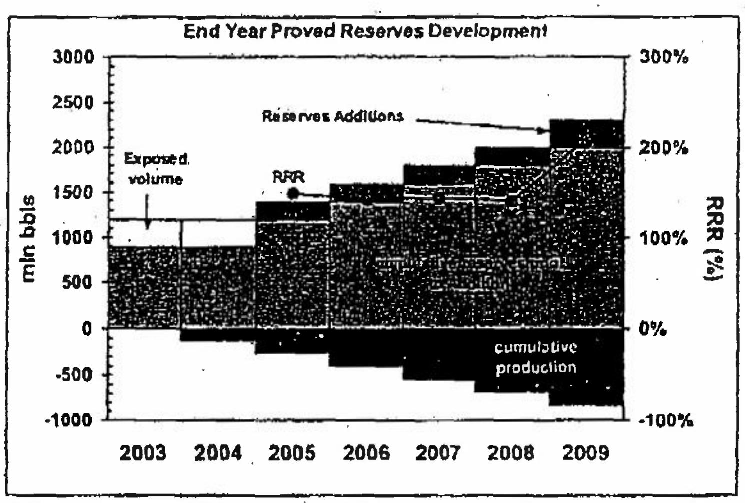
4 SPDC's expectation reserves at 31.12.2002 stood at some 4.9 bln bbl Shell Share. However, under current guidelines a reservoir should not carry expectation reserves unless it also carries a proved volume. A large number of partially appraised fields and un-appraised discoveries would be reclassified on this basis.





Further reserves bookings are expected for gas. A net booking of 200 mln boe is expected in 2003 associated with NLNG Trains 4/5 and Train 1-3 production beyond 2019, (offset by a reduction in domestic gas volumes). A further 150 mln boe is expected in 2004 associated with Train 6 and the re-rating of Trains 1-3 and 140 mln boe is expected in 2005 associated with the gas supply to Afam and WAGP.

Other Impacts

- SPDC currently has an outstanding Reserves Additions Bonus (RAB) claim for US$385 mln. The President has recently requested a negotiated settlement be achieved by end 2003. SPDC are seeking between 30 and 50% of the full amount. The claims are based on expectation technically recoverable volumes, rather than SEC proved reserves.
- While in principle a de-booking of SEC proved reserves should not impact on RAB, this is likely to undermine the current resolution process, or would jeopardize relations if a settlement were agreed just ahead of a de-booking. This would put US$115 to 170 mln at risk.
- There could be other reputational impacts as the Government reports consolidated reserves figures to OPEC as a key input in quota discussions. As SPDC constitutes about 50% of total country reserves, an external disclosure indicating that estimates have been overstated could negatively impact the Government's position.
- The Government has recently presented a new policy and programme for the industry called "Structures for Sustainable Growth 2003-2007". This was developed by the new GMD of NNPC, Funsho Kupolukun, while Presidential Adviser. It recognises a potential shortfall on reserves targets and links this in part to multi-nationals sitting on large tracts of undeveloped acreage. A de-booking could therefore increase the risk that SPDC is forced to relinquish dormant licence areas.

In view of these factors it is recommended that, if any debooking of proved reserves in SPDC is made, it should not be identified publicly with Nigeria. Public statements should be confined to the 20-F geographic area concerned ("Eastern Hemisphere, Other"), noting that further details are confidential in view of host country sensitivities.

4.4 PDO (Oman)

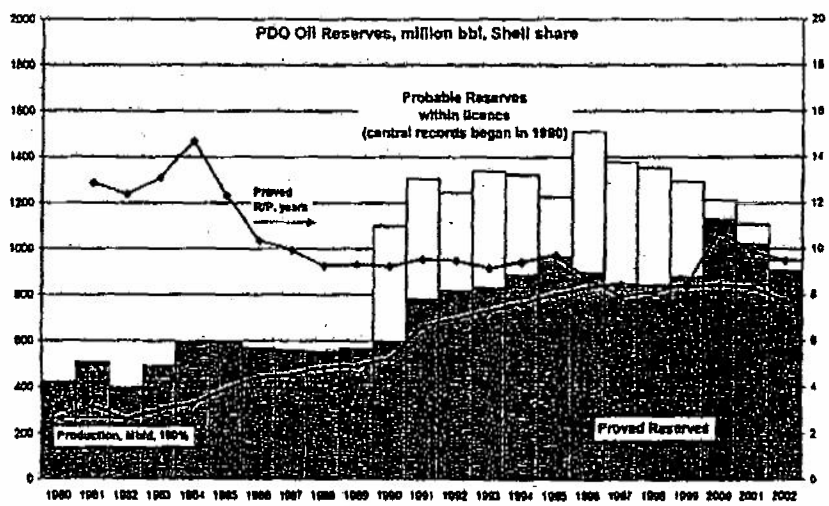
Current Status

Some 234 - 386 mln bbl (Shell share) proved reserves are exposed relative the current Shell Guidelines due to lack of project maturity and / or proof of improved recovery concept.

A STOIIP and Reserves Review was completed in December 2003, which concluded that Expectation reserves are exposed by some 240 mln bbl (Shell share) due to lack of supporting development plans, the problem being (potentially) exacerbated for proved reserves due the influence of licence expiry in 2012 and the conservatism required for proved reserves volume estimation.

The medium-term studies plan should ensure that the bulk of the exposure is addressed by 2008. Furthermore, progress is being made towards ensuring the Group's continued participation in PDO operations post-2012, which would yield substantial additional proved reserves entitlements. However, at this time it is unlikely that the full Group share proved reserves (907 mln bbl at 31.12.2002) would withstand external scrutiny.

Historical Reserves Bookings



In the late 1990s PDO had a portfolio of proved reserves projects of varying maturity, most or all of which were in compliance with the then prevailing Group guidelines. Submitted Group share proved reserves were the sum of individual field proved reserves, as they should be. These individual field proved reserves were rather low in comparison with expectation (proved + probable) within licence reserves, particularly when account was taken of their fields' maturity (the average ratio was only 68% at the end of 1999). The reason for this was that PDO (and the Oman Government) have historically had interest only in expectation reserves (the basis for reserves addition bonuses), with the result that proved field reserves were hardly updated from their initial, low values. This was highlighted in the 1999 reserves audit.

PDO were strongly advised by SIEP in 2000 (pursuant to the revision of Group reserves guidelines in 1998) to correct the low proved-expectation reserves ratio. Individual field proved volumes had still not been addressed, but PDO were advised to make an upward correction to proved reserves based on a continuation of the then prevailing 850 Mb/d plateau for eight years, followed by a relatively steep (20%) decline. With hindsight, and the results of the 2003 review, it might have been more appropriate to correct the expectation estimate down rather than the proved estimate upwards. Nevertheless, at the time the understanding was that this revised proved volume would become underpinned by proper re-assessments of proved reserves and proved forecasts in individual fields, but, due to the attention required by serious production decline problems shortly thereafter (see below), this did not happen. At the end of 2002, the remaining R/P ratio for proved reserves was close to the remaining lifetime of the licence (10 years), implying that current production rates must be sustained throughout that period, and be underpinned by projects that fully comply with SEC rules, for the proved reserves statement to be maintained. As such, the proved reserves estimate is now seen as unrealistic, both by PDO and by its shareholders.

Faced with the serious production decline trends in a number of fields, PDO committed to the comprehensive review of their STOIIP and reserves estimates (mentioned previously) by an integrated study team staffed mostly by SIEP-EPT. This study team largely confirmed the in-place volumes carried by PDO but recognised, with PDO, that reserves in a number of fields (most notably Yibal and Marmul) were somewhat overstated. The study also highlighted that a significant number of future development projects, targeting the expectation and proved undeveloped reserves, were immature to very immature and that only a small fraction (some 20%) of these projects carried reserves that would fulfil the latest (2003) Group reserves guidelines.

Other Impacts

- PDO Reserves Additions Bonuses (RABs) are evaluated with reference to an expectation, not proved, estimate of recovery. In view of the 2003 review finding that expectation reserves may be overstated, the issue of RAB rebates is under discussion with the Omani authorities and agreement in principle exists to phase any such rebates over a period of time, tied to individual field studies. Nevertheless, this matter is extremely sensitive, and the subject of confidential negotiation.

Consequently it is recommended that, if any debooking of proved reserves in PDO is made, it should not be identified publicly with Oman. Public statements should be confined to the 20-F geographic area concerned ("Eastern Hemisphere, Other"), noting that further details are confidential in view of host country sensitivities.

4.5 Lowest Known Hydrocarbon (LKH)

In 2003 the SEC advised the Group through correspondence that its interpretation of the SEC LKH rule was such that no proved reserves may be attributed to any part of a reservoir that is deeper than the lowest point at which (productive) hydrocarbons have been penetrated (subsequently revised verbally to "logged") until performance history is available in support of a higher volume. This view was repeated verbally at the October 2003 SPEE forum on the application of the SEC rules. Whilst the SEC's views are by now widely known in the industry, there has to date been no formal notification of this advice to the industry in general.

The SEC's logic appears to stem from its recent attempt to insist that a production flow test must be conducted, to demonstrate economic productivity, before proved reserves could be assigned. This was rejected by the industry on the grounds that adequate rock and fluid data acquisition, coupled with analogy, has been demonstrated over many years to provide sufficiently reliable estimates of productivity. The SEC reasons that, since such techniques require the measurement of rock and fluid properties, it is not consistent to attribute proved reserves to volumes of rock that have not been penetrated and logged.

The Group objects to this interpretation on the grounds that it prohibits the use of industry-standard techniques for establishing, with reasonable certainty, the location of fluid contacts in the reservoir. Such techniques include the use of pressure gradient data and, particularly as employed on the US Gulf of Mexico, the careful analysis of 3D seismic attributes. SEPCo has developed clearly auditable, reliable procedures for the latter, not least in response to the observation that many operators in the GoM appear to use similar techniques in support both of field development planning and proved reserves attribution. These techniques were presented to the SEC staff by SEPCo in a face-to-face meeting in August 2003, but despite finding merit in the techniques the SEC responded (in writing) that it had not been persuaded of their applicability for proved reserves attribution.

The Group also objects to the manner in which the SEC has provided this advice, given that no clear public statement has been published and that Shell appears to have been singled out among the majors. No major competitors appear to have received similar advice, despite being in correspondence with the SEC, and several have admitted privately that they would carry exposures to it.

Be that as it may, as things stand, the Group is in possession of what constitutes written advice that the SEC does not support proved reserves attribution on this basis in the GoM and, by inference, worldwide. The volume of exposed reserves is provisionally estimated to be 260 million barrels of oil-equivalent, although further clarification is being obtained via the 2003 year-end reserves reporting exercise.

4.6 Production Sharing Contracts (PSCs)

Proved reserves entitlement as disclosed at 31.12.2002 are, in principle, exposed by some 290 mln boe due to the use of Mid-PSV, rather than actual year-end price (Brent US$ 28.66 per barrel), in their calculation (see also 3.2 above, in which offsets to this exposure are also explained).

4.7 Other Exposures

Kashagan

Reserves for the giant Kashagan field (Kazakhstan) of 380 mln bbl were booked in 2002 on the strength of Declaration of Commerciality (June 2002). A plan for the first phase of development (or 'Experimental Programme') was submitted in December 2002. However, the DOC has not yet been accepted by the authorities, pending resolution of some outstanding licence issues.

On further review in 2003, in the light of ever tightening guidance from the SEC (verbally), this booking can be deemed at risk on three counts:

(i) it appears that the duration of the production phase of the PSC may have been misunderstood, causing 35 mln bbl of the booked reserves to fall outside the likely licence period,

(ii) the proved area may be challengeable in terms of its extent given the rather sparse, currently available well coverage (the five wells drilled to date on Kashagan East are 7 – 12 km apart). With a planned average development well spacing of some 1.4 km, it is possible that only 90 km² out of the 400 km² target development area could qualify as being contained in the current proved area under the strictest application of the SEC rules, causing some 270 mln bbl to be exposed in this manner. The proved area was originally assigned on the basis that the (relatively) nearby, and geologically similar, Tengiz field provides compelling analogue evidence of the continuity of productive formation over the large distances concerned.

(iii) Given the stalling of progress towards plan approval, the entire booking could be called into question with respect to the SEC's recent verbal guidance that no non-trivial government approvals should be outstanding in relation to proved reserves disclosures, as well as with reference to previous guidance that undue delay may call into question the right to book reserves.

One of the other partners in the field (Total) is believed to have booked a similar volume of proved reserves to Shell and this is understood to be the subject of ongoing challenge by the SEC on grounds (ii) and (iii) above. With the exercising in 2003 of pre-emption rights to BG's former share of the field, Shell would register an 80 mln bbl increase in proved reserves if the booking were retained at 31.12.2003.

Miscellaneous

Proved reserves in NAM's Waddenzee fields (25 MMboe) are potentially overstated on technical grounds and are exposed to a drilling and development moratorium by the Netherlands government until it can be demonstrated 'with certainty' (and publicly accepted) that there will be no damage to this ecologically sensitive area. This proof will be challenging to give and even more challenging to become accepted. However, public and government opinion are evolving and there are those that hold the view that these fields will, with time, become developed. The Group's exploration and pre-development costs for these fields were written down in 2000. These volumes do not meet the current Group reserves guidelines, nor the SEC definitions.

In Italy, the (ex-Enterprise) Tempa Rossa field Phase 1 development (proved reserves some 25 mln boe) was still poorly defined and faced significant commercial challenge at end 2002. The reserves were retained on condition that they would be debooked if FID had not been taken in 2003 and was not likely to be taken in 2004 either. Current assurance from the Asset Holder is that project sanction is 'imminent'.

In the (ex-Enterprise) Corrib gas field in Ireland (50 MMboe) there is the issue that the building permit for the onshore gas processing plant has been rejected by the authorities during 2003 without further right of appeal. Although an alternative site is now being proposed, this rejection means a serious set-back to Corrib field development. This is against the latest SEC requirements.

5. Status

5.1 Audit Summaries

PDO

1995: Proved Developed reserves appeared too high, while Proved undeveloped reserves were negative! Methodology suggested in previous audit report had not been followed. Audit trail showed expectation volumes only, not proved.

1999: Individual field proved volumes were too conservative. Proved developed did not properly reflect end-of-licence in 2012 and was too high, proved undeveloped reserves were too low, their sum (i.e. total reserves) seeming largely reasonable. Audit trail was good. Audit opinion: good.

2003: Proved developed reserves were reasonable. Proved total volumes had been kept unchanged in spite of recent downturns in production forecast to end-of-licence in 2012. In addition, a large share of proved undeveloped reserves was based on projects that did not meet the current test of maturity in the revised guidelines. Audit trail had deteriorated. Audit opinion: unsatisfactory.

SPDC

1993: Procedures to estimate proved developed reserves were in line with Group standards. Enhancements were seen in procedures for estimating total (probabilistic) reserves. Audit trail was good. Audit opinion: 'very satisfactory'.

1997: Difference in probabilistic procedures for proved developed reserves between East and West, both needed to be improved (too mechanical, no realistic low and high cases). Audit trail was poor, needing a repeat audit in 1999. Audit opinion: 'quite satisfactory'.

1999: Audit trail was (still) poor. Assumed long-term proved reserves forecast to end-of-licence in 2019 required a doubling of production rate. Proved reserves exposed if this should not materialize. Audit opinion: satisfactory.

2003: Audit addressed reserves estimation procedures only (not the resultant volumes, which were under review at the time). A significant portion of proved reserves was based on immature projects that did not fulfil present (tightened) Group guidelines. Status of 1.1.2003 proved reserves: unsatisfactory.

Group Reserves Auditor Comment

Both SPDC and PDO were affected by the tightening of project maturity requirements in the Group Guidelines that has occurred in recent years (see 2.2). In PDO this seems to have been caused by the extreme focus on short-term development opportunities ('keep the rigs busy to keep the oil rate up'), to the detriment of defining longer term projects that would require more intensive study work (e.g. improved recovery and some EOR). Quite a number of these projects are also rather tenuous in nature (e.g. EOR) and not all of them may be realized.

As for SPDC, the reason for the lack of longer-term project definition is less clear. SPDC's proved undeveloped reserves over annual production ratio is quite high (some 22 years in 2002), which implies that many of the constituent projects would not need to be matured until much later in this decade. Although the oil is quite likely to be there, there simply was no need yet to address these projects in detail.

These problems would perhaps have been manageable if both companies had kept their house in order and kept a fully auditable link between individual field and project volumes and their booked corporate proved reserves and Business Plans. However, from 1999 onwards both companies were faced with oil production declining or remaining well below plan (field decline in PDO, externally imposed stagnation in SPDC). With the end-of-licence approaching (2012 in PDO, 2019 in SPDC) this meant that both companies should have reduced their proved reserves entitlements within licence accordingly [5]. The reality is that they didn't. Both companies chose to reduce their booked proved oil reserves by annual production only, meaning that quite unrealistic upturns in production were required to produce the stated volumes before the end-of-licence. Business Plan volumes (expectation) were changed more or less appropriately, but individual field estimates became neglected.

As for the reasons for this reluctance to face reality on the proved reserves front – it is possible that scorecards could have had something to do with it. There is also the issue of the significant reserves addition bonuses that both companies have received from the authorities over the years. However, these were in relation to full-life expectation reserves, not Group entitlement proved reserves. Some of these expectation volumes (particularly in PDO) should be (have been) classed as SFR anyway.

The result was that booked corporate proved reserves had started to live their own life and that the link with both CA/BP volumes and the individual fields' volumes was lost. It is possible that the decision to maintain the artificial proved reserves bookings was not taken very consciously, at least not at the highest levels. However, the lack of sound housekeeping (i.e. not linking corporate reserves to individual fields and projects) points to a neglect of proper

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5 EPS-P comment: had automatic licence extension not been assured for SPDC, such that reserves bookings would have continued to be constrained by expiry in 2019, the prize associated with licence extension would be some 200-300 mln bbl oil, as evaluated in 2003. For PDO, depending precisely how much of the current inventory would be debooked, the prize of licence extension beyond 2012 would be in the range 285 – 480 mln bbl.

procedures and this must have crept in during the last four years. In the case of PDO there is the further consideration that proved reserves never received much focus anyway - the government was hardly interested (this has now changed) and proved reserves were not needed for PDO or Group accounts.

The SPDC end-of-licence problem was resolved at a stroke when SPDC realised in 2002 that they had had the right to extend the licence in 2019 all along and that post-2019 volumes could therefore also be booked as Group entitlement reserves. This still left them with the problem of the large amount of ill-defined future project reserves.

The PDO end-of-licence issue has been addressed actively by PDO and it looks now likely that an agreement on an extension post-2012 will be reached early in 2004. However, due to the short-term development focus in recent years, PDO are still faced with a large volume of reserves for which they do not have a realistically defined plan. Even a number of projects that were seen as mature in 1999 are now seen as needing further work, in view of adverse field performance. In addition, PDO have allowed a serious slackening of their ARPR reserves process discipline to creep in over the last four years. This gave them considerably lower scores on the subjects of technical and commercial maturity and audit trails in the last audit.

Both companies are now bringing their house in order, i.e. they are aiming to achieve full alignment between individual fields, projects and plans in the course of 2004 (trying to do this earlier is probably not realistic because of the mammoth amount of work that is needed for a proper inventorisation and study). The unsatisfactory audit scores related therefore only to the status of the 1.1.2003 proved reserves (which is my brief as auditor), and much less to the efforts that have been spent since that time.

Finally, as a general remark, maintaining centrally enforced discipline in reserves estimation and reporting is extremely important. We have seen in SPDC and PDO what kind of damage a slackening in this respect can cause. It is possible that the two companies left the enforcement to too junior levels, much reducing its effectiveness. A similar slackening was seen in Expro during the end-2002 ex-Enterprise reserves audit. The audit report then commented on the adverse changes seen in their processes since the 'good' audit score from 2001.

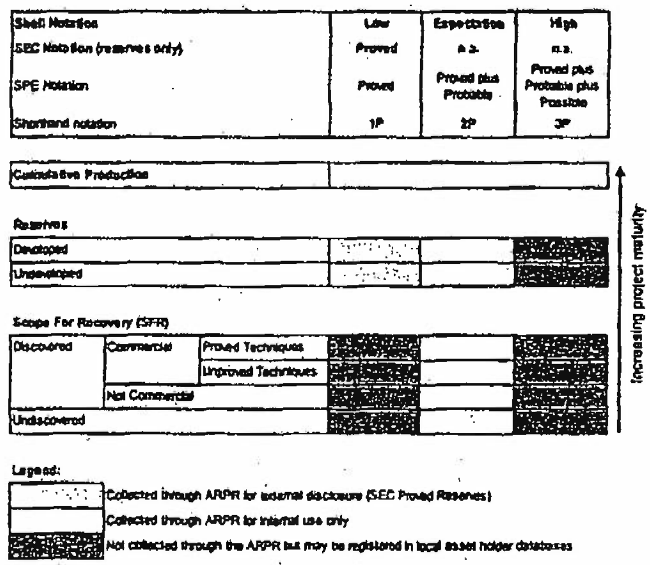
5.2 Outstanding Work

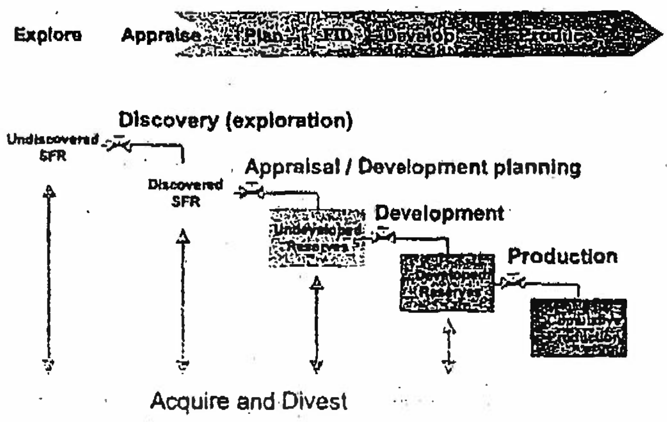
SPDC: Phase 2 of the ongoing Resource Maturation study was completed on November 14 2003, resulting in the conclusions presented in this document. The next phase, which involves detailed planning of the studies effort required to address project maturity in the short term, is in progress. As mentioned previously, some 18 individual field studies, requiring 42 man-years of effort, are planned for 2004 in order to underpin some 310 mln bbl of exposed current proved reserves. Maturation of the remaining business plan exposure (814 mln bbl in total, including the 310 mln bbl to be matured in 2004) will proceed through 2005 and 2006. Only from that point onwards (and perhaps significantly later still) would it be feasible to assume that significant inroads could be made into the 720 mln bbl gap between the current base programme and actual proved reserves bookings at 31.12.2002.

PDO: The STOIIP and Reserves Review Team reported out in December 2003 and follow-up is now in planning by PDO. The existing studies plan should ensure that much of the currently identified exposure will be addressed by the end of 2008. However, this implies that, without a significant write-down of proved reserves now, substantial exposures would need to be carried over several years pending completion of this work.

6. Reclassification

This section summarizes how the affected volumes would be reclassified in the overall Group petroleum resource volume classification system, which is summarized below together with a representation of the "cascade" by which volumes mature from one category to the next:





At issue are the externally disclosed proved reserves. As indicated above, any debooking of proved reserves is likely to have a corresponding impact on expectation reserves, since the system essentially requires the same criteria of project maturity to apply to all reserves categories. For many of the exposures under discussion, the corresponding expectation reserves would be reclassified as Scope For Recovery (SFR) if proved reserves can no longer be justified.

There are two exceptions to this: the LKH exposure would be addressed simply as a reduction of the applicable proved reserves volume in order to comply with the new SEC guidance. There would be no effect on expectation reserves. Similarly, for PSCs, addressing the year-end pricing exposure would simply affect the estimated volume of proved reserves entitlement: expectation reserves (for internal reporting purposes) would remain unchanged and would continue to be based on a Mid-PSV pricing assumption.

None of the reserves in question are at this stage considered likely to be deleted completely from the Group's total petroleum resource base (as would be the case, for example, if all hope of ever developing Gorgon would be abandoned). Thus, volumes might now be "debooked" would actually simply be reclassified to a less mature category in the overall system, only to be re-booked as reserves at a future date when the requisite project maturity has been attained. For most of the volumes under discussion, this "re-maturation" is unlikely to occur in the short-term.

In the following tables, the effect of debooking the two tranches of proved reserves in question (see section 4) is illustrated in terms of the impact on Reserves Replacement Ratio (RRR). The corresponding (NB: estimated) effect on expectation reserves is shown - these volumes would be posted as a positive reclassification to SFR. The estimated volumes that would re-mature to the proved reserves category in 2004 and 2005 are also shown, together with the corresponding effect on plan RRR.

For context, the total Group resource distribution at 31.12.2002 was as follows:

Total initially in place (discovered):	230,100	million boe
of which, estimated to be recoverable:	88,830	(ultimate recovery)
of which, remaining to be produced:	57,790	(31,040 produced to date)
of which, Expectation Reserves:	32,850	(24,940 discovered SFR)
of which, producible within licence:	24,280	(8,570 post-licence)
of which, Proved Reserves:	19,350	(4,390 probable reserves)
of which, developed:	8,870	(10,480 undeveloped)

In addition there is some 24,000 mln boe of Undiscovered SFR.

As well as the potential benefits to 2004 RRR of re-booking reserves (indicated in the table below), additional RRR benefit would be derived from including fuel and flare (some 300 mln boe, providing a ca. 20% once off boost to RRR). If PSC reporting were changed to year-end pricing, rather than Mid-PSV, a modest further gain would be derived from including tax-entitlement reserves in tax-paid PSCs. Furthermore, the application of year-end pricing to tax/royalty concessions would add in the order of 100 mln boe through the extension of economic field life (at current prices).

Proved reserves which are likely to be considered as not compliant by the SEC

mln boe	2003 Debooking		Proved Rebooking		
	Proved	Exp'n	2004	2005	Comment
Gorgon	-557	-785	0	430	1 train, unrisked
Nigeria #1	-720	ca -1400	0	0	To mature over the long term
Oman #1	-234	-240	480	0	To mature over the long term Rebooking: Licence extension.
LKH	-300	0	0	0	Re-bookings offset by LKH 'exposures' in assumed, planned bookings
PSCs	-291	0	50	50	Re-bookings at US$24/bbl (2004) US$20/bbl (2005) (actuals will depend on future price)
TOTAL	-2102	-2430	530	480	
Effect on Total EP Reserves (at end-2002):					
EP total	19348	32849			Excludes oil sands
EP adjusted	17246	30419			
Effect on RRR:					
LE / Plan	80%		66%	176%	Organic, ex-MI, ex-oil sands
Effect	-146%	-168%	37%	33%	
Adjusted	-66%		103%	209%	

Proved reserves which might be considered as not compliant by the SEC

mln boe	2003 Debooking		Proved Rebooking		
	Proved	Exp'n	2004	2005	Comment
Nigeria #2	-814	ca -1600	310	250	Base programme maturation
Oman #2	-150	0	-125	50	Rebooking – incremental to Oman #1 above – impact of higher initial debooking)
Kashagan	-380	-500	100	0	Re-booking limited to SEC proved area (+BG pre-emption)
Others	-200	-270	25	25	Notional project maturation
Subtotal	-1544	-2370	310	325	
Firm	-2102	-2430	530	480	From table above
TOTAL	-3646	-4793	840	805	
Effect on Total EP Reserves (at end-2002):					
EP total	19348	32849			Excludes oil sands
EP adjusted	15702	28056			
Effect on RRR:					
LE / Plan	80%		66%	176%	Organic, ex-MI, ex-oil sands
Effect	-253%	-333%	58%	56%	
Adjusted	-173%		124%	232%	

MOST CONFIDENTIAL

No. 2573

COMMITTEE OF MANAGING DIRECTORS
MINUTES OF THE MEETING HELD IN THE HAGUE
ON MONDAY, 8 AND TUESDAY, 9 DECEMBER 2003

Present:	P B Watts	Chairman
	J van der Veer	
	W van de Vijver (Items 6-21 inclusive only)	
	M A Brinded (Items 6-21 inclusive only)	
	J G Boynton	
	R J Routs (Items 6-21 inclusive only)	
	R M Fox	Secretary

1. MINUTES

The Minutes of CMD Meeting No. 2572 were approved, as amended.

2. ANNUAL REPORTS

Jyoti Munsiff and Michiel Brandjes entered the meeting. Adrian Loader, Mary Jo Jacobi and Yvonne van Sprang joined by videoconference.

The Annual Report covers and size were agreed. On the Remuneration Reports the Committee commented that REMCO had a large number of comments on the drafts and that more work needed to be done on these pages. The intention was that for the Royal Dutch Remuneration Report, there would be a general statement regarding remuneration but on the specific figures only Royal Dutch Directors would be referred to. The same approach would apply to the Shell Transport and Trading Remuneration Report.

TT 000712

EXHIBIT
Van der Vijver
41
2/2/07

V00090869

It was agreed that the Chairman of REMCO, Mr Loudon, would sign the Remuneration Report for Shell Transport and Trading and for Royal Dutch.

Turning to the governance chapters, the Committee stated that for Shell Transport and Trading, the focus of the Report should be on the UK position including the Combined Code with reference to NL and the US. The same principle should apply in respect of the Royal Dutch Report with focus on Tabaksblat with reference to the position in the other 2 countries. In both cases the piece on the US would be common. As far as possible, the detailed matters relating to the Combined Code and Tabaksblat should be moved to the back of the Report and in NL it was possible to move some items to the Shell website. The same approach would be used in the Summary Reports.

It was agreed that the Chairman would sign the covering note for Shell Transport and Trading as Chairman of Shell Transport and Trading and Chairman of the Committee of Managing Directors. For Royal Dutch, Mr van der Veer would sign the covering note as President of Royal Dutch and Vice Chairman of the Committee of Managing Directors.

Turning to the Summary Reports, the Committee stated that there should be two versions of the message from the President of Royal Dutch and the Chairman of Shell Transport and Trading.

It was confirmed that the plain English society would be reviewing the wording of the documents. Further detailed comments were made on the draft pages and it was thought that the message from the Chief Financial Officer could be deleted to avoid potential overlap.

The matter would be referred back to the full meeting of the Committee on 13 January ensuring that all of the non- financial issues were already cleared by the business CEOs prior to the Committee meeting.

Copy of Minute to: A Loader, J Munsiff, M Brandjes.

3. INVESTMENT DECISION GUIDE

Tim Morrison and Beat Hess entered the meeting.

TT 000713

FOIA Confidential Treatment Requested

It was explained that the Group Capital Budget Manual needed updating and that the development of the draft Investment Decision Guide had been sponsored by the Financial Controller. The Committee raised the issue of whether, in relation to asset proposals, such as leases, there should be a maximum term of 15 years. In this context, the Committee commented that it needed to be made clear which items should be addressed in the Investment Decision Guide and which items would be dealt with in the CP Guidelines. It was agreed that this point would be taken back to the businesses for consideration. The question of the explicit support of the Director of Finance was discussed and the Committee stated how important it was for sufficient connection to be made with the Director of Finance and senior finance people in the decision making process. It was explained that the proposed change which required the input of the Finance Director concerned third party financing requirements exceeding $500 mln. In that case, the Committee stated that it was important that there was consultation in good time with the Director of Finance in the preparation of any such proposal.

Copy of Minute to: J Boynton, B Hess.

4. SARBANES-OXLEY ACT SECTION 404 COMPLIANCE

Tim Morrison explained that the Sarbanes-Oxley Act, Section 404 dealt with internal controls on financial reporting and that the Group Financial Controls Framework was to be reviewed in the light of this legislation. He added that the period for comment on the draft Regulations ended in November 2003 and Shell had made representations as had 183 other organisations. The main areas on which Shell commented were the very low materiality levels and the definition of materiality. Mr Morrison explained that the external auditors had been briefed and were aware of the work being done by Shell in this regard. He explained that it was necessary for those working on the Sarbanes-Oxley Section 404 project to have access to the business Chief Financial Officers. He added that assistance would be obtained from those in Shell Canada who were addressing this subject one year ahead. The Committee commented that it was very important that adequate commitment of resources was given to this project and Tim Morrison explained that a dedicated project manager from SEPCO had been appointed to work full- time on the Financial Controls Handbook. He added that the scope of the work was not, however, fully clear because of the likelihood of change to the draft Regulations. More clarity on

TT 000714

the Regulations would be available in February 2004 and the Finance Leadership Team would then undertake a review. The matter would return to the Committee in March 2004. The Committee emphasised that it was clear that these requirements must be addressed in a timely manner.

Copy of Minute to: J Boynton.

5. IMPLEMENTATION OF INTERNATIONAL ACCOUNTING STANDARDS

Tim Morrison presented a paper on the implementation of the International Accounting Standards and said that the standards to be implemented were still being developed by the International Accounting Standards Board. The first phase of the Groups' implementation programme had been to analyse the differences between the IAS standards and the current set of Group Financial Accounting policies. This phase had now been completed based on the IAS Standards published at the end of September 2003. In the next phase the detailed impact on the businesses was to be analysed and the necessary changes to be drafted and agreed. This phase would run up to the end of March 2004 at which point the finalised IAS Standards should be available. It was essential that adequate resources were dedicated to this work and it was explained that the accounting research group had been strengthened and that the question of leadership of the project would be referred to the Committee when the matter was brought back before it in 2004.

Copy of Minute to: J Boynton.

6. FUNCTIONAL/BUSINESS PROCESS REVIEWS

Hugh Mitchell, Arjen Dorland, Guy Cowan, Mike Rose, Gustavo Guimaraes, Bruce Culpepper and John Hofmeister entered the meeting.

Hugh Mitchell introduced the Functional/Business Process Reviews item by explaining that separate papers would be presented on the Group ERP strategy, finance futures and HR futures. This would be followed by a description of integration issues and conclusions.

TT 000715

Arjen Dorland presented the paper on the Group ERP strategy. He explained that there were over 220 ERP systems in the Group and the Group ERP vision was needed to help realise further standardisation in Shell's businesses, to reduce costs, to enable shared service centres, to improve management information and to rationalise the IT portfolio. Mr Dorland explained that ERP rationalisation could not be justified on IT cost reduction only. SAP enabled business benefits were the key driver and there were economic cases yet to be developed. IT investment may need to be redirected. The optimal Group ERP vision was for minimum business models and maximum commonality which would drive further consolidation. There were 10 business models and 4 service and support models in existence. The aspiration was to combine the multiple business models into 3 to 4 ERP systems namely upstream, downstream, utilities and services. There would be three separate ERPs for HR, Master Data and Group Reporting. These plans would be examined in the ITBC, the FLT and EXCOMS during 2004. The Committee agreed that simplification of the ERPs driven by the business models was the correct step and commented that flexibility of the systems was also important to cope with acquisitions and divestments. There should be maximisation of commonality and consolidation. The Committee supported the fact that there was a SAP centric approach. The existing roll-outs in CH, EP and HR would be continued and there would be common benefits tracking across the Group. So far as the common benefits tracking was concerned the Committee added that this was one element which should be addressed by Hugh Mitchell in the overall view. There would be a number of items to be considered at the end of Q1/2004 and these included the OP Streamline SAP business case, the ERP strategy for Utilities business, the ERP strategy for services and any synergies which could be found between these items. It was agreed that the positioning of Trading in the downstream and /or utilities model needed clarification and that Finance systems architecture was additional to the business ERPs. At the end of Q1/2004 the optimal approach on the Master Data would need to be reviewed. Finally it was agreed that the approach on the way forward for JVs and further convergence opportunities for CH and Trading would be reviewed later. The Committee thanked the team working on the Group ERP strategy for the clarity and professionalism of the work produced.

Guy Cowan gave a presentation on the Finance Futures Review. He explained that this was a joint FN and HR recommendation on Shared Services Centre locations. The focus had been on the cost of the locations and the processes to be transferred there. Guy Cowan explained that the transfer of suitable processes to Shared Service Centres could lead to some 2,400 full- time employees being located there. The three existing Shared Service Centres were in Guatemala, Scotland and Malaysia and there were 700 people working there. The two new Shared Service Centres were proposed to be located in Poland and the Philippines. A total of 1,700 FTE's jobs would migrate to the Shared Services locations. A comparison between the Philippines, India and Malaysia was explained and the European location review had considered Krakow Poland, Lodz, Poland and the Czech republic.

Consideration was then given to the various processes which could migrate to the Shared Service Centres , their phasing and the number of FTEs currently employed in such processes. It was explained that the data had been gathered with regard to 7 processes in the first tranche but that data in relation to the other processes was not yet complete. The Committee queried whether in the initial phase there was a common approach across the businesses. It was important that reassurance was given that there would be a common end state. The Committee required clarity by the end of Q1/04 on which processes should be transferred to the Shared Service Centres. In terms of cost savings it was noted that a significant area was in wage arbitrage. Payback would be achieved in 2006 following payments in respect of redundancies, retention bonuses and start- up costs. The Committee queried whether the redundancy figure was included in the Plan and it was confirmed that this was the case. Risks foreseen related to communication to staff, reputation and business principles issues. So far as operational control was concerned it was very important to manage any potential control failures during the migration stages. It was vital that there was business continuity together with ownership and commitment from the businesses. The timetable for implementation was reviewed and it was explained that by the end of Q1/2004 there would be a detailed plan for the project which would include governance issues. The time for GSSE start up was planned for July 2004. The Committee commented that it was important to ensure that the Advisory Board included an individual who was not a Finance person and suggested that someone from one of the businesses would be appropriate. The Committee also suggested that the Malaysian Country Chair should be involved to ensure that learning from the existing Shared Service Centre there was captured. The Committee endorsed the recommendations on the Global Shared Service Units and supported the locations and configurations. It was explained that consultants had reviewed the possibility of obtaining labour arbitrage if there were a Shared Service Centre in North America but this was not found to be a viable option. The plan was to transfer the existing SSCs to the new organisation by 1 July 2004. A Management Team of some 10 people would be created and the governance structure would be established by the end of January 2004. The Committee supported the continued work on the Common Master Data and commented that it was necessary to synchronize this work with Streamline. The Committee supported the continued work on the ERP Road Map and Finance systems architecture which would be brought back to it at the end of Q1/2004. The Committee complemented the team on the great progress which had been made on this very significant issue.

John Hofmeister explained that for the first time in Shell all HR data had been captured. He said that there were 120,989 staff receiving a full HR service with an additional 13,479 receiving a partial service. Benchmarking exercises suggested that Shell was well below the median particularly in Northern Europe but added that many of the Global Businesses were supported from this Region. Mr Hofmeister explained that it was necessary to establish which HR activities could be delivered through a Shared Service Centre. He explained that the OP and EP businesses would be working together during Q1/2004 to find the right formula and that this would then become the Group's standard for HR. It was proposed that there would be Shared Service Centres based in Eastern Europe and in Asia. He explained that HR costs totalling $450 million per year at the end of 2002 should reduce to less than $300 million per year by 2008. The savings would be achieved by measures including standardization, the setting up of the Shared Service Centres and the labour arbitrage associated with that. In addition he explained that the new HR operating model contained a significant element of self-service. Looking at the new HR operating model John Hofmeister commented that it had been decided that it was still necessary to retain general HR advisers within the businesses but that other HR matters would be handled at different tier levels ranging from self-service to expert centres. The Committee stated that it was important that this step was taken at the right time while recognising that Shell had an unusual population, being truly international. It should not be assumed that the end state of one HR person for one hundred individuals was correct and the Committee expressed some concern regarding the element of self-service contained in the model. It was agreed that the matter would be returned to the Committee at the end of January 2004 with a view to considering which processes would be standardised. By the end of Q1/2004 further work would be done on the whole plan including detail on the employee portal and Shell People. The matter would be brought back again to the Committee at that time. Finally, in June 2004, the whole project would return to the Committee with a complete business case. The Committee supported this process and a full time team of 8 - 10 people would be working on it.

Hugh Mitchell commented on the overall review process and said that there had been improved focus. Pending work included the Group net benefits matrix which was still incomplete and detailed figures on the impact on people. He added that there was still a significant potential for double counting but noted that the ERP work was an enabler. The Committee requested a comparison with the other major oil companies, reviewing what had been done with regard to processes. Mr Mitchell went on to explain the priorities for pursuing added value noting the importance of the Group ERP strategy, that opportunity was found in the locations and configuration of the Shared Service Centres and that risk was identified in respect of people, reputation and the realisation of net benefits. On the people side Hugh Mitchell explained that there were a number of change management consultants being utilised and the Committee requested this particular issue be returned to it in January 2004. At that time there should be an awareness of how much change management was currently being carried out by consultants in the Group and whether there was a Group model for doing the work in house as an alternative Next steps were to report back to the Committee once OP Streamline and the ERP business cases had been developed and the Service Centres implementation phasing and timeline was established. Double counting risks would be itemised. A coordinated process would be introduced on people communication. The Committee said that it was important that there was co-ordination over all the different reviews and that an overview paper (ultimately for Conference) was the right approach. In particular the completion of the Group net benefits matrix was important together with constant review of the "rules", opportunities and risks. . In addition by the end of January 2004 it was necessary for there to be a one page draft statement for Shell staff and for the external world. The Committee expressed their thanks to the review teams and praised their alignment and co-ordination.

Copy of Minute to: H Mitchell. Extract on Group ERP to A Dorland. Extract on Finance Futures to G Cowan. Extract on HR to J Hofmeister

7. CORAL STRATEGY UPDATE

Mark Hanafin and Ann Pickard entered the meeting. They gave a presentation on Shell Trading Gas and Power in North America explaining that the business environment was challenging but opportunities were emerging. In Power it was explained that reserves margins were peaking, deregulation was slowing and spark spreads were low. For gas there was a tightening of demand with continued price volatility and LNG set to fill the gap. On the legal and regulatory front challenges continued but progress was being made. The core commercial strategy for STGP related to customers, opportunity, resources and execution. US $ 100 million NIAT should be generated in 2004 (excluding tolls). Looking at customers, the commercial strategy included growth in profitable customer segments across the company and the development of marketing plans for each segment. Opportunities included selectively acquiring portfolio and enhancing contracts and providing access for LNG to North American markets. In addition, production and execution of an effective lobbying plan was beginning to have an effect. In terms of resources it was important to maximise return on risk capital, to hold costs at the 2003 level and to optimise portfolio options on tolls while continuing to invest in upgrading skills. For execution, important factors were marketing and trading in GP regionally and co-ordinating by segment across North America. Important for tolling was operational excellence and portfolio options. The priority drivers were first, value preservation then cash generation and CE reduction. Mark Hanafin went on to explain the alignment in North America where in LNG there had been movement from unclear accountability to a single interface with SILS, transparency and tight integration and the same approach was being taken in respect of InterGen. The Committee commented that this improvement in alignment and cooperation was very important and Mark Hanafin explained that the new organisation would be in place by the middle of 2004. The organisation would comprise a new management team where the trading culture was still very strong but there was the ability to deal with the customer base required to feed trading activities. Turning to Power, the Committee asked about strategy and it was explained that the strategy for the Power business included a range of possibilities including trading blocks of power or a fixed shape of product The aim was to test providing power on a full customer requirements basis to see whether the increased sales justified the costs involved. The Committee complemented the team on the quality of the materials.

Copy of Minute to: M Brinded, M Warwick.

8. CONTRACTING AND PROCUREMENT (CP) IN SHELL

Kees Linse entered the meeting. He explained that on-line bidding had produced value since 2001 with over 4,500 bids taking place with average savings of 15%. Advantages were that on-line bidding disciplined the tender process, provided increased transparency as well as delivering savings. The way in which savings were measured was by comparison to the last contract entered into. The Committee queried why more on-line bidding was not carried out and Kees Linse explained that it was necessary to educate suppliers and Shell people in this process and that there was some degree of push- back in Shell. In addition there was some supply resistance if the bidding related to a special market. The focus of CP activity was on savings and value improvement leading to sustained competitive advantage ensuring full business collaboration. It was also important that there was proximity to the internal customer. Mr Linse gave an overview of the talent in CP noting that the talent pipeline needed improvement and that there were a number of individuals without headroom causing a significant block in the system. Key CP challenges related to systems, behaviours and processes and these items was being worked on and it was important to build on experience and learning from elsewhere including from acquisitions. Kees Linse explained that on the people side, over the next 3 to 4 years, it was important that the right people were recruited into the CP organisation who could be trained at the Supply Chain Academy. As for delivery, it was agreed that the matter would be returned to the Committee with a full update at the end of Q2/04 with delivery of the new processes targeted for Q3/04- 2005.

Copy of Minute to: W van de Vijver

9. GAZPROM ALLIANCE - STATUS AND WAY FORWARD

Michael O'Callaghan, Lorin Brass, Martin Bachmann entered the meeting. They gave the background and status of the Gazprom discussions and noted that current developments in Russia re-enforced the Gazprom position. Wider discussions with Gazprom had been established encompassing the possibility of European pipeline gas swaps and possible Atlantic LNG interests in particular Schtokman. There had been agreement on certain elements relating to Zapo-N/Sakhalin II but an impasse had been reached over the Gazprom aspired shareholding in Sakhalin II. The Gazprom position was that they aspired to 25% whereas Shell's aspiration was for 5-10%. It was thought that there was a perceived "window of opportunity" to reach agreement in the coming 2-3 months. The possible deals which could be done were outlined .In Atlantic LNG a deal on Shtokman would provide Gazprom with LNG expertise and in respect of North American Regas, Gazprom could achieve market access and Shell would gain value chain alignment. Looking at the proposed Shell position Michael O'Callaghan explained that the first step would be in approximately 2006 at the time of Zapo-N FID when there could be an acquisition of 50% of Zapo-N by Shell for up to 10% in Sakhalin II. A second step in approximately 2009-2012 could be a swap of up to 10% of Sakhalin II for equivalent value assets which could include Shtokman or additional reserves. This second step would be subject to Trains 1 and 2 start-up with project finance completion, Sakhalin II Train 2 being fully sold and FID on Train 3. Another important issue was the MiMi participation in any dilution to Gazprom which was recognised as being challenging. Consideration was given to the possible ways in which MiMi could be involved in the two steps noting that a fallback position would be that the first step was one taken by Shell alone with a commitment from MiMi to participate in the second step. MiMi had been informed that talks were taking place and this would be followed by detailed discussions if Gazprom appeared to be interested in the proposal. Tripartite discussions could be an eventual aim. The Committee queried how much confidence there was in Gazprom's ability to deliver in the upstream. Michael O'Callaghan explained that this was a difficult issue and was one of the reasons why it was necessary to have a high level meeting with Gazprom. The Committee commented that Sakhalin was less sensitive to hydrocarbon prices compared to Zapo. It was also added that timing was very important because of the fact that Zapo would be later than Sakhalin. It was important that this was addressed in the negotiations. The Committee supported the proposed way forward for a discussion with Gazprom on the Shell proposal on the 11 December followed by a top level meeting in January or February 2004 with detailed discussions with Gazprom and MiMi thereafter. The hope would be for a signature on the updated alliance agreements in Q1 or Q2 2004.

Copy of Minute to: none.

10. PROJECT ROCKFORD

Tim Morrison and Beat Hess entered the meeting. It was explained that internal fact finding work was being carried out on this issue and the internal legal review was being progressed. This involved careful consideration of all the documents paying particular attention to disclosure obligations. The Chairman stressed the importance of full disclosure and transparency of the facts and thorough legal analysis. Urgent attention was required as time was of the essence. A programme of future meetings was agreed.

Copy of Minute to: none.

11. ENTERPRISE REVIEW

Lorin Brass and Paul Welford entered the meeting.

Key issues in the end 2003 assessment of the Enterprise acquisition included integration, synergies, production, base value, exploration and options/upsides. Using a traffic light system the only item which was not green was production with an amber light which represented the fact that production was 50 kboe/d lower than the pre-deal estimate over the Plan period but higher thereafter. Synergies were substantially in excess of the post deal commitment with a $356 mln run rate by the end of 2003 and 355 mln "cumulative" by the end of 2003. On value the pre- deal assumptions had been confirmed. The hydrocarbon resource base was very solid with a total resource estimate at 31 December 2003 of 2.2 bln boe. Production was lower in the short-term but growth was at 5% per annum. NIBIAT was in line with estimates carried out at the end of 2002 noting the extreme sensitivity to the oil price. Cumulative cash flow from operations at the end of 2003 was good and it was commented that Shell had benefited from additional cash because of the oil price. A review then took place of the options and upsides noting that they were maturing but were maintained at pre-deal levels. Particular attention was paid to the UK options and upsides which were being matured to base value, to the progress on Phase 1 of the Clair Field and the Pierce WI upside. It was explained that with regard to the maturation of options and upsides in value in Italy, the total value potential exceeded the pre-deal figure. Key external messages with regard to the Enterprise acquisition were that integration was complete and synergies were on course to deliver $375 mln by Q1/2004. Overall value delivery was ahead of pre-deal estimates and over $2.1 bln in cash from operations had been generated since the purchase. The portfolio had now been thoroughly evaluated and was a good fit but had been updated through the divestments of KMOC and North Sea assets. On the projects the Bijupira-Salema was currently producing 50 kboe/d in Brazil. The Pierce water injection projection was in execution phase for start up in late 2004 and Clair Phase 1 was on schedule. It was important to note that these good results were not just because of a high oil price. This acquisition provided Shell with benefit on the upside. It was confirmed that for the announcement on 5 February it would be stated that the Enterprise deal was complete and had been absorbed into Shell's normal business. It was further ahead in delivery of synergies than had previously been thought possible at the time of acquisition and even though there had been disappointment in respect of the planning permission on the Corrib Field, Shell was still was positive regarding this project.

Copy of Minute to: W van de Vijver.

12. **OP ACQUISITIONS OVERVIEW**

Leslie van de Walle, Lynn Elsenhans, David Pirret and Ron Blakely entered the meeting.

Leslie van de Walle gave an overview of the position with regard to the DEA acquisition. He explained that the key approval assumptions had all been exceeded with the exception of exchange rate issues. For refinery and retail margins it was estimated that there would be upsides in 2004. In terms of market share Shell now had 20% of the fourth biggest retail market in the world with BP having 22%. Volume was growing and it was anticipated that the market share would be 22% in 2005-2006 and Mr van de Walle added that V-Power was contributing considerably to this increase in volume. It was noted that this was a successful acquisition which had been seamlessly integrated into Shell. Of particular note was the cohesion and focus of the German team which was outstanding. It was anticipated that ROACE would be 22% in 2003 but somewhat less in 2004 because of a pensions issue. The VIR was currently at 0.7 although it was hoped that when the full PIR was carried out it would be found to be closer to 1.0. It was hoped that the NPV would be $1.2bln. In terms of the external message DEA was a successful acquisition for Shell with all promises exceeded. It provided a strong growth platform for Shell to be a large player in Europe's biggest market. It was confirmed that the integration of this company was fully complete

Lynn Elsenhans gave a presentation on the Texaco acquisition and explained that key actions following the acquisition of the Texaco assets had been completed. The premise for synergies was $400 mln and to date $605 mln had been delivered. Progress with rebranding Texaco sites to Shell was on track and the US was aligned with the global OP structure. However, there were a number of areas where progress had not been as good including refinery reliability where there had been 7.5% unplanned downtime in the year-to-date, 2003 with a plan of 4% in 2004. In addition transportation revenue and earnings growth was lower as was retail volume. There was an increase in employee costs in particular pension funding and post retirement benefits. Looking at the 2003 figure for SOPUS ROACE normalised to reference conditions, the 2003 approval figure was 12.5% but the latest estimate for 2003 was much lower taking account of the Project Mission write down of $180 mln. The figure for 2004 Plan was 10.2% ROACE. Lynn Elsenhans explained that this figure of 10.2% was challenging but hopefully still achievable. The way forward was to continue retail momentum and to accelerate refining reliability initiatives while continuing to aggressively address costs. The transportation portfolio needed to be reviewed together with the structural cost issues. A continued reduction in costs together with delivery of the divestment programme commitment was important. Finally the talent base in the organisation required refreshment. Suggested external messages were that the US continued to make progress to reach the 12% ROACE target. Aggressive actions were being pursued with additional cost reductions, work force reductions, base oil plant closures (which were now completed) and the closure of Bakersfield Refinery announced in the Q4 2003. The overall view was that Shell was confident that the US would deliver improvements. The Committee commented that it was important to make clear the contrast between the Plan and the shortfall and to list the achievements and the actions taken. It should also be stated that 2003 was the best year ever for Shell in the United States (before the Bakersfield Refinery charge). A further point of note was that the initial cash outlay for the Texaco assets would be recovered in five years. The main message was that this acquisition gave Shell a strategic position in the US market. A lot of work had been done since the acquisition and some difficult actions taken including, for example, the announcement of the closure of the Bakersfield Refinery. There were problems which had to be acknowledged but further aggressive actions were planned.

David Pirret gave an overview of the position following the acquisition of Pennzoil Quaker State. The acquisition synergies were on track with a plan for 2004 of US $187 million. Also on track were workforce reductions , earnings targets and cash flow. Areas with ongoing issues included the US Lubes business in respect of incremental earnings and ROACE. Comments made to analysts on 26 March 2002 had been that there would be earnings of $250 million for US Lubes and the plan for 2004 was now US$217 million. At the same time the statement relating to US Lubes ROACE was that it would be 9-

10% in 2004 whereas the Plan for 2004 was 7.1% (9.7% when normalised for base oil reference conditions and allocated costs/capital employed). Looking at the US Lubes 2004 NIBIAT it was explained that the March 2002 view was $262 mln with a $265 million in the Plan for 2004.

David Pirret went on to explain that it was now clear that this business could add real value to the Group outside the US and it was planned that some of the cost base could be taken out when the business became a Global one. It was acknowledged that this deal had been finalised fairly recently but that on the 5 February 2004 it would be stated that the acquisition of PQS had provided Shell with a strategic position in the US for a global lubricants organisation. There had been delivery of synergies, the integration of the work force and the Excel sale had been achieved. Also worth mentioning was the proposed Jiffy Lubes deal in China.

The Committee commented that it was important that the learning from the acquisitions described was utilised. It was vital that for future divestments there was a designated centralised group with appropriate internal and external expertise.

Copy of Minute to: R Routs.

13. MANDATE TO NEGOTIATE QATAR LNG PROJECT

Malcolm Brinded gave an update on the position on the Qatar LNG Project. The Committee commented that the proposed VIR target of 0.25 for an integrated project was relatively low but Malcolm Brinded explained that it was being proposed as acceptable because of the strategic importance of Qatar LNG and the significant upsides at higher gas and oil prices (at Henry Hub US $4/MMBtu an integrated VIR of 0.40 was achieved).

Copy of Minute to: none.

14. **HAZIRA**

Malcolm Brinded reported that Shell had "shaken hands" with Total on the proposed deal which it was hoped would close by 31 December 2003.

Copy of Minute to: none.

15. **BAJA**

Malcolm Brinded reported that negotiations with Sempra on the 50/50 deal had collapsed but later reopened. The outstanding issue concerned the negotiation of the Capacity Agreement which was needed by Shell for its fall back position. Efforts were continuing to try to resolve the issue. On the potential 100% deal, Malcolm Brinded reported that he was concerned that there could be other companies interested and that Shell could not afford to waste much time if it were interested in pursuing this deal.

Copy of Minute to: none.

16. **BENGAL**

Walter van de Vijver reported that he had spoken to Eugene Shvidler. The focus for Sibneft was currently the issue of the possible demerger from Yukos and that there would be a meeting held in this regard on 16 December. Sibneft was still content to complete the deal with Shell but it was clear that it was necessary for there to be joint announcement which was not possible at the present time.

Copy of Minute to: none.

17. **OMAN - FATALITY**

Walter van de Vijver reported, with regret, the death of a third party near Marmul Airstrip on 27 November 2003. The third party vehicle was overtaking a second vehicle and collided with a PDO contractor truck. The third party vehicle had 6 people on board, 2 died at the scene and 4 were injured (one of whom being critical). The matter was being investigated.

Copy of Minute to: W van de Vijver.

18. NIGERIA - INCIDENT

Walter van de Vijver reported that on 26 November 2003 at the Cawthorne Channel Houseboat, a Naval Officer who was attempting to cross a pontoon slipped and fell overboard. The Naval Officer was still missing.

Copy of Minute to: W van de Vijver.

19. PAKISTAN - FATALITIES

Rob Routs reported, with regret, the death of two staff at a Shell retail dealer owned and operated site and Bahria, Pakistan. The fatalities occurred following an explosion on 3 December 2003. The incident was being investigated.

Copy of Minute to: R Routs.

20. DOW LITIGATION

Jeroen van der Veer reported that there had been an approach to settle in the Dow litigation. A legal team was working on the matter with input from the business and a review of the case should be finalised by the end of 2003.

Copy of Minute to: none.

21. NOTES FOR INFORMATION/DISCUSSION

The following matters were before the Committee as Notes for Information/ Discussion:

ITEMS FOR DISCUSSION

Forthcoming Items for CMD and Conference
2003 Group and Business Appraisal
Divestment of Shell Share in Rosetta Concession (Project Macallan)
Geelong HDS Cost Overrun – Request for Additional Funds
Mandate to Negotiate: Qatar LNG Project

ITEMS FOR INFORMATION

Brunei Shell Petroleum (BSP) - 2003 License Extension
EP: Divestment of Thai Shell E&P (TSEP)
Project "Velvet"
Relationships with Fenceline Communities
Status EP-Divestments 2004

From:	Watts, Philip B SI-MGDPW
To:	Loader, Adrian A SI-PX; Hess, Beat W SI-LG; Frasier, Curtis R SI-LSEP; Darley, John J SIEP-EPT; Boynton, Judith G SI-MGDJB; Morrison, Tim TDR SI-FC; Jacobi, Mary Jo SI-PXX
CC:	Van der Veer, Jeroen J SI-MGDJV; Van De Vijver, Walter SI-MGDWV; Brinded, Malcolm A SI-MGDMB; Boynton, Judith G SI-MGDJB; Routs, Rob J SI-MGDRR
BCC:	
Sent Date:	2004-02-02 09:42:44.000
Received Date:	2004-02-02 09:42:45.000
Subject:	FW: Rockford Co-ordination Team
Attachments:	Project team Org Chart v71.ppt

Our first meeting is at 1530 hrs. today (24th Floor Boardroom). I will kick off this first one and Adrian will chair thereafter. Attendance of yourself or alternate is essential - actually, obligatory!

We will keep it to within 30 - 45 minutes.

Thanks.

Phil

-----Original Message-----
From: Watts, Philip B SI-MGDPW
Sent: 29 January 2004 16:45
To: Van der Veer, Jeroen J SI-MGDJV; Van De Vijver, Walter SI-MGDWV; Brinded, Malcolm A SI-MGDMB; Boynton, Judith G SI-MGDJB; Routs, Rob J SI-MGDRR
Cc: Loader, Adrian A SI-PX
Subject: Rockford Co-ordination Team
Sensitivity: Confidential

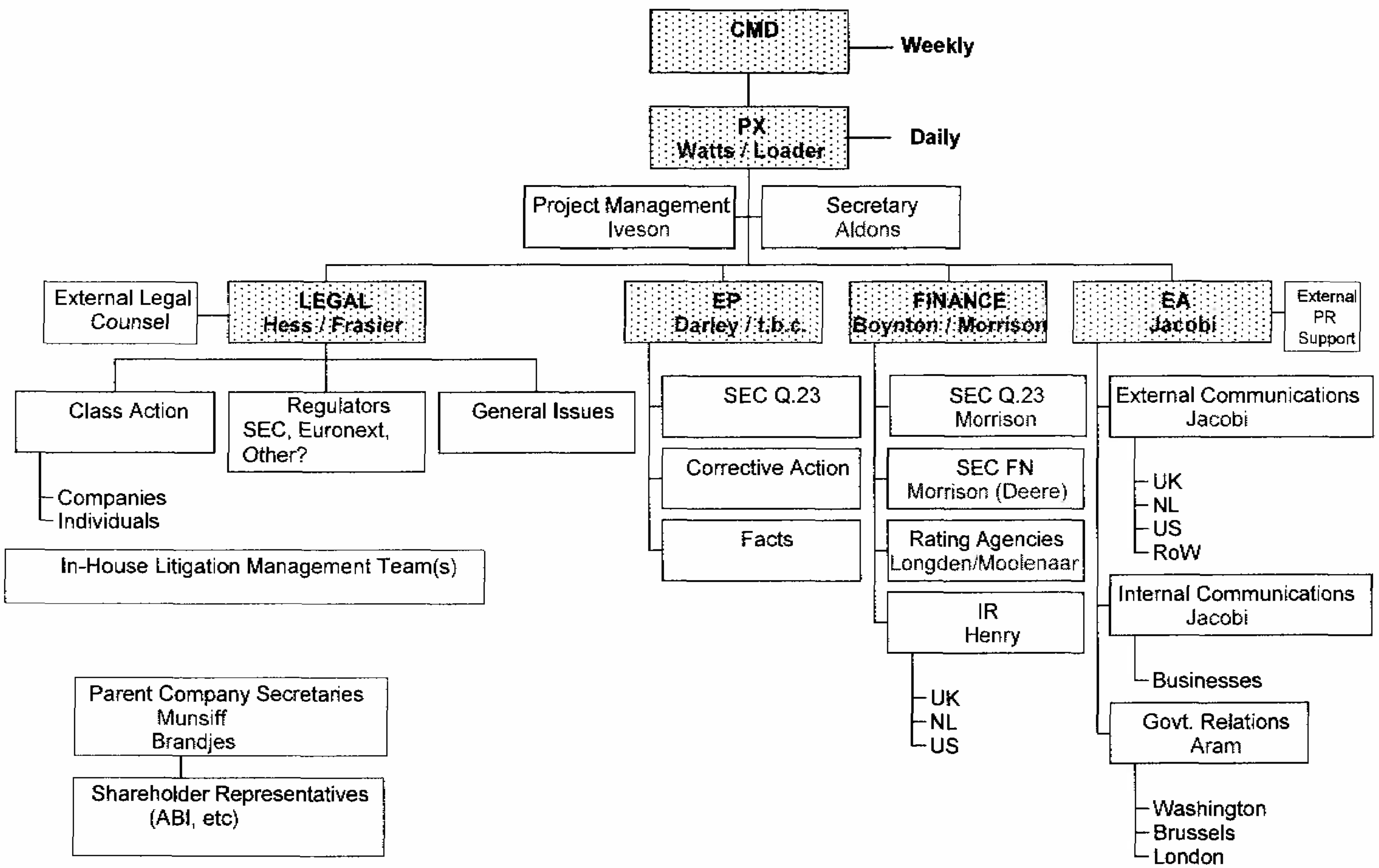
Further to Adrian's message of 28-1, please find attached note on which I would appreciate your urgent comments

The first meeting of the team will be on Monday next week at 15:30 hrs.

Phil

Sir Philip Watts
Chairman of the Committee of Managing Directors
Royal Dutch/Shell Group of Companies
Shell Centre London SE1 7NA
Tel: +44 (020) 7934 5556 Fax: +44 (020) 7934 5557
Internet: Phil.Watts@shell.com

EXHIBIT
Van der Vijver
142
2/2/07



Team members are part time, serving as focal points for their respective areas.

Unknown

From: Van De Vijver, Walter SI-MGDWV
Sent: 02 February 2004 13:19
To: Watts, Philip B SI-MGDPW
Cc: Loader, Adrian A SI-PX; Van der Veer, Jeroen J SI-MGDJV; Brinded, Malcolm A SI-MGDMB; Boynton, Judith G SI-MGDJB; Routs, Rob J SI-MGDRR; Hess, Beat W SI-LG
Subject: RE: Rockford Co-ordination Team

Sensitivity: Confidential

Phil,

I note that no change has been made based on my comments,at least had expected a discussion at CMD before this was issued.
In order to "contain" the overall senior management on this within EP,Curtis will act as alternate to John if he is somehow unable to attend.
John is getting dedicated resources underneath him to manage this activity.

Regards,
Walter

-----Original Message-----
From: Watts, Philip B SI-MGDPW
Sent: 02 February 2004 10:45
To: Van De Vijver, Walter SI-MGDWV
Cc: Loader, Adrian A SI-PX; Van der Veer, Jeroen J SI-MGDJV; Brinded, Malcolm A SI-MGDMB; Boynton, Judith G SI-MGDJB; Routs, Rob J SI-MGDRR; Hess, Beat W SI-LG
Subject: RE: Rockford Co-ordination Team
Sensitivity: Confidential

Walter,
Thanks. Who is the alternate to John Darley?

You will see my message this morning about kicking off the first meeting this afternoon.

Phil

-----Original Message-----
From: Van De Vijver, Walter SI-MGDWV
Sent: 30 January 2004 05:39
To: Watts, Philip B SI-MGDPW; Van der Veer, Jeroen J SI-MGDJV; Brinded, Malcolm A SI-MGDMB; Boynton, Judith G SI-MGDJB; Routs, Rob J SI-MGDRR
Cc: Loader, Adrian A SI-PX; Hess, Beat W SI-LG
Subject: RE: Rockford Co-ordination Team
Sensitivity: Confidential

Phil,

I thought the idea was to delegate day-to-day management to a group of very senior and capable leaders in our organisation below CMD and hence was very supportive of an overall coordination effort by Adrian Loader with weekly updates to the CMD.
Obviously the leaders in the various areas would consult with the relevant CMD member as considered relevant at any time.
The proposal put forward still has several CMD members on the actual team and I would advise against that to ensure adequate delegation,balance and ownership.
John Darley will continue in the lead EP role.At the EP Exec today we will consider additional support to him and a possible alternate similar to the Beat/Curtis construct.
It may also be appropriate to check the final construct and modus operandi of the Rockford coordination team with our new external defense counsel.

Thanks,
Walter

EXHIBIT
Van der Vijver 46
2/2/07

BRINDED 0119

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V00370504

-----Original Message-----
From: Watts, Philip B SI-MGDPW
Sent: 29 January 2004 17:45
To: Van der Veer, Jeroen J SI-MGDJV; Van De Vijver, Walter SI-MGDWV; Brinded, Malcolm A SI-MGDMB; Boynton, Judith G SI-MGDJB; Routs, Rob J SI-MGDRR
Cc: Loader, Adrian A SI-PX
Subject: Rockford Co-ordination Team
Sensitivity: Confidential

Further to Adrian's message of 28-1, please find attached note on which I would appreciate your urgent comments

The first meeting of the team will be on Monday next week at 15:30 hrs.

<< File: Project team Org Chart v7.ppt (Compressed) >>

Phil

Sir Philip Watts
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Internet: Phil.Watts@shell.com

BRINDED 0120

Van De Vijver, Walter SI-MGDWV

From: Van De Vijver, Walter SI-MGDWV
Sent: 28 December 2003 21:48
To: Coopman, Frank F SIEP-EPF; Darley, John J SIEP-EPT
Subject: RE: Rockford

Frank/John,

Useful document,thanks.

A few comments that need to be incorporated:

"1 [?] later

- are we sure that SEC has never challenged anything on our reserves until 2002?
- shouldn't we add that we had the uncomfortable PD/PUD ratio in SPDC and the automatic linkage between expectation and proved updates through the probabilistic method until 98/99.
- little text on what has happened since 2001 on internal strengthening of technical discipline and T&OE focused initiatives plus the major drive to understand the portfolio in Oman and Nigeria.
- consistency with business plan not just for commitment but also to close the loop between business plan longterm production outlook and ARPR.
- SEC first issued guidance for review on web in 2000 (not just in 3/2001)

We still need to come to a landing on our 10/03 Shell guidelines:

- Given the fact that we will have to go to stricter SEC compliance (ie keeping the high ground when dealing with the SEC
without having to be become defensive or perceived "smart ass" as we know better),what is the remaining logic to have
our own guidelines rather than to clarify the SEC rules to our staff?! I understand this is a very sensitive issue but we need to come clean on this one.

Regards,
Walter

-----Original Message-----
From: Coopman, Frank F SIEP-EPF
Sent: 28 December 2003 12:33
To: Darley, John J SIEP-EPT; Van De Vijver, Walter SI-MGDWV
Subject: RE: Rockford

Walter,John,

I re-edited the "Full Story line" .which is attached.

It is still a draft with room for improvement (too long?).
We may need a shorter version for the GAC (what has changed since Oktober?)
Control learning will be done this evening.
I am available later this afternoon (after 16.00 hrs) if you wish to meet.
Monday is reserved for preparation for Tuesday.

<< File: Storyline-Full.ppt (Compressed) >>

-----Original Message-----
From: Darley, John J SIEP-EPT
Sent: 27 December 2003 19:38
To: Van De Vijver, Walter SI-MGDWV; Coopman, Frank F SIEP-EPF
Subject: RE: Rockford

Walter,

I have the first draft of the data sheets - will review this evening / tomorrow am

Will draft the CMD notes - ditto.

EXHIBIT
Van der Vijver
44
2/2/07

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HAG00205769

Will let you have a package by mid-day Sunday , and am available for further work Sunday evening / Monday am , in order to submit to Beat by th noon Monday deadline

give me a call if necessary

john

-----Original Message-----
From: Van De Vijver, Walter SI-MGDWV
Sent: 27 December 2003 15:23
To: Darley, John J SIEP-EPT; Coopman, Frank F SIEP-EPF
Subject: Rockford
Importance: High

John/Frank,

When can I expect to receive the following for review:

- Control learning (work by Frank/Anton)
- Individual data sheets (in Tim's format) on the various exposure areas
- Draft CMD notes (summary section/attachment)

Hope you had some time for relaxation!

Regards,
Walter

Walter van de Vijver
EP CEO and Group Managing Director
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Tel: +3170377 7427 **Fax:** 2555 **Other Tel:** +3170377 1675
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- what to do with 10/03 Shell guidelines?

Summary

. SEC interpretation and clarification of FASB rules (2000-2001) belatedly and gradually implemented in Group guidelines

- exceptions : PSC's , LKH , one well offset rule and Gorgon

- Aggressive drive for additional proved reserves (1997-2000) under originally 'vague' Group guidelines has led to 'exposed' undeveloped volumes under current guidelines and SEC rules, requiring de-booking

detail

- Lapse of discipline in the application of PE basic skill sets in the OU's when filing proved reserves returns.

Full Storyline (1)

- Since 1973 the Group has applied its own internal guidelines for 'proven' (and expectation) reserves estimation
  - Based initially on probabilistic procedures for all fields
  - Different from petroleum industry which used 'deterministic' methods
  - In 1998 amended to deterministic estimation for mature fields

- In 1979 (SEC's ASR-257) the Group declared that its internal 'proven' estimates were equivalent to SEC 'proved' reserves
  - SEC/FASB 'proved' reserves definitions were sufficiently flexible to make this proposition largely valid
  - Exceptions (e.g. 'proved area', PSCs) recognised but not seen as material
  - Nature of Group's guidelines was known in industry (via SPE)
  - ? → Group 'proved' reserves were never challenged by SEC until 2002/3

- Loss of proved reserves discipline and audit trails in SPDC (1998-2003) and PDO (2000-2003) now require major de-bookings

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HAG00205772

Full Storyline (2)

- In 1998 the Group revised their Reserves Guidelines for mature fields
  - Proved developed reserves should be close or equal to expectation
  - Proved undeveloped reserves should be based on deterministic (not probabilistic) evaluations
  - Net result is a significant increase in Group proved developed reserves (+900 MMboe over 1998-99)
  - Proved undeveloped reserves remained largely unchanged
- Guidelines Changes were part of a significant drive towards increasing proved reserves during1997-2000
  - Proved reserves targets in score cards resulted in e.g. aggressive attempts at booking additional reserves (e.g. Gisco, Angola, SNEPCO)
  - Pressure on staff to obtain a proved reserves replacement ratio (RRR) of 100% (particularly in 2000)

Full Storyline (3)

- SPDC:
  - Additional proved reserves booked by SPDC (+1000 MMbl in 1998-99) relied on aggressive assumption of doubling of production (to 2 MMb/d) before licence expiry in 2019
  - Proved liquids reserves were 'frozen', not de-booked, when aspired production increases did not materialise
  - This 'freezing' detached the SPDC corporate proved reserves from individual field proved reserves, thereby removing the audit trail
- PDO:
  - Aggressive additional reserves booking in 2000, reflecting the then prevailing view of a continued plateau production at 850 Mb/d (in hindsight too optimistic)
  - Proved liquids reserves were 'frozen', not de-booked, when severe production decline set in during 2001
  - As in SPDC, this 'freezing' detached the PDO corporate proved reserves from individual field proved reserves, thereby removing the audit trai.

word

trl

Full Storyline (3b)

- SOC applies SEC rules consistently. WOUSA more relaxed.
- SPDC and PDO Oman hunting for Reserve Addition Bonuses in the Nineties. Increase in expectation reserves led to immediate increase in proved reserves (probabilistic method)
- Focus on Expectation rather than Proved reserves.
- Lack of quality technical work.
- Optimistic production forecasts.
- Top down pressure to book reserves.
- "Risky" FRD and 98 guidelines.
- Compliance audits only once every four years.
- Weakened our governance and asset-based organisations in OU's

Full Storyline (4)

- SEC issued 'Guidance' in 2001, clarifying their (re-)interpretation of existing SEC/FASB rules
  - No recognition of significant technology progress since 1979 (e.g. wireline testing, seismic, simulation)
  - Significantly stricter interpretation of rules in several areas:
    - Wireline formation tests not seen as sufficient proof of producibility
    - Requires absolute proof of producibility in large sparsely appraised fields ('proven area', 'continuity of production')
    - Requires project 'commitment' (DOC, AFE, FID, etc) before proved undeveloped reserves can be booked

- This Guidance was followed by correspondence between SEC and Shell during 2002-2003 expressing even stricter views:
  - 'No proved reserves below LKH under any circumstances' (arguably not in agreement with 2001 Guidance)

Full Storyline (5)

- Group reserves guidelines were updated only gradually after 2001
  - Severe discontinuity of staff in Reserves Coordination during 2001-2002, making 2001 a 'lost' year
  - Tighter guidelines issued in early 2003
  - "Project commitment" now interpreted as FDP/VAR3/FID for small/medium/large project

- Full magnitude of exposure of Group proved reserves to stricter SEC interpretations did not become apparent until November 2003
  - Some exposures identified earlier and flagged in 'Exposure Register' (Excom informed)
  - De-booking held pending (also to avoid reducing RRR!)
  - Reserves audits and follow-up work in SPDC, PDO in late 2003 showed significant exposure vav maturity of future development projects (lack of progress towards FDP/VAR3/FID)
  - Yearend 2002 position in line with SEC rules based on the information available at that time.
  - Total of exposed Group proved reserves volumes now seen as untenable

SEC Milestones (1)

1978	FASB issue definitions of 'Proved Reserves' (FAS25); SEC issue 'Regulation S-X' (identical to FASB definitions) and ASR-257 - disclosure of 'proved' reserves SEC/FASB definitions address <u>subsurface</u> uncertainties only
1980-1999	No challenge of Group proved reserves submissions by SEC SEC focus mostly on Initial Public Offerings
1999	SEC take interest in proved reserves matters Hire two petroleum engineers Enquiry letter to Shell – replied through face-to-face discussion
2000	First of annual SPEE Reserves Evaluation Meetings Contacts and challenges between SEC and Industry staff

SEC Milestones (2)

2001	SEC issue 'Guidance' on 'Regulation S-X' proved reserves definitions First published in 2000, for comments by industry Perceptible 'tightening' of SEC interpretation of FASB definitions First-time insistence on <u>'commitment' to develop</u> (e.g. FID) before undeveloped reserves can be booked ('Regulation S-X' only mentions 'reasonable certainty' of reserves)
2002	Start of series of letters between SEC and Group Ultimately ending in statement that SEC do not accept proved reserves below lowest hydrocarbons seen in wells ('LKH')
2002	Similar correspondence between SEC and other industry majors on varying topics – details not known

Group Reserves Milestones (1)

1973	Group introduce probabilistic reserves estimation Addresses subsurface uncertainties only (i.e. no project uncertainties) 'Proven' = 85% confidence level ('P85')
1979	Group adopt ASR-257 'P85' = 'Proved' ('Reasonably certain, within context of SEC requirements') This view endured unchallenged, either internally or by SEC;
1993	Group reserves guidelines require 'project' definition of undeveloped reserves 'Projects' to be based on identified activities, with robust economics 'Projects' can be notional or analogues, with timing not specified (or even certain)

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HAG00205780

Group Reserves Milestones (2)

1998	Group proved reserves made closer / equal to expectation reserves
	Group reserves in mature fields seen to be below those carried by competitors (e.g. Exxon)
2000-2003	Group guidelines gradually 'tightened' wrt project maturity needed for (proved) reserves booking: No restrictions before 2000 Now requires FID/VAR3/FDP for Large/Medium/Small projects In response to SEC guidance 2001 Also in response to over-aggressive booking attempts by OUs
2003	Group guidelines now seen as SEC compliant, except for: LKH; PSC price assumptions; Sparsely appraised fields (e.g. Kashagan); Improved recovery in frontier areas (e.g. Sakhalin), offset by: Gas Fuel & Flare; PSC royalty & Tax; (too rigorous) VAR3 requirement in Group guidelines (?)

SEC Rules – Considerations

- Present SEC interpretation is seen as unduly conservative:
  - Ignores wide-spread industry practices (e.g. pressure information below LKH)
  - Ignores advances in industry technology (seismic, simulation, laboratory techniques)
    - Does not accept pressure/seismic evidence in LKH situations
    - Seems to prefer antiquated recovery factor correlations over modern detailed simulation models
  - Restrains proved reserves to levels that are considerably below those needed / used for investment decisions
  - Will require the industry to spend more pre-development funds:
    - Unnecessary appraisal wells (where e.g. seismic can provide sufficient information)
    - Pilot water injection in frontier areas (where laboratory tests can yield most or all of the information)
  - Cannot be seen as in the best interest of the investment public
- Insistence on project commitment will affect long-term proved reserves in some Group areas (e.g. Nigeria)

Group Proved Reserves vs SEC

- Original Group probabilistic reserves estimates, compared with SEC 'Regulation S-X' tended to be:
  - Less conservative (and more realistic!) in immature / unappraised / undeveloped fields and reservoirs,
  - More conservative (but less realistic) in mature fields / reservoirs with considerable cumulative production

plus!

- The 1998 Group reserves changes addressed and corrected the second of these imbalances, but not the first!

- The perceived non-compliance with SEC's interpretation of 'Regulation S-X' relates almost exclusively to the first of these imbalances (undeveloped fields and reservoirs)
  - Immaturities / uncertainties in projects are now a major hurdle, not captured in previous reserves estimates

Proved Reserves - Group vs Industry

- Awareness / concern over SEC 'Regulation S-X' has traditionally been low in the Group subsurface community outside USA

- SOC/SEPCo have traditionally followed their own guidelines
  - Adhering to American industry practice, based on SEC/FASB definitions
  - Strict annual audit procedures since major de-booking in 1986
  - Traditional insistence on plan maturity (FDP for brownfield, FID for frontier projects) now seen as compliant with SEC requirement of 'commitment'

- US Consultant firms (GCA, D&M, M&L, Ryder-Scott, etc) tend to focus on subsurface uncertainties only (c.f. Sakhalin)
  - Do not verify status of project maturity / commitment

Group Reserves Guidelines

- Group Reserves Guidelines were the only proved reserves standard disseminated in the Group

- Group Guidelines have always been based on the Group's interpretation of 'Regulation S-X'
  - Some exceptions known but considered immaterial:
    - PSC price assumptions
    - Large sparsely appraised fields (hardly any in portfolio before Russian fields were added)
    - Improved recovery in frontier areas (Group VOI approach considered overriding)
  - Discrepancies recognised with SEC 2001 Guidance
    - Addressed through adaptation of Guidelines in 2002, 2003

- Reserves audits were carried out with reference to Group guidelines

Group Reserves Audits

- **Traditional Reserves Audit duration and frequency (2-5 days, once per 4 years) are now seen as too low:**
  - Audits addressed in first instance reserves estimation / collation procedures

- **Basic technical flaws at OU level;**
  - Reference to detail by way of example (depending on size and complexity of company)
  - Consistency with Business Plan not really verified (now important for showing 'commitment') and consistency check between reserves & longterm forecasts
  - Major swings in OU procedures can and do happen within a short time span (usually related to strength of OU reserves coordinator)

- **Our T&OE drive started in qtr 1 2002 is "refreshing" the overall competence and compliance technical integrity of reserves maturation processes.**

- Own [illegible] support effort 2002/2003
- New operational model strengthens technical function

CMD 15 JANUARY 2002

IR PLAN FOR 2002

EXHIBIT
VanderVijver
45
2/2/07

Confidential

Note for Information

IR Plan for 2002

A comprehensive IR Plan would include:

1. Key Messages
2. Target Audiences
3. A well thought through delivery mechanism, and
4. Linkage to and reinforcement by other corporate communications efforts both internally and externally

IR has developed a proposal for the first three elements of a 2002 Plan based on the December Group strategy reviews and feedback from other IR events throughout 2001. Input was also received from an US investor perception study conducted in Q3 2001 and advisors, Fergus Macleod and Finsbury.

A summary of the proposed key messages and programme contents is attached for CMD review and input. It is intended that the examples illustrating key messages be updated quarterly, or more frequently based on significant events. The programme timetable would also be reviewed and updated quarterly to incorporate decisions on discretionary events.

If the general direction is supported, IR will work with PX to integrate the messages and approach with other internal and external communications. A complete Group Reputation package is scheduled for review by CMD in February.

Phil Watts
9 January 2002

Key IR messages: beginning 2002

Context re investor concerns…Your stock declined 19.1% in 2001 (US) and was the worst performer in the energy sector – what are you going to do differently in 2002? Why should I own Shell vs others?

Shell strategic direction – value growth through robust profitability and competitive edge

Messages	Examples
Theme – continuing to deliver	
Tough roadmap goals achieved	Cost savings $5.0 bln, 14% ROACE at $14/bbl
Embedded capital discipline, portfolio management, cost leadership	All capital projects cost of capital at $10 Brent…40% of Chemicals disposed… Tejas gas pipelines sold… EP unit opex and UFDC leaders in external surveys
Returns discipline maintained	EP -- 18% at reference conditions for 2002/03…established businesses capable of delivering 15% at reference conditions… Group in range 13-15%, towards top of range in next 2 years
Balance sheet and cash generation resilient	Cash and unused borrowing capacity over $20 bln…desired gearing between 20-30%
Dividends and buyback policies maintained	>$5,0 bln dividends per year, dividends in line with inflation…$4 bln in share buybacks in 2001…50% more cash to shareholders 2001-2005 compared with 2000
Theme -- building on firm foundations	
Clear strategic direction	Growth - but only at stated return rates…long-term projects limited to 10-20% of capital investment… portfolio segmentation completed… highlighted $7 bln for special attention… application of competitive edge (customer focus, technology, brand, reach, reputation, people, sustainable development) to create value
Shift portfolio to EP and GP	Move to > than 50% of the portfolio
Investing about $12 bln through the cycle	$7.5 in EP…$2.8 in OP…$0.8 in GP…$0.8 in Chemicals…$0.3 in new businesses… growth in capital employed around 5% p.a.
3% hydrocarbon growth	Have achieved 4% 1998 to 2001… exploration success in 2001 added 1.5 bln bbls resources… Focused on deepwater, Nigeria and major resource holders
Oil Products earnings growth	US OP to be a $1 billion business… retail earnings growth 4% p.a. …30 US cents per barrel across global refining network
6% LNG contracted sales growth	3 expansions currently underway in Nigeria, Australia and Malaysia…green field site in Sakhalin… securing access at Cove Point and Elba Island… import terminals at Altamira in Mexico, Hazira in India…short term volumes secured from Australia and Oman… four new LNG ships between 2003-05
Investing in new income streams	From new businesses like Shell Capital, Internet Works, Renewables – up to $300m impact (loss) p.a. on P&L… also potentially from Global solutions, GTL, EP tech ventures etc.
Theme -- committed to targets	
Group ROACE at 13-15% at reference conditions	EP – 18% 2002-2003…OP – return to 15% by 2004…Chemical – 15% at mid-cycle
Cost improvements totalling around $500 mln p.a.	Unit cost to reduce 3% p.a. for next 2 years in main businesses, progress reported twice per year… $400 mln from US OP by 2004…Euro 250m from Basell by 2003…$150m from DEA
$7 bln of assets identified for priority attention	Forestry for sale…Basell improvements being implemented…Tejas pipelines sold to Kinder Morgan

…in an uncertain environment we are committed to deliver good returns, and are well placed to take advantage of opportunities that may arise…

IR Programme 2002

9 January 2002

This proposal is based on feedback from various IR events during 2001 and the results of an 'IR perception study' conducted amongst US investors during Q3. The developing needs of the various disclosure regimes are also considered. It contains several proposed changes to the programme of recent years, and is presented for CMD input.

Each of the various elements of the communications strategy is considered separately. The underlying shift in emphasis is from major set piece presentations to face to face time direct with investors. This reflects market feedback and two current trends

- Increasing specialisation and knowledge of the major buyside analysts, and the move in Europe towards an equity culture, both create potential advantage from direct to investor communications
- Perceived 'bang for the buck' from presentations to sell side analysts is limited if the news is not new. However, sell side influence over buy side remains strong in the UK.

It should be recognised that the communications programme is not independent of events as the year progresses, and several elements of the programme need to be responsive to this. In particular, specific transactions, where material to the Group, will need to be well positioned and coordinated with the rest of the programme.

All events will be scheduled, coordinated and attended by IR staff using resources listed in Attachment 1. The overall objective of the programme is to ensure that the parent companies' share prices fully reflect the intrinsic value of the Group.

Group & Business Strategy Presentations

Objective: Regular update of strategy, targets, performance and key success factors in the business, emphasis on profitability, performance delivery, value creation, competitive position.

Recent practice: 2 business strategy presentations (in 2001 Q2 Chemicals / Renewables, Q3 EP) and one Group strategy presentation (December). Presentations broadcast to website and fund managers live on video, repeated in New York. Stock exchange and press releases made. All material, with the exception of the webcast, is made available on the website for an indefinite period.

2002 proposal

Reduce the number of set piece presentations to at most two a year, a business presentation and the Group strategy presentation. Each presentation given in two locations. The timing of the presentations will be flexible and dependent on when appropriate content is available. Video web cast only the Group presentation, with audiocast for business presentation. Businesses that are 'due' for exposure are OP and G&P, and if the news flow is sufficient we could safely combine. Timing could be June or September. Trigger(s) would be progress in delivering synergies from OP deals, or major transactions in either business (acquisitions, divestments, new Greenfield announcements). One alternative for OP would be to combine presentation with a US field trip for analysts. If there is no major news from either business, presentations would be deferred.

For the Group Strategy presentation the recommendation is to either move from December to November, as was the case until the late 1990s or to March/April after year end presentations. See Attachment 2 for options and rationale.

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Industry Conference representation

Objective: Representation in industry events, using the opportunity to get simple Group messages to a wide audience for relatively low effort. Also useful to give market exposure to senior managers below CMD, and to provide valued support to supportive brokers.

Recent Practice: Regular but ad hoc presentations on request from major brokers. Topics are usually relatively specialist rather than general Group themes. Audiences usually consist of fund managers or buy side analysts with a specific interest in the energy sector. Presenters vary from MD, through business CEOs to members of Excoms, depending on event profile and subject. Usually simultaneously offer a number of one on one meetings to conference delegates. In 2001 we presented Deutsche Bank (NY), NAPIA (Singapore), CSFB (London), UBS Warburg (Trinidad) and Euronext (Paris), but chose not to present at Merrill Lynch, Lehman and US retail conferences.

2002 proposal:

Continue as before, selective approach to maximise relevant exposure. Recommend maximum of 6 events, no more than 3 with MDs. Already received some requests and compiling a likely programme.

Quarterly reporting

Objective: Accurate representation and explanation of actual reported results against both prior performance and externally stated targets. Also a primary means of communicating information to sell side analysts for modelling and valuation purposes.

Recent Practice: Q1 and Q3, analyst telecons with web audiocast, hosted by FI, occasional appearances by CFO. Q2 and Q4 analyst presentations in London only, hosted by MD or CFO. Press conferences with presentations are held in London and The Hague in both Q2 and Q4.

2002 proposal

Q1, Q2, Q3 quarterly telecons hosted by FI with live audio webcast and synchronised slides where appropriate, occasional appearances by CFO as required. CFO to present live the full year results to analysts in February, London & web audiocast with synchronised slides only. Other set piece presentations only if there is a major news item or issue.

Continue with Q2, Q4 press conferences, material from IR but meetings owned by PX.

The external reporting dates will remain unchanged during 2002 although internal processes will be developed to allow accelerated reporting (by 1 week) from Q1 2003. BP is definitely intending to accelerate during 2002, so Shell will be the last of the UK / US majors to report, although still ahead of TFE and other Europeans.

No pro-active move to an additional quarterly Trading statement.

Direct interface meetings with fund managers

Objective: Two way interface with the decision makers in the investment community – to communicate the important elements of Group messages to them, and hear their questions and concerns about the Group's performance and prospects.

Recent Practice:

- Traditional roadshows by MDs or CFO (Celtic 2 days, Europe 5 days, US East & West coast 5 days) one on ones and lunch presentations. Covers maybe 50-60 meetings. UK, Ireland & US arranged by IR, Europe coverage based primarily on broker arranged meetings.
- Targeted one on ones to follow up presentations or events. MD / CFO plus IR representative. London & UK market covered through 1-2 days per main event. Top 15 US covered through IR tours or immediate presentation follow up. Netherlands 1 day follow up to events. Approx. 50 meetings, 10 days MD / CFO plus IR representative.
- Regular, albeit ad hoc, presentations by IR team to broker sales force or client groups, maybe 5 times / year, and 1-1 meetings with 'lesser' fund managers. Currently primarily a UK activity.
- Investor ad hoc visits to IR offices, at investor request.

Limited 'prospecting'.

A list of the largest US and UK shareholders and the last contact dates are provided in Attachments 3 and 4 for reference.

2002 proposal

More targeted & structured approach to investor base. Target:

- Top 5 investors in UK, US, EU, meet twice a year preferably at least once with Chairman or President RD. This covers an estimated 12-13% of total stock.
- Next 45 or so in each market, meet at least 80% of the active funds (i.e. not index trackers) once per year. MD or CFO. This covers a further estimated 25%+ of total stock, could be higher. NB In US and UK, these investors all hold over $100m of stock each.
- Next 50 or so in each market, meet or include at least 80% of active investors in IR tour presentations at least once a year. IR representatives to handle. A further 5-10% of stock.
- IR team to visit or present to at least 10 (potentially significant) fund managers per year in UK and US who currently either do not hold stock or are clearly underweight in the Group relative to the sector or index. Few significant funds hold no Group stock, but active research is required to identify best prospects.
- Based on specific third party market survey, identify best prospective shareholders in Continental Europe and target
- Use tours and sales force presentations to support this targeting. NB MD or CFO presentations to sales forces are well received and we offer to supportive brokers.

Above is aspirational and needs further work to target discretionary investors rather than those who are index trackers, and to identify genuine prospects.

This would require an estimated 40 days commitment to IR 'face to face' time from MDs and CFO, including some presentations to Groups. Suggested split would be 8-10 days for Chairman, President RD and CFO, 5 days for other MDs.

Note the development of disclosure rules particularly in the US needs continual review to ensure content and style of these meetings remains appropriate.

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Sell side analyst contact communications

Recent Practice: Set piece presentations including quarterly reporting, telephone follow up of all news items, broker meetings / lunches

Regular informal contact with IR team, and occasional contact with senior management through brokers lunches or events. Brokers lunches are primarily targeted at the buyside guests and are arranged with supportive sell side brokers.

Care always required regarding disclosure rules.

2002 proposal

No changes.

Use of the IR website communications

Objective: To provide an easy to access and timely source of relevant information to Group shareholders and the interested investment community, and to follow best practice with the disclosure requirements of different stock exchanges, providing immediate dissemination of all share price sensitive information on the Group.

Recent Practice: Web site maintained in English aimed at institutional investors. Limited Dutch language site maintained, aimed primarily at retail investors. No share price tracking or other retail investor tools. Site is highly regarded by the target audience, although lacks some basic functionality e.g. email alerts and a working search function.

2002 proposal

Upgrade current site to cover some basic functionality including email alerts, including capture of information about users in order to provide an on line tailored communications service. Heavily dependent upon the new technical platform, which is the responsibility of Shell Internet Works.

No move to a retail investor focused site until further research carried out.

Internal communications

Objective: To ensure all staff have access to recent market information and total shareholder return, and that drivers of performance are communicated on a regular basis to various levels of management.

Recent Practice: Minimal effort. Ad hoc production of market information reports as requested by senior management. Provision of analysts' reports on request for training or internal purposes.

2002 proposal

Provide regularly updated data on share price, market drivers, TSR. The method of distribution will be electronic (possibly Livelink or Intranet site) with regularly updated data on share price, market drivers, TSR. Augment with occasional communications by IR staff at selected events .e.g. Finance Conference or training events.

Miscellaneous

Recent Practice:

Support for M&A transactions that are significant at a Group level, approximately $1 billion plus. Support can be material in terms of IR resources required.

Occasional (biennial) meetings with 'socially responsible' investment community. Note regular requests received to update individual funds or interest groups in this area.

Field trip for analysts to a major Shell location, once every two years

Annual meetings (x4) with Dutch retail investors.

2002 proposal

Hold an SRI investor seminar in early April to coincide with the release of the 2002 Shell report. Joint effort with PX.

No field trip budgeted for 2002 as 2001 included a planned trip. This was cancelled as a result of the September 11 incidents, and a mini trip may be considered for 2002 depending on events. Budget for a full trip is $150-200k.

Dutch retail meetings to continue as normal.

Emerging communication channels also include Financial TV (CNBC, Bloombergs TV etc.) and web based interviews as offered in the UK by amongst others Cantos. These should be considered on a cost benefit basis as the year progresses, based on feedback from investors.

Attachment 5 provides a timing overview for all proposed 2002 IR events. If the proposal is accepted in general terms, specific dates and meetings will be set where appropriate.

Attachment 1

IR Resources

London	The Hague	New York
Staff		
Head of Group IR	IR Manager – Europe	IR Manager – US
IR Manager UK & Ireland	IR Support position (JG3/4)	Management assistant
IR Support position (JG3/4)	Management assistant	
IR Support position (JG5/6)		
Management assistant		

In addition Fergus Macleod is retained on contract as an adviser for presentations and transaction communications. Fergus's services are available to other parts of the Group and if requested are expected to be recovered from the requesting department.

Budget

The budget for IR activities is not clearly delineated, as in the Netherlands is it is part of the Royal Dutch office budget and in the US it is part of the Shell Oil communications budget.

In the UK the sterling budget for 2002 is:

Staff	£0.7 million
Other	£1.0 million

$US equivalent is $2.4 million. Other covers the majority of the overall budget for presentations and communications, including maintenance of the website.

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Attachment 2

Group strategy presentation

For the past 3 years this has been held in London and New York during the 3rd week of December, effectively the last working week before the Christmas break. This has led to both lower audiences and less follow up research coverage than is obtained by some competitors and makes immediate follow up from 1-1 meetings with media or investors more difficult. On return to work in January, from a news perspective, the story has gone cold.

The December timing has been driven by the desire to link the presentation to the Group Plan that is approved by Conference and is communicated to the senior management in the December GLM. In part this is due to concerns that if the Plan is known internally, it should – for disclosure reasons – be communicated externally as soon as possible.

In practice competitors spread their meetings through the year and do not stick to specific dates. Recently Exxon have presented strategy in April, BP in June or February and TFE and British Gas in September. Sometimes it is linked to quarterly reporting, sometimes not. Recently competitor dates have often been linked to timing of major mergers – e.g. ChevronTexaco in November.

It is recommended to change the presentation date in 2002 to the last week in November (giving timetable space for appropriate follow up communications) or alternatively to move it to the Spring. The pros and cons of these approaches are listed below. In any case, the meeting date will be determined and communicated as late as possible prior to the intended events to assure appropriate content.

Timing	Pros	Cons
Late November 2002	(Just) linked to Plan Between quarter ends, preparation possible Limited competition for news Good timing for follow up	Plan approval process would need to be considered. Acceleration could be difficult Limited possible comment on current year results
February 2003 (link to full year reporting)	Merge with full year results Additional preparation time from Plan Follow up would cover results and strategy	Difficult to separate year end and strategy messages, so both may be diluted. Gap from Plan could create disclosure issues Preparation a challenge as many relevant staff involved in year end work
April 2003	Additional preparation time Clearly a separate exercise from Plan and actual results Follow up easier, but would be duplicate with year end	Close to AGM (mid May) and Q1 reporting (early May) Large time gap from Plan, disclosure issues Likely to be more competitors presenting in this period

LON00940604

It should be noted that the disclosure issue could be addressed with a separate pre Christmas press and or stock exchange release covering limited details of the Plan that are of interest to investors. Specifically this is the capital investment programme and any updates to existing targets or frameworks such as cost reporting or share buybacks. In the absence of material changes a simple release on investment levels would likely suffice.

Largest US Shareholders (RD)

Attachment 3

Rank	Institution	Visited By	Position	% O/S	Pos Chg (from prev filing)	% Change	Style	Equity Assets ($MM)	Turnover	City	Filing Date	% Portfolio	Value ($MM)
1	Barclays Global Investors	Do not visit -- index fund	50,880,400	2.39	-680,541	-1.08	Index	371,748	Mod	San Francisco	30/06/2001	0.80	2,065
2	State Street Global Advisors	David in February, Jeroen, Judy, Simon and David in September (not really an index fund)	32,134,762	1.51	71,850	0.22	Index	288,942	Low	Boston	30/09/2001	0.56	1,615
3	Capital Research & Management	David in January, David in February, Phil in mid year (London) Judy and Steve and David in August, Phil and Simon and David in September	28,867,000	1.35	110,000	0.38	Core Value	224,686	Mod	Los Angeles	30/06/2001	0.75	1,682
4	Fidelity Management & Research	David in February, Judy and Steve and David in August	28,614,075	1.35	-1,120,217	-3.77	GARP	497,957	Mod	Boston	30/06/2001	0.33	1,667
5	Putnam Investment Management, Inc	David in February, Jeroen, Judy, Simon and David in September	27,547,440	1.3	-146,585	-0.53	Core Growth	209,158	Mod	Boston	30/06/2001	0.77	1,605
6	Vanguard Group, Inc.	Do not visit -- index fund	27,252,724	1.28	-133,425	-0.49	Index	168,066	Low	Malvern	30/09/2001	0.81	1,369
7	Deutsche Asset Management Americas	Do not visit -- index fund	19,397,308	0.91	-243,618	-1.24	Index	134,500	Low	Piscataway	30/06/2001	0.84	1,130
8	Mellon Bank (Private Asset Management)	Do not visit -- index fund	12,382,121	0.58	995,744	8.75	Index	84,525	Low	Pittsburgh	30/09/2001	0.74	822
9	Lazard Asset Management Ltd.	Walter and Dominique and Simon and David in September, David, Bart and Jan in November	10,870,060	0.51	4,656,733	74.94	Core Value	38,052	Mod	New York	30/06/2001	1.66	633
10	Northern Trust Global Investments	Come to meetings in 2001 but no formal 1 on 1 meeting...setting up meeting in January 2002 on our IR trip	9,034,000	0.47	432,166	4.55	Core Growth	58,709	Low	Chicago	30/09/2001	0.85	499
11	Fayez Sarofim & Co.	David in December	8,701,765	0.41	-64,921	-0.97	Core Growth	42,518	Low	Houston	30/06/2001	1.19	507
12	Wellington Management Company, LLP	David in February, Jeroen and Judy and Simon and David in September	8,618,240	0.41	2,119,600	32.43	Core Value	156,482	Mod	Boston	30/06/2001	0.32	602
13	Teacher Retirement System of Texas	Come to meetings in 2001...will try to see in December	8,316,000	0.39	-396,000	-4.55	GARP	52,393	Low	Austin	30/06/2001	0.92	485
14	Zurich Scudder Investments, Inc.	David in August	7,684,509	0.36	-370,708	-4.6	Core Value	71,064	Mod	New York	30/06/2001	0.63	448
15	Smith Barney Asset Management	Harry and David in February	7,504,305	0.35	-1,245,574	-14.24	GARP	153,042	Low	New York	30/06/2001	0.25	437

Largest UK Shareholders (STT)

Attachment 4

	Holding	% Issue	Who	When
M & G Investment Management	291,323,740	2.96%	MGDPS	28/09/2001
Legal & General Investment Mgt	289,496,468	2.95%	MGDWV	28/09/2001
Morley Fund Management	258,177,504	2.63%	MGDPW	12/02/2001
Scottish Widows Investment Part'shp	239,691,170	2.44%	SMGH	29/06/2001
Merrill Lynch Inv Managers	233,895,495	2.38%	MGDPS	24/09/2001
Barclays Global Investors	225,867,075	2.30%	MGDMS	08/08/2000
Standard Life Investments Ltd	205,117,051	2.09%	MGDPS	24/09/2001
AXA Investment Managers UK	172,970,513	1.76%	MGDPW	12/02/2001
Schroder Investment Management Ltd	162,021,863	1.65%	MGDWV	28/09/2001
Henderson Investors	161,632,992	1.64%	SMGH	12/02/2001
Deutsche Asset Mgt Ltd	157,915,840	1.61%	MGDWV	28/09/2001
Zurich Scudder Investments	145,397,575	1.48%	MGDPW	12/02/2001
Clerical Medical Investment Group	141,905,877	1.44%	MGDJV	06/08/2001
HSBC Asset Management Europe Ltd	116,007,666	1.18%	MGDJV	06/08/2001
Aegon Asset Management	110,964,791	1.13%	SMGH	29/06/2001
Gartmore Investment Management	108,564,069	1.10%	MGDPS	08/10/2001
Co-operative Insurance Society Ltd	99,626,922	1.01%		
Hermes Pension Management Ltd	95,947,571	0.98%	MGDPS	15/08/2000
Royal & Sun Alliance Investment Mgt	86,126,395	0.88%	MGDJV	06/08/2001
Gerrard Limited	85,193,685	0.87%		
Friends Ivory & Sime plc	81,358,008	0.83%		
Dresdner RCM Global Investors (UK)	74,607,120	0.76%		
Lloyds Private Banking	74,351,120	0.76%		
JP Morgan Fleming Asset Mgt	66,215,992	0.67%		
UBS Asset Management	62,250,163	0.63%		
Britannic Asset Management	57,921,567	0.59%		
Fidelity Investments Ltd	57,316,616	0.58%		
Rathbone Investment Management	57,303,839	0.58%		
Newton Investment Management Ltd	57,197,055	0.58%		
Universities Superannuation Scheme	57,171,833	0.58%		
State Street Global Advisors	51,907,928	0.53%		
Deutsche Bank AG	50,874,057	0.52%		
Goldman Sachs Asset Management	49,321,929	0.50%		
Robeco Intl Asset Managers	47,570,375	0.48%		
Shell Pensions Management Ltd	46,870,327	0.48%		
Deka Deutsche Kapitalanlage GmbH	43,738,983	0.45%		
Cazenove Fund Management Ltd	42,628,106	0.43%		
NFU Mutual & Avon Insurance Group	40,657,955	0.41%		
Aerion Fund Management	32,298,192	0.33%		
BA Pensions Investment Management	31,900,440	0.32%		
Bank of Ireland Asset Mgt Ltd	31,426,083	0.32%		
British Petroleum Pension Fund	31,024,080	0.32%		
SLC Asset Management	29,475,363	0.30%		
Quilter Investment Management	29,407,911	0.30%		
SIS SEGAIntersettle AG	29,004,916	0.30%		
Royal London Asset Management Ltd	27,078,380	0.28%		
Unibank Investment Management	26,771,435	0.27%		
Brewin Dolphin Securities Ltd	26,009,036	0.26%		
Scottish Mutual Portfolio Managers	25,478,029	0.26%		
Aberdeen Asset Management	25,268,740	0.26%		

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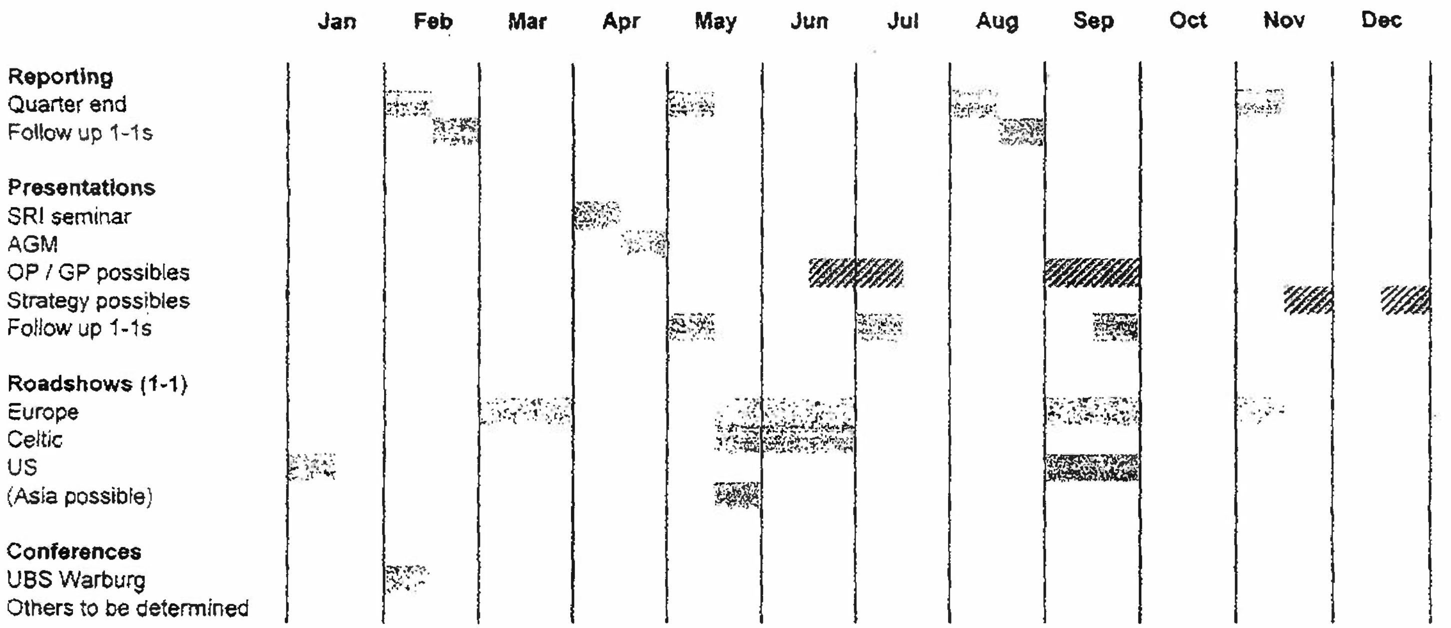
Attachment 5

IR Programme 2002: Timing overview



Notes

OP / GP and Strategy presentation timing to be determined

European programme subject to definition following study

From: Henry, Simon S SI-FI
To: Frank Coopman; Gary Steel; Guy Outen; Ken Dean; Neil Gaskell; Patrick Ellingsworth; Peter Hillman; Ronald Blakely; Rosemarie Mecca; Tim Morrison; Veronica Carter
CC: Boynton, Judith G SI-FN
BCC:
Sent Date: 2002-08-30 17:45:01.000
Received Date: 2002-08-30 17:45:04.000
Subject: CMD Note
Attachments: CMD enhancement status 030902.doc

As discussed today, please find attached the note that went to CMD yesterday detailing work done in enhancing the IR activity this year. Thanks for the feedback today which quite correctly highlighted that all of this effort has limited effect if the story content, and style of delivery, are not equally robust. Each of these is also acknowledged and will be worked on, the former as part of the planning process and the latter through development training and constant feedback.

Any other feedback on reflection would also be very welcome, Simon

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EXHIBIT
Van der Vijver
146
2/2/07

Note for Information

Investor Relations Programme Enhancement: Status update

In the light of Q2 results reporting and recent press coverage it is timely to update CMD on the status of the IR enhancement programme that was first discussed with CMD in January this year.

The attached Note covers progress to date and also highlights items either still in progress or where further action will be required as we seek to achieve best practice in the area of investor communications.

Ongoing input to our enhancement programme includes

- Lessons learned from the Q2 results process and subsequent external reactions. (A joint paper from FN/PX will address this in a focussed note for CMD on 10 September)
- Recommendations from the best practice audit carried out by Finsbury as part of the original programme
- Feedback from the investment community while following up the Financial Times articles

Philip Watts

August 29th 2002

Note for Information

Investor Relations Programme Enhancement: Status update

This note includes an overview of the status of the key action items in the IR programme enhancement process originally presented to CMD in January. Improvements have been reflected in the IR programme and have also been integrated with the financial media communications programme and PXX activities.

Several action items are still in progress and other issues have now risen in priority as events have developed.

Key events in the year affecting the IR programme have been the new strategic direction announced in December 2001, the acquisitions of Pennzoil and Enterprise in March and April, the deletion of Royal Dutch from the S&P 500 index in July and the general malaise in world stock markets driven at least in part by generic concerns about Corporate Governance.

Financial press coverage during the year has also played a part in the communications process, and the response to recent articles is covered in Appendix 1. The IR programme over the next 6-8 months is summarised in Appendix 2.

This paper does not address the content of the messages to investors and financial media, although underpinning the communications process has been a drive to improve the clarity, simplicity and consistency of the investment case.

Context

The original proposal for the 2002 IR programme involved a strategic shift of emphasis away from 'fixed' presentations to groups of 'sell side' (research) analysts towards a more targeted programme of meetings direct with institutional investors in the three markets covered (UK, USA and Continental Europe).

This change in focus reflected both developments in the analytical resource within investing institutions and general market concerns about the independence and effectiveness of research analysts in making recommendations to fund managers.

Based on feedback received from investors and a perception study carried out in the US in late 2001, and in order to deliver direct communications more effectively, a series of potential improvement areas were identified in February. This led to an agreed action programme covering IR resources, improved market intelligence and awareness, focused marketing, better preparation processes and a third party review of Group communications compared with best practice. Message content and market expectations of the Group's performance were also considered.

All improvements have been coordinated with the PXX media team, and Group external communications activities are now integrated as a plan with potential newsworthy events.

With the majority of the first wave of improvements either completed or in progress, a second wave of potential improvements is in the process of development. Some of this potential was anticipated in the original review, and some is a result of feedback and events during the year, including the deletion of Royal Dutch from the S&P500 index.

Completed actions

Market intelligence and awareness

A regular programme of market intelligence gathering has been actioned. This includes weekly and monthly market reports, monthly IR management information and improved feedback gathering following investor meetings. Quarterly surveys of transactions by UK investors are being carried out and a first ever survey of European investors in Royal Dutch was completed, together enabling better targeting of current and potential investors. Phil Watts and Judy Boynton also meet quarterly with a leading sell side analyst to receive unfiltered feedback from the market.

In addition, following the S&P500 index change a more detailed six month shareholder surveillance programme was set up giving specific detail on buyers and sellers on a shorter time period. This information will be used in targeting the upcoming communication programme.

Leading research analysts have addressed senior staff at Business Week, at the Senior Finance Conference, as part of the INSEAD Executive Leadership Development programme and at a series of Finance management development seminars.

Senior management commitment

Feedback and research identified a consistent perception among both investors and financial journalists that senior executives in Shell gave lower priority to proactive investor and media communication than competitors and other similar large public companies. There was also a perception that IR was not integrated into the normal business information and decision processes.

The Chairman and CMD have notably increased priority given to both planning and executing the IR programme. Requests for and reaction to feedback from the market have both been significant. In addition, IR has been more directly involved in the Group process for planning, results appraisal and M&A transactions.

Meeting preparation processes

Improvements relating to 1-1 and small group meetings have included advance identification of key investor issues, preparation and use of specific presentation material, consistent key messages and use of brokers to improve preparation efficiency and investor feedback.

Targeted meetings

Based on potential to invest new money and identify new investors, Continental Europe was identified for 2002 as the most promising market. The investor survey identified Germany, the Netherlands and Switzerland as the most important current markets, and France, Italy and Scandinavia as markets with increasing potential. All markets have been visited since November 2001 and further activity is planned for November 2002.

The Pennzoil and Enterprise acquisitions were used as an opportunity to visit all top investors who requested meetings, and a concerted series of roadshows were carried out over a six week period.

In total 65 of the top 90 or so investors have met a member of CMD or the CFO in the 5 months between February and June 2002, several having met management more than once. In addition a higher number of second tier investors have also met management, with specific prospecting of potential investors carried out in both Continental Europe and the US. Direct contact with investors in 2002 to date has been approximately double the level of recent years.

This increased activity has received the most positive feedback from investors of all changes made. Many investors, while following up the August press articles, mentioned increased frequency of contact.

Market expectations

Performance expectations are driven by a combination of a clear strategy and targets, and a good (external market) understanding of the relationships between performance drivers (environment and operational parameters) and earnings. Improvements have been made in the communication of actual results to the market (acknowledged in Q2 2002) and in the Group's internal quarterly estimate process. However, more remains to be done in this area.

Results and announcement management

Together with PXX several improvements have been introduced into the formal announcement process including joint proactive briefings of wire services and journalists, use of specialist web service providers for video interviews and increased transparency of materials provided to journalists and investors.

Remaining investor concerns here focus on meeting market expectations and the quality of the live question and answer sessions.

Investor and Financial media relationship development

An analyst field trip to the US and Canada is planned for early October. Other opportunities for informal engagement between investors and senior management have been actioned, and a more proactive series of meetings with targeted journalists has also been carried out.

Actions in progress

Resources

Two improvement areas for resources were identified.

A relative shortage in direct resource working in IR – including those working in the businesses indirectly contributing to IR activities – was apparent from best practice comparisons and the peak workloads experienced around events such as the acquisitions. One additional analytical support member has been hired in the IR group in the Netherlands. However, two other mandated IR staff additions have not yet been filled. In the UK, two fulltime high calibre finance staff are currently reviewing quarterly internal reporting and communications preparation processes. It is anticipated that one incremental individual will be moved into a permanent IR position by the end of September. We currently have 20+ qualified candidates for the additional US IR position. Interviewing and selection is planned by the end of September.

Additional resources covering IR related activities in both PXS (analytical resource in competitor intelligence) and EP (analytical resource reporting to EP CFO doing EP IR analysis) has been or is being recruited. The majority of additional resources in IR, PXS and EP are being applied to improving the timeliness of analysis and the internal information flows and/or in enabling increased direct contact with investors.

The second key area was the structured development of a small cadre of senior executives in addition to CMD / CFO who will carry out regular communications activities with investors and financial media. CMD / CFO plus approximately 20 executives will undergo a programme of education on communicating with investors, the operation of capital markets and the specifics of investing in the oil and gas sector. The objective is to augment CMD meetings with major investors with a focused programme of more specific meetings with business executives, targeting both major investors with special interests and 'second tier' investors in target markets. CMD and CFO have already been scheduled with a leading communications consultant in the US. Bids to provide the development programme to the broader set of executives have been received and are currently under evaluation with Shell Learning. A paper detailing the recommended supplier and programme will be provided to CMD in the near future.

Best Practice review

Finsbury, a financial communications consultant firm, were engaged in April to carry out a review of best practice in communications with the investment and financial media communities, to compare Group practice and to develop improvement recommendations. Initial feedback was received in late May, and the geographical scope was expanded for the final report back. This is currently in progress and recommendations are reflected below.

The report identifies that in many areas the Group is already achieving best practice, although historical impressions persist and some of the more obvious remaining weakness areas are limiting the recognition that this receives. A more detailed report and recommendations will be reported to CMD within the third quarter.

Further potential improvement areas

Several areas of activity remain for improvement. These have been identified from investor feedback, the Finsbury best practice review and from lessons learned from results reporting in 2002. Following analysis of potential benefits and costs, specific actions will be developed from the following list, forming part of the 2003 IR and PXX programmes.

Investor targeting

For 2002 Continental Europe was targeted as a key market opportunity. However, slower than expected progress on pension reform in Germany, France and Italy, together with falling equity markets have led to lower than expected growth in funds invested. In addition the S&P500 change has led to over 150 million New York shares being transferred back to Amsterdam as US index funds sold down their positions. The US institutional market, both defending existing positions and identifying new potential holders, has therefore moved back ahead of Europe as a priority. Further support for this view comes from both the perception study and informal feedback that indicates the Group has never effectively established a clear and well understood investment case in the broader US investment community.

The post S&P decision shareholder surveillance mentioned above will help to develop both a short term response and the 2003 meeting programme, but it is expected that US activity will increase at both CMD / CFO level and for the new cadre and the IR team.

In addition, two potentially large markets remain relatively untapped, US retail investors and Japan. Together these two markets offer potential to replace the US index investors lost recently (approximately $10 billion), but both will require a sustained marketing effort over 2-3 years to establish a significant presence. The new US IR resource is specifically required to address both the US retail and medium size institutional markets.

The UK is and will remain a key market that has the most influence on pricing, but compared with the US and Europe the investor community is smaller, more concentrated and well known.

Transparency and disclosure, including market expectations

Investors attach a premium to limited uncertainty. Unexpected events create volatility in investment funds, and reduce the value associated with a specific investment. Recent developments in markets have increased sensitivity to disappointing news and there are various moves to encourage companies to improve disclosure and transparency of information. For the Group, notwithstanding the FT articles on tolling agreements, this has focused on expectations for quarterly results.

Market expectations are driven by how well the drivers of performance are understood, and how visible they are for any given reporting period. Understanding is driven by a combination of regular information (quarterly and annual), presentations and general contact between investors and the company. Visibility is driven both by transparent market indicators (e.g. oil and gas prices, market margins) and timely communication of company specific factors (e.g. production, new projects, turnarounds). Direct comparisons with the peer group show that the Group as a whole gives less information than some others about its businesses, and is potentially missing opportunities to positively differentiate performance in Oil Products and Gas and Power.

IR and the businesses will review the key documents currently produced (press releases, quarterly results announcement, annual report and five year statistics, 20F SEC return), making recommendations to CMD before end 2002. The intention would be to make any agreed changes from Q1 2003 onwards.

Internal processes

Initial feedback from the current review of internal quarterly processes has identified improvement opportunities that would lead to a more consistent and earlier aggregation of market relevant information. Q3 2002 is targeted as an early opportunity to harvest the low hanging fruit here (e.g. reducing duplication of effort, taking some tasks out of the critical path), with Q4 2002 as the target for significant improvements in both efficiency and effectiveness of the final outcome. Process improvements will be required in any case to action the planned acceleration of quarterly results reporting from Q1 2003.

Investor and media relationship development

One finding from both the best practice review and the July and August 2002 press coverage was that well regarded companies regularly invest management time and effort in relationship building, helping to create a stock of goodwill in both investment and media communities. This goodwill provides a buffer against articles such as those on tolling agreements and communications style.

Compared with some direct competitors and other large cap companies in the major markets, the Group has traditionally been less active in this area, although progress is being made (see earlier comments). Overall we are still seen as reactive and insular, with the impression still lingering that we communicate only when we have to. Changing this impression will require sustained activity over time.

PXX and IR have been requested to prepare a proposal to improve this activity by end Q3.

Briefing materials

During 2002 a new format of briefing material for executives has been jointly developed between PX and IR. This format was developed and used for the acquisitions and AGMs, but needs to be structured further within each of the businesses, ensuring that the most up to date and relevant material is available as required at short notice. Consistency of message across different communication formats is a critical success factor and will assume higher profile as the number of executives interfacing with the market increases.

Website and other communications materials

There is increasing evidence that investors are using websites and other non traditional information sources to influence investment decisions, both www.shell.com and service providers specific to the investment community. The Group IR website is well regarded by analysts and institutional investors, however, further work is required to identify where the best returns on investment in this area can be obtained.

Recent press coverage

There is no substitute for delivery of results to enhance the market's view of the Group. However, style and tone can be important, especially if results are seen as disappointing. As a consequence IR and PXX took the recent FT articles very seriously. Over 50 investors were called on the day of the article, the results of these discussions are summarised in Appendix 1.

Summary

A rigorous plan for upgrading the Group's IR and PXX efforts was begun in January of 2002, and the agreed improvement programme is being delivered on schedule. The plan has been augmented based on feedback from investors, feedback from the Finsbury best practices audit and lessons learned from quarterly reporting.

There are significant actions planned for the remainder of 2002 and 2003 to improve our communications efforts further.

Appendix 1: Summary of follow up to August 2002 FT articles on communication style

On the day the article appeared IR called over 50 investors and analysts, and successfully spoke with around 25 directly in the three investor markets (UK, US, Continental Europe). The purpose was to assess reaction to the FT articles, to obtain their views on the current communication process and to solicit current concerns about the business that they feel are not being addressed. The number of responses was less than half the contacts targeted, as a result of a significant number of individuals being on leave particularly in the UK and US. Feedback was also obtained from two brokers (UBS Warburg and Merrill Lynch) and Finsbury.

Some further reactive follow up is expected, but proactive contact will cease to avoid prolonging the lifecycle of the issue. A summary of consistent comments in each area follows.

Reaction to the article

- limited disagreement with the general comments on style, but wide agreement that the content of the article was not newsworthy and was less important or relevant than the prominence given
- concerns during 2001 recognised, but subsequent improvements in communication acknowledged. Also recognition that the 2001 issues were substantive business issues and not just about communication
- main concern is perceived evasiveness in answering questions i.e. a substance issue; there were few comments on style
- no change or impact on the fundamental value of the company, in fact surprise that the FT wasted the time and effort on an article with limited substance
- the article had been made overly personal. Investors commented that the FT had 'fished' in their queries for a more damaging line, which had not been supported by responses given; the FT had chosen not to include some positive feedback given to them
- there were differences of opinion as to whether the opinions expressed were UK specific or broader; a few perceived the US investment community to have similar or greater concerns, but European investors did not seem to see the article as a significant issue

Communication process

- no substantiated problems with access to senior management or responsiveness of IR, in fact steady improvement noted
- content of presentations and materials good, Q&As the primary issue
- many comments about results guidance for the market. Many believe a Trading Statement would be beneficial, as fund managers who do not follow the company closely are averse to volatility and uncertainty is what they remember first. However, several people discouraged such guidance, suggesting a better understanding of underlying drivers and increased transparency would be just as useful
- process (number and type of meetings) seen as similar to BP, but multiple comments about the 'Browne' effect and the difficulty of competing head on with someone currently seen as unable to do wrong

Outstanding business issues

- Strategic direction remains unclear to some: "where is the company going?"
- capital allocation, both in terms of returns (Enterprise) and between businesses (OP acquisitions)
- transparency around future projects, production and reserve replacement
- confidence in delivery of OP benefits in the US

The overall tenor of discussions was positive with several investors confirming they had recently increased their weighting in the Group and a general impression that we are currently good value. Increased transparency of reporting in Q2 was appreciated but "disappointment" was a common comment on the actual performance.

Appendix 2 Overview of programme to May 2003

The following outline IR programme is proposed for the next several months.

Date	Event type	Comments
Sept 2002	US West coast, Broker lunches	Follow up mid year results Market analysis to target specific segments of US market post S&P500 changes
Oct 2002	Analyst field trip	Take up to 50 analysts to Houston and Athabasca to review the progress on OP US delivery and the potential for non conventional resource development.
Oct 30 2002	Q3 results	Telecon
Nov / Dec 2002	1-1 roadshows	Target a further 10 days with major investors 1-1, UK, Scotland, Europe (Germany, Scandinavia), US East coast. IR team to target 2nd tier in Europe and N America.
December	Proposal	Propose programme for marketing to US Retail and Japanese investors, based on prospectivity
Feb 6 2003 (repeat on 10th in NY)	Presentation; 2002 results and strategy update	Results presentation and update on delivery against strategy.
Feb 7th 10th, 11th	1-1 roadshows	1-1 Meetings with selected major investors to follow up strategy update
Q1 2003 (& Q2)	Conferences, broker lunches	Conference season Continue EU targeted marketing
Late March / April 2003	Business strategy presentation	If appropriate, hold EP / GP business strategy presentation to analysts / major investors
April 30 2003	Q1 2003 results	Telecon
May 2003	1-1 roadshows	1-1 Meetings with selected major investors to follow up strategy update, Q1 results and EP/GP presentation

Exhibit NN

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF NEW JERSEY

Civ. No. 04-3749 (JAP)

(Consolidated Cases)

Hon. Joel A. Pisano

ORIGINAL

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IN RE ROYAL DUTCH/SHELL

TRANSPORT SECURITIES

LITIGATION

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Volume III

Videotaped Deposition of Walter van de Vijver

Washington, D.C.

Friday, February 2, 2007

9:39 a.m.

Job No. 22-94164

Pages 454 - 577, Volume III

Reported by: Paula G. Satkin

Videotaped Deposition of

Walter van de Vijver

Held at the offices of:

AKIN GUMP STRAUSS HAUER & FELD LLP

1333 New Hampshire Avenue, Northwest

Washington, D.C. 20036-1564

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Taken pursuant to notice, before Paula G. Satkin, Registered Professional Reporter And Notary Public in and for the District of Columbia.

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Cali Day, Videographer

EXAMINATION INDEX

E X H I B I T S

WALTER VAN DE VIJVER

PROCEEDINGS

THE VIDEOGRAPHER: Here begins tape number one, Volume III, in the deposition of Walter van de Vijver, in the matter of Royal Dutch/Shell Transport Securities Litigation, in the United States District Court, District of New Jersey.

Today's date is February 2nd, 2007. The time is 9:39 a.m.

I would like to remind the witness he is still sworn in from yesterday.

Whereupon--

WALTER VAN DE VIJVER

a witness, called for examination, having previously been duly sworn, was examined and testified further as follows:

EXAMINATION BY COUNSEL FOR PLAINTIFFS -- RESUMED

BY MR. HABER:

Q. Good morning, Mr. Van de Vijver.

A. Good morning.

WALTER VAN DE VIJVER

Q. I want to start today just with a follow-up from a document that we talked about yesterday. So if you could pull out Exhibit 32?

A. Yes.

Q. Now, yesterday you testified that with regard to the e-mail from John Pay with the attachment of the Barendregt reports that was the first time you had received those unsatisfactory reports; correct?

A. Yes.

Q. If you look at the dates between -- you can turn to Exhibits 33 and 34.

If you look at the dates of the notes. One, the SPDC audit is dated September 30 and the other PDO audit report is -- the draft note is dated November 3. And you received these audit reports on November 17?

A. Yes.

Q. Did you ever ask your staff why there was a delay in getting you these reports?

A. No, I didn't. But, of course, you also have to see it, I guess in the context that on the Oman one I just had visited Oman so I knew. I think that was the weekend before I

WALTER VAN DE VIJVER

went to Oman and I knew there was an unsatisfactory audit and I used my visit to Oman to actually sit down with people in Oman, not about audit report, but about the results of the city work.

And in the case of Nigeria I knew that work was ongoing on trying to get to grips with the numbers. I think it was mentioned one of the -- somewhere the end of October it was mentioned that EP ExCom, that they were working with Anton Barendregt and other people on the numbers in Nigeria.

So I felt reasonably up-to-date, but indeed I hadn't seen the actual reports until I received them on the 17th of November.

Q. In your answer you said while you were in Oman you would learn that Mr. Barendregt had given the unsatisfactory report to PDO. How is it that you learned that?

A. I had some briefing notes for my visit to Oman. And normally when I would visit places staff would prepare visit notes and there was a reference to that extent in my prereading material that I would read in the plane going up

WALTER VAN DE VIJVER

to Oman.

Q. You can put those aside now.

A. I assume there's a visit note on the Oman visit, by the way.

Q. Okay.

(Van de Vijver Exhibit Number 36 was marked for identification.)

BY MR. HABER:

Q. Mr. Van de Vijver, I'm handing you what we just marked as van de Vijver Exhibit 35.

MR. DOWD: No. I think we already have a 35. It should be 36.

MR. HABER: You're right. It should be 36.

BY MR. HABER:

Q. Now I'm handing you what's just been marked as van de Vijver 36. It's an e-mail with an attachment. The e-mail is from Frank Coopman, it is dated December 2, 2003. It's sent to John Bell, Matthias Bichsel, and John Darley with a cc to John Pay. The subject line is proved reserves. The attachment is called script for Walter on the proved reserves position. The Bates number is RJW00780060 through RJW00780063.

Have you seen this document before?

A. Well, not this particular e-mail. The attachment I've seen, but not this particular cover e-mail.

Q. Okay. The attachment is what I would like to talk to you about.

A. Sure.

Q. What is your understanding of what this document called the script for Walter is?

A. As we discussed yesterday, I asked Frank Coopman after I had seen the audit report for Oman. And as you also saw on the e-mail we looked at yesterday to get me the necessary material to go to CMD and Conference on our reserves position.

By that time personally, at least, having come to the conclusion that there were going to be major debookings, but of course the right people need to get involved in the process.

I had a meeting with Frank Coopman on it just before I went for travels again. I think it was the 27th of November, where he also advised me he would go and talk to Judy Boynton the next day.

Then I left to Russia where that was involving a business transaction in Moscow.

I got a call when I was in Moscow from Frank telling me he was sending me a note to look at. And he also said he would mail it at my home address, thinking that I would arrive home that night, but events changed and I ended up, we're now talking December 1st, very late in the evening actually traveling from Moscow back to London.

I'm just trying to give you a little bit of context.

Q. And the document that you were referring to when you said yesterday, is that Exhibit 32 where you instructed Mr. Coopman to take some action?

A. 32, right?

Q. Yes.

A. Yes. So I arrived very late in that evening in London in the apartment, company apartment I had there. And early in the morning

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I got a phone call from Frank advising me that Judy was very unhappy with the document.

I then decided that rather than go directly to my meeting in Weybridge, that southwest of London, that I would quickly hop into the office in London and to actually go in my e-mail and look at the document.

During my movement to the London office I also got a call from Judy Boynton, where she expressed extreme unhappiness about what Frank had done and that it needed to be taken off the table. And to the best of my recollection she used the word, destroyed.

Either after -- I also got a call from my advisor assistant Nicola Dahlin, who mentioned that Judy was desperately looking for me.

So anyway, so I moved to the office, clearly with the feedback from Judy still ringing in my ears, and not knowing exactly what Frank had done or not done.

So I quickly scanned at the document and indeed was shocked, given that it was in my perspective a very conclusive document

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and I considered the work, first of all not complete yet because we were still working the numbers.

For instance, in the script I think it still allowed Gorgon to be carried going forward.

And, also, I recognized that ultimately this is not my decision, I can't do this, this needs to involve Group Finance, Group Audit Committee, External Audit, et cetera, before we would be able to have something so conclusive that needs to be announced to the market with immediate effect.

Sorry for a bit long-winded story, but I just wanted to get --

Q. First of all, do you know who Mr. Coopman had distributed the script to?

A. To me and Judy Boynton, as far as I know, knew at that time. Clearly I see here that it was sent to some others as well.

Q. Did you ever talk to Phil Watts about the script?

A. No.

Q. And as far as you know he didn't

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receive a copy of it?

A. Clearly, that's up to the group CFO to do that.

Q. Do you have an understanding as to why the document was titled "script"?

A. No. I guess script may be briefing note, whatever choice of words.

Q. Do you know if Mr. Coopman prepared this document in preparation for a meeting that was upcoming in the CMD?

A. Yes. I mean relative to the original schedule we talked about it was the 2nd of December was CMD meeting and 3rd of December was a regular Conference meeting.

Now, unfortunately because of my issues with this Russian transaction I did not make it to the CMD meeting on the 2nd of December that was in The Hague. I was in London, obviously, advised my colleagues I couldn't attend, but that was the context.

Q. Were you planning on attending the Conference?

A. Yes.

Q. Had you asked -- in Exhibit 32, if

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you look at the first sentence of your e-mail to Mr. Pay you say, "I want to have a proper EP view before Conference."

Is your understanding in looking at Exhibit 32 that this document was prepared in connection with the meeting on December 3, 2003?

A. Yes.

Q. Now, in your answer you said when you looked at the document you were shocked.

I think you said you were surprised at how conclusive it was.

Why were you surprised?

A. Well, in the sense that the numbers were still being worked. I mean we still at that time didn't have the numbers and the whole idea was also to look at all the other exposures, not just linking it to Nigeria and Oman and LKH, but also whatever else now with the new understanding we had about interpretation of the SEC rules would become noncompliant.

Q. Is it fair to say that the script is advocating a restatement or debooking?

A. The script advocates a debooking.

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I would have to read it where it says revision or restatement.

Q. I see the document on the first page refers to debooking or restatement?

A. Okay.

Q. Now you also mentioned that you had spoken with Ms. Boynton about the script. Other than what you testified to do you recall anything else that the two of you had discussed?

A. On that particular day?

Q. Yes.

A. No.

Q. Did you discuss the fact that the reserves were exposed to such an extent that a debooking appeared to be necessary?

MR. MORSE: Object to the form.

BY MR. HABER:

Q. You can answer.

A. I think the note speaks for itself.

Q. Now, in your answer you also said that the decision to debook or restate was one that you needed Group Finance and Group Audit. Why is that?

MR. TUTTLE: Objection to the characterization of the testimony.

THE WITNESS: I think anything that is to do with external disclosure and is a material event for the group, in my understanding had to go to the fora.

I cannot, in my role cannot make any decision on external disclosures.

BY MR. HABER:

Q. Now, is there a distinction between a decision to debook reserves and a decision to debook reserves that requires external announcement?

A. Anything that has to do with an impact on the reputation of the group or is a clear material event is something that needs to go through the bodies we just talked about.

Q. When Shell had debooked the reserves at the end of 2002 in Bonga did that debooking receive the approval of the Group Audit Committee?

MR. TUTTLE: Objection.

THE WITNESS: I cannot answer that question as I'm not involved in the process.

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The only thing I know is that for the -- before the group reserves auditor issues his final report it involves not only people from EP, but it involves the external auditors and it involves the central controller function on the finance in London.

BY MR. HABER:

Q. Do you know if the central controller function was involved with the decision to debook the reserves in Bonga at the end of 2002?

MR. WARE: Object to form and foundation.

THE WITNESS: The only thing I know, they approved Anton Barendregt's notes that incorporated that change. I don't know what discussions or challenge TOOK place at that point in time.

BY MR. HABER:

Q. When you say "they," who are you referring to?

A. The people I just mentioned. The EP people, external auditors, and the rep's from the controller function in London, the deputy

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group controller I know was involved in it, I don't know who else.

Q. Does the size of a debooking matter with regard to external communication?

MR. TUTTLE: Objection to the extent it calls for a legal conclusion.

BY MR. HABER:

Q. You can answer.

A. I think generally just as it is with financial results there is a level of materiality.

I'm not a finance person, but I think finance has rules around materiality and that must apply to reserves as well.

Q. When Shell made external communications, say its quarterly reports, did Shell seek legal counsel?

A. I don't know.

Q. Were you ever involved in meetings concerning quarterly announcements where legal counsel had to pass on the propriety of the announcement?

A. No. Only in Project Rockford, later, I was aware that legal counsel was involved, but before that, no.

Q. I'm talking about before?

A. Yeah. Just to clarify.

Q. When you spoke with Ms. Boynton what did you say to her?

A. That I would go to the office and look at the memo because, clearly, I hadn't seen it.

(Van der Vijver Exhibit Number 37 was marked for identification.)

BY MR. HABER:

Q. I'm handing you, Mr. Van de Vijver, what we've just marked as van de Vijver Exhibit 37. It's a one-page document with two e-mails. The last e-mail is from you to Ms. Boynton, it's dated December 2, 2003, with a copy to your secretary, Marian van der Laan. The subject line reads reserves. The Bates number is V00010837.

Have you seen this document before today?

A. Yes.

Q. Did you write this e-mail?

A. Yes. This is one of the two rush

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e-mails I wrote before disappearing out of the office.

Q. Did you write this e-mail after you spoke with Ms. Boynton or before?

A. After.

Q. Now, I just want you to look at the sentence that begins, "Indeed, the full consultation needs to happen with all key stakeholders." Do you see that?

A. Yes.

Q. And it continues. "And I was assured by Frank that he knew what was expected from him."

Who are all the key stakeholders you're referring to?

A. That's particularly Group Finance. It's external auditors. It's group legal.

Don't forget that I based that understanding on the fact that Frank had been group controller himself.

Q. Now, the beginning of your e-mail says that you had numerous discussions with Mr. Coopman. And the sentence that we just read into the record you say, "I was assured by Frank that he knew what was expected from him."

What did you mean by that?

A. That he knew who he needed to get involved and what the scope was of what he was working.

Q. And he knew it because of, as this document says, numerous discussions you had had with him?

A. He knew that I expected to get a proper write-up of the whole issue and I also knew from him that he was going to talk to Judy Boynton. So from that I assumed that the right people were talking to each other.

Q. And at this point in time when you wrote this e-mail to Ms. Boynton had you spoken with Mr. Coopman about the script?

A. No, but I arranged thereafter, I fired off two e-mails and then I arranged with talking to -- when I then went in the car to Weybridge I arranged with my secretary to get all people in the office early morning, next morning at 7:30, all the people in E&P that had anything to do with it to get properly prepared for the next possible opportunity and getting a full picture.

Q. Was that the first time you had spoken with Mr. Coopman following the distribution of the script?

A. As I recollect, yes.

Q. If you look at Ms. Boynton's e-mail to you, the third sentence of her e-mail, which is also dated December 2, 2003, she says, "neither the group controller nor I were consulted about the script before it was written or sent."

Did you have an understanding that the group controller and Ms. Boynton needed to be consulted on the work that Mr. Coopman was instructed to do by you?

MR. TUTTLE: Objection to form.

THE WITNESS: Yes.

BY MR. HABER:

Q. And why is that?

A. Because, as I mentioned earlier, anything to do with an issue like that that involves reserves, the group reserves auditor is all part of that same fora that ultimately needs to make the decisions and the recommendations.

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Q. She goes on to say, "Frank was out of bounds in documenting views without full consultation."

Did you agree with her in that assessment?

A. Well, I was not sure because I did not know what had happened from her relaying her message to me. It was clear that she felt that it hadn't been done. And when I looked at the script from Coopman it was a script that to me read we had to go out to the market tomorrow. So there was somewhere a disconnect.

(Van de Vijver Exhibit Number 38 was marked for identification.)

BY MR. HABER:

Q. Mr. Van de Vijver, I just handed you what's been marked as van de Vijver Exhibit 38. It's a one-page document with two e-mails. The last e-mail is from you to Mr. Coopman, it's dated December 2, 2003. The Bates number is V00010836.

Have you seen these e-mails before today?

A. Yes.

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Q. If you look at the second e-mail, which is the bottom e-mail, is this your recollection of how Mr. Coopman sent you these script, by e-mail?

A. Yes.

Q. And that was also on December 2, 2003? That's what it says here; correct?

A. Yes.

Q. Now, the e-mail that you sent to Mr. Coopman of December 2nd, was this the second e-mail that you said you sent that day?

A. Yes. There was one to Judy Boynton and one to Frank.

Q. Okay. Now, the second paragraph, the first sentence you say, "We are only at this stage flagging issues and creating options, not making a firm recommendation."

Did you write this in response to what you had said a few moments ago, that Frank seemed to be making a conclusion about whether to debook or restate?

A. Yeah. Well, based other than the feedback I was getting from Judy Boynton, who was the group CFO. I felt that Frank had gone

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outside his authority, which also meant I would have gone outside my authority.

And, clearly, having seen the note that was very conclusive, I wanted to make sure that the proper process was being -- was being followed.

Q. Now, when you said you would be going outside your authority, is there a structure within Shell that senior executives are required to follow?

A. Yes. There are obviously manuals of authorities, but there are also -- there are, of course, rules when it comes to external disclosure. External disclosure decisions cannot be made by me. Ultimately external disclosure decisions are in the combination of the chairman, the vice chairman and the group CFO.

Q. Could you go outside your authority or outside the protocol to advise someone of a problem, for instance?

MR. TUTTLE: Objection to form, vague.

THE WITNESS: Yes, but I --

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probably I could, but I felt that I should just be working the normal structure, the normal process. I think that was the perfect logical way of doing it and that is what I had been doing the last couple of years and that's what I was still doing, bringing up the issues and working them as hard as I could to get the reality of the business up in the organization.

BY MR. HABER:

Q. Now, in the second sentence you say, "You well know that I have not accepted the latest audit reports."

What did you mean by that?

A. That I hadn't accepted the Oman report, which recommended that it was okay to keep it another year on the books.

And that on Nigeria I was still uncertain about what the final number should be because also the Nigeria audit report did not make a clear recommendation for debooking.

Q. When you say you well know that, is that as a consequence of discussions that you had with him?

A. Yes. That's what I referred to

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earlier when I received those audit reports on the 17th of November. I immediately walked into the office of Frank Coopman and expressed my discomfort with those audit reports.

Q. When you walked into Mr. Coopman's office was anyone else present?

A. Not that I recollect.

Q. What did Mr. Coopman say in response when you expressed your discomfort with those audit reports?

A. That he was going to work it himself.

Q. What did you understand him to mean by that?

A. That as part of the reserves -- let's sort of back step. At that time of course there was a Reserves Committee, there was an infrastructure in place that he was leading and Frank, the way he was, he wanted to take ownership himself to further work it in his organization.

Q. And was that satisfactory to you?

A. Yes. I had confidence in Frank Coopman.

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Q. Now, the Reserves Committee, I know you mentioned that it was created under your tenure?

A. Yeah.

Q. Who was on this Reserves Committee?

A. I cannot be totally sure anymore, but I think it was John Darley was a member, Frank Coopman was a member. The group deputy controller in Judy Boynton's organization was a member and maybe a few others, but we would have to look at the documentation.

Q. Do you recall if any technical people were members of this committee?

A. Well, John Darley was my technical director, so he was one of the members for sure.

Q. Is John Darley a reservoir engineer?

A. Yes.

Q. Was there a chair of the Reserves Committee?

A. That was Frank Coopman.

Q. Do you know how it was decided that Mr. Coopman would be the Chair of the

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Reserves Committee?

A. No, not in detail, but knowing Frank he felt that he was the right man to do that.

Q. Now, in your prior answer you said when you received the audit reports, referring to PDO and SPDC, on November 17th you said I immediately walked into the office of Frank Coopman.

Where in relation to your office was Mr. Coopman's office?

A. This was in a new office that we were just moved into a new office in Rijswijk and there Frank Coopman's office, for all the right reasons, was just next to my office.

Q. Were your offices separated by a Conference room?

A. No.

Q. Did you often have discussions with Mr. Coopman that were unscheduled?

A. Yes.

Q. And during these unscheduled discussions did any of these discussions include the reserves exposures issues that we've been

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talking about over the last two days?

MR. TUTTLE: Objection to form.

THE WITNESS: I cannot recollect the details.

BY MR. HABER:

Q. When you walked into Mr. Coopman's office to discuss the audit reports how long did the two of you discuss it?

A. Oh, very briefly. I think I mentioned before that's the time when I made the comment about to Frank that I really doubted the judgment of Anton Barendregt with his conclusion on the Oman audit. And I had just found this because I had just come back from Oman.

Q. Did Mr. Coopman have any response when you commented about your lack of confidence in Mr. Barendregt's judgment?

MR. TUTTLE: Objection to the characterization of the testimony.

THE WITNESS: No. As I mentioned earlier, he was going to investigate himself.

BY MR. HABER:

Q. Do you know if he did investigate?

A. Well, that's all the things that

happened in the following weeks or months.

Q. Following that conversation did Mr. Coopman ever come back with a response about your opinion of Mr. Barendregt?

A. No, but he did agree with bringing in Rod Sidle from the United States to help the whole process of establishing what the real compliance numbers were.

Q. Who is Rod Sidle?

A. Rod Sidle was a senior reservoir engineer in the United States who was the reserves coordinator for SEPCO for the US organization.

Q. Did you know Mr. Sidle while you were in the United States?

A. Yes. I actually had met him for the very first time when I was based in Bakersfield.

Q. Do you recall what Mr. Sidle was doing while you were in Bakersfield?

A. Yeah. At that time he had a general management job. It was an interesting phenomena in Shell oil where people could decide themselves to do a ladder system where they

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could decide to either go up a technical ladder or to go up a general ladder. And he was at that stage in Bakersfield he had a general manager's job and then he later moved back to technical discipline again. He was a very good reservoir engineer.

Q. Now, in your answer, prior answer, you say that you said that Mr. Coopman did agree with bringing in Rod Sidle from the United States to help. Whose idea was it to bring in Mr. Sidle?

A. My idea.

Q. And what was the reason that you gave to Mr. Coopman for wanting to bring Mr. Sidle into the process?

A. Because he had a very high reputation in the technical community and I knew him from being deeply involved in the reserves in the United States and therefore being familiar with SEC rules.

Q. Were you ever advised that people within EP had consulted with him from time to time over the years?

MR. TUTTLE: Objection,

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foundation.

THE WITNESS: No, but that would be very logical.

BY MR. HABER:

Q. Now, again, looking again at Exhibit 38. The sentence that we were talking about, "you well know that." Are you with me?

A. Yes.

Q. If you continue, and I'm going to pick up where it says and, "and need far more answers before coming to a recommendation (given the group impact this needs formal signoff by CMD, GAC, et cetera)."

Now you had mentioned the Group Audit Committee earlier and Group Finance?

A. Yes.

Q. Did you understand also when you wrote this that the CMD also needed to approve any debooking or restatement?

MR. TUTTLE: Objection to the form, mischaracterization of prior testimony.

THE WITNESS: Anything that involves external disclosures also needs to be approved by the CMD.

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BY MR. HABER:

Q. So I just want to be clear. So it's not the debooking in and of itself, it's the debooking that may require an external disclosure that would need the approval of these various bodies?

A. Yes. Yes. It's a materiality issue that we discussed earlier.

Q. Okay. The last sentence you say, "I've been absolute clear on this at numerous occasions."

Were you expressing frustration with Mr. Coopman?

A. Frank and I ever now and then had a few disagreements relating to his "Frank the tank" approach that sometimes he would get a little bit unbalanced and not involve all the right people in the decision-making. And I thought I had made it clear, for instance, on the meeting the 27th of November that he needed to talk to Judy Boynton and needed to involve all the right people.

And at least at that stage, without knowing any of the detail of what he had

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done or not had done, the Judy Boynton story clearly said that he had not done it.

Q. Now, if you look at the first sentence of your e-mail you say, "This is absolute dynamite, not at all what I expected, and needs to be destroyed!"

Were you in directing Mr. Coopman to destroy the document?

A. No. That's obviously not very good use of words. I never wanted anyone to destroy anything.

What I meant to say is that the work was incomplete and it needed to be improved.

And that's what I said happened the following morning as soon as I got back when we sat together with the whole team and we exactly planned out who was going to do what and how we were going to get a quality note prepared for the CMD the following week.

Q. Do you know if Mr. Coopman removed the -- withdrawn.

Do you know if Mr. Coopman in fact destroyed his copy of the script?

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A. No, he did not.

Q. When you say this is absolute dynamite, what did you mean?

A. This sort of refers back to the communication with Boynton about something that is so material and so significant you get a note that sort of says press the button and we go outside to the market, which would be beyond my authority. That's what I meant by dynamite.

Q. Okay. Now you said that the next day, December 3rd, you had a meeting?

A. Yes.

Q. Who attended the meeting?

A. That was a meeting in my office that was attended by Frank Coopman, Curtis Frasier, John Darley. I don't know the whole list of names.

I know that Nicola Gordon made minutes of that meeting and distributed it because it was the allocation of who was going to do what piece of the note to the CMD. There was going to be a technical part and there was going to be a part that would deal with the legal and financial side of that note.

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Q. Was that the only purpose of the meeting?

A. Yes. The purpose was to get quality notes with all the right facts and data to deliver to the CMD as quickly as possible.

Q. Did -- was the discussion largely technical?

A. Well, it was technical but it identified that there needed to be a technical piece to the note, that there needed to be a financial legal part to the note.

Q. Who was responsible for the financial part of the note?

MR. TUTTLE: Objection, mischaracterization of prior testimony.

THE WITNESS: Frank Coopman.

MR. FERRARA: Sorry. I think while some of the room may find the objections to be small barriers on the way to progress, we really need to get the objections on the record before the answer comes up. You're welcome to continue to answer to the questions, but let's get the objection on and not have it interrupted so it's on the record, please.

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BY MR. HABER:

Q. Now, in your answer before you said in response to my question of whether the discussion was largely technical you said it was technical, but it was identified that there needed to be a technical piece to the note, that there needed to be a financial, legal part to the note.

Did you understand financial, legal part to be separate parts?

A. Yes.

Q. So the financial part was the responsibility of Mr. Coopman?

A. Yes.

Q. Who was responsible for the legal part?

A. He would do that jointly with Curtis Frasier, who had a dotted reporting line into himself, as well as to me.

Q. When you say "he" are you referring to Mr. Coopman?

A. Yes, sorry.

Q. Why was there a need to draft a note?

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A. To get all the facts on the table. I mean this is part of the process I had been following for a long time with my hunch and instinct that things were not right and ultimately you need to get the facts on the table to make a fact-based decision on what to do.

Q. And this note was to be presented to the CMD?

A. Yes.

Q. Was there a particular scheduled meeting of the CMD that you were planning this note to be presented at?

A. The following week, the 9th of December.

Q. I believe a few moments ago you said there was a meeting of the Conference on December 3rd?

A. Yes.

Q. Did you have this meeting before or after the meeting with the Conference?

A. Before, because I mentioned it was very early in the morning, 7:30 in the morning.

Q. Where did the Conference meet that

day?

A. In The Hague.

Q. Was there any discussion in the Conference meeting about the reserves issues?

A. No.

Q. Do you recall if Ms. Boynton was in attendance at the Conference meeting?

A. Yes.

Q. Do you recall having any discussions with Ms. Boynton at the Conference meeting about the script for Walter?

A. No.

Q. Did you have any discussions with Ms. Boynton that day about the actions that were decided would be taken in the meeting earlier in the day?

A. No. I briefly met her the following day in London on the 4th of December where she advised me that there had been a discussion at CMD in my absence and that it was decided that for the CMD the coming week I would only be responsible for writing the technical piece and that she would look after the financial, legal piece.

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Q. How did you react to that?

A. Surprised. But for me the only thing was important to get it on the agenda. I didn't really care how it was being done as long as it would get on the agenda.

Q. When you say surprised, why were you surprised?

A. I was surprised because I had hoped by that time she would have talked to Frank Coopman and there would be clarity on how the work was going to be distributed.

Q. Did she explain to you why she was going to be taking the lead on the financial side?

A. No. She just mentioned that the discussion had taken place at CMD the day before and that was the recommendation and she was going to -- after I briefly talked to her she said she would issue a little note to clarify that particular decision.

Q. Did you ever look at the minutes of that CMD meeting to see what was discussed?

A. No, not that I recollect.

Q. Did you talk with Mr. Coopman

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about the decision that she gave -- that she conveyed to you?

A. Yes. I mentioned it to him and left the organization to figure out to get the note, the quality note that at least we would do together. And I assumed Coopman would work with the staff and the staff in Judy's organization.

Q. What was Mr. Coopman's response?

A. He was, as you would expect from a character like that, he was not very happy.

Q. What did he say?

A. He thought he was capable of doing that, leading that piece and sharing it with whoever relevant in the organization.

Q. Did you get the feeling he viewed it as a challenge to his abilities?

A. No, not directly, but he was a bit sensitive individual generally when these type of things happened.

Q. Did you view the decision as a challenge to Mr. Coopman's abilities?

A. A little bit, but I accepted -- I had the organizational structure and authority. I mean, at the end of the day Judy Boynton was

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more senior than Frank Coopman.

Q. Did you view it as a challenge to you?

A. No, but maybe a little inclination of a bit of mistrust whether I would be able to do it all myself but, fair enough, she is the CFO.

Q. I believe earlier you said this meeting occurred in London. Why was it in London?

A. I really don't know. I must have had other engagements in London. I cannot recollect.

Q. Did she ask to meet with you?

A. Yes, but I don't recollect how that sort of happened. Maybe some e-mails. I don't know.

(Van der Vijver Exhibit Number 39 was marked for identification.)

BY MR. HABER:

Q. We've just marked as Exhibit 39 an e-mail string, three pages, the last of which is from Mr. Van de Vijver. It's dated December 8, 2003 and it's to John Pay with a cc to Frank

Coopman, John Darley, John Bell. The subject line reads: Proved reserves part 1: Draft for comment. The Bates number is V00010881 through V00010883.

Have you seen these e-mails before today?

A. Yes.

Q. If you could just generally tell us the context in which these e-mails were written?

A. This was trying to get the note for CMD prepared that we talked about earlier and, obviously, there was a lot of work so there was a lot of backward and forward going to get the document done. And you see here part of the -- see the final top e-mail is some comments that I had on the draft of that particular CMD paper, very depressing, somewhere around midnight when I looked at the note and gave some comments before it was finalized for distribution that same day.

Q. And if you look at the second page, the last e-mail, the one on the bottom from Mr. Pay to you, Ms. Boynton, Tim Morrison,

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with a cc to Frank Coopman, John Darley, and John Bell, it's dated December 7, 2003?

A. Uh-huh.

Q. It appears as if this is the first circulation of the draft note; is that correct?

A. Yes. That may be correct, yes.

Q. Do you recall if there was a prior circulation?

A. I do not recollect.

Q. Okay. If you look about a third of the way from the top in that first paragraph --

A. Sure.

Q. -- where you write, "I still feel uncomfortable." Do you see that?

A. Yes.

Q. The sentence reads, "I still feel uncomfortable with the "increased tightening of the SEC guidelines" as if the SEC is the reason we have a problem today!" Why did you feel uncomfortable with that?

A. This was part of my learning where I had the feeling that there was too much emphasis put to relate a lot of the issues we

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found to this clarification on the SEC rules that came out somewhere in 2000 or 2001.

I recall also sending a note to Rod Sidle to ask for his advice to try to understanding was it basically the problem that the Shell guidelines were wrong and had been long wrong, we now sort of had the benefit of hindsight for a long time, or was it indeed this clarification in 2001 that caused it.

Is that answer clear? It may be a little bit long-winded.

Q. And what did Mr. Sidle say in response?

A. He said that he agreed with me, that he did not believe the clarification was as such the issue, it was the issue that Shell for many years had done the incorrect, incomplete interpretation of the strict SEC rules, because the rules hadn't changed. There was a clarification on the rules, but the rules for the SEC had been like they were since 1976, if I'm correct.

Q. The -- does the second sentence, "The reality appears to be with us driving for

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Q. Were you comfortable with the changes that had been made in the note?

A. Personally, no, but I accepted the higher authority in the company to make those changes.

Q. Now, you said the note changes were made in the technical contents of the note?

A. No changes.

Q. No changes, right. So what parts of the note were there changes in?

A. Changes that watered down the conclusive nature of my note, which originally stated that reserves were noncompliant.

There was a table and one of those tables said the following reserves are noncompliant.

And it got changed to are likely to be considered as not compliant.

Q. Why were you uncomfortable with that change?

A. Well, this is a personal perspective. I mean, I thought these reserves were noncompliant. I'm not the expert, I fully recognized that, and that's the way it is.

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Q. Did you ever communicate your feelings about the changes to anyone?

A. I do not recollect.

Q. Now, do you know if the note was submitted in the same format to the other members of the CMD, that is electronically?

A. Yes.

Q. And I believe you said that there was a meeting of the CMD. Was there a meeting on the same date, December 8th, or was there a two-day meeting?

A. No. There was a -- as I said, it was two days of CMD activities. The first day was sort of an off-site type of day and the 9th of December was the formal -- on the Tuesday, the CMD meeting.

Q. And that would be Tuesday, December 9th?

A. Yes.

Q. Before we get to the meeting I want to talk about a couple of things in the note itself.

If you turn to page 4.

If you look at the --

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A. The box.

Q. -- the box. Thank you.

In terms of bookings, and it shows the time line and there's -- there's a booking, and I understand it is hard to read, but I believe the one I'm looking at has to do with PDO and it says 00, which I take to mean the year 2000. PDO books, and it looks like 358 million BOE. Do you see that?

A. Yes.

Q. During the time that your staff was preparing this note and you were reviewing the note had you seen any audit trail that supported that booking?

A. No, not at that time.

Q. Did you ever ask anyone on your staff if they had seen an audit trail that supported that booking?

A. Yes. And during this period, December, January -- so December 2003, January 2004, I did get some documentation that involved a letter from the Minister of Oil and Gas that referred to that particular booking.

Q. Did you ever talk to Mr. Brass

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about the booking?

A. Not during my time at Shell.

MR. DOWD: That wasn't the question. That wasn't the question.

Did you ever talk to Brass about it? Answer the question.

THE WITNESS: Yes. Yes.

BY MR. HABER:

Q. And when did you speak to Mr. Brass about it?

A. In -- somewhere in the second half of March 2004 when I had -- at the time I had left Shell, but I was visited during the weekend by all The Hague based EP ExCom members.

Q. And what did Mr. Brass and you talk about?

A. Brass, through the sort of chatter we were having at that time, which you can imagine was quite an emotional get together with lots of beer, and Brass mentioned to me a reference to a handshake.

Q. What did he say about a handshake?

A. It was a handshake from Phil Watts to Remco Aalbers.

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Q. What was the significance of the handshake?

A. That related to the booking on Oman in early 2000.

Q. And is that the booking that's reflected in the chart?

A. Yes.

Q. For the record, who is Remco Aalbers?

A. Remco Aalbers was in the same job that John Pay did later. So he was a group reserves coordinator at that time.

Q. Did Mr. Brass say from whom he had learned of this handshake?

A. No. I think as soon as Lorin mentioned that he felt embarrassed and didn't give me any further detail.

Q. Did you ask Mr. Darley about this handshake deal?

A. No.

Q. Did you ever ask Mr. Pay about this handshake deal?

A. Not that I recollect, no.

Q. Did you ever talk to Remco Aalbers

about this handshake deal?

A. No.

Q. Had you ever spoken to Remco Aalbers?

A. I think I met him once in NAM during one of my site visits, no, I'm sorry, that's the Dutch operating company in the Netherlands in Assen. I don't have any recollection what -- he was doing a technical job there. I don't really know.

Q. If you could turn the page to page 5 of the document or 447, the Bates number. If you can look at the top of the chart it says, proved reserves which are likely to be considered as noncompliant by the SEC.

Is that the language that you were referring to earlier that had been revised or which is now the revised version of the note?

A. Yes.

Q. Now, if you can turn to page 24 of the note, underneath the box?

A. Uh-huh.

Q. It says, "the 720 million barrels (Shell share) gap between reserves booked and

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the base program implies that no realistic projects have been identified to cover this now highly exposed volume."

Was this figure a figure that was reached as a result of the study that David Kluesner was working on?

A. Yes.

Q. And if you look at the next paragraph it says that "major reserves review that SPD carried out in the second half of 2003 also identified that a significant number of projects in the base program (together 814 million barrels) did not fulfill the recently tightened group reserves guidelines which required VAR 3 or FID for compliance with SEC rules as they are now understood."

The major reserves review that's referred there, is that also a reference to the Kluesner work?

A. Yes.

Q. If you can turn to page 30. The heading says, Other Impacts, and then there are four bullet points with text in a box.

Do you recall if what's on page 30

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in the Bates number that ends 472 was in your note that you submitted to the CMD?

A. I cannot recollect.

Q. And if you look at the next page, 32, that ends Bates number 474, again, under other impacts there's a bullet point and then text in a box.

Do you recall if this text was in your note as originally submitted?

A. No. The only thing I recollect is that I obviously visited Oman and Nigeria in early 2004 to tell them what the story was. There was a lot of discussion at CMD during January and December about the depth and extent of the external disclosure, given some of the sensitivities on countries where we were operating.

Q. Now, at the meeting of the CMD was there a discussion about the note?

A. Yes. It is a note to CMD, so that means there was time allocated for the note at the meeting.

(Van de Vijver Exhibit Number 41 was marked for identification.)

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BY MR. HABER:

Q. What we've marked as van de Vijver Exhibit 41 is a multi-page document, 18 pages to be exact. It says, Committee and Managing Directors, Minutes of the Meeting Held in The Hague on Monday 8 and Tuesday 9 December 2003.

There are two Bate ranges the first one is V00090869 through V00090886.

The second is TT000712 through TT000729.

Mr. Van de Vijver, have you seen this document before?

A. Yes.

Q. Is this a copy of the minutes of the meeting that you were just talking about?

A. Yes.

Q. The indicator in the upper left-hand corner, the number. It says number 2573?

A. Uh-huh.

Q. What is that number?

A. Every CMD meeting gets a number, so that means that was in terms of the company that was meeting 2,573.

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Q. Do you know if by taking a look at this this is the final version of the minutes?

A. The structure of it doesn't say draft anymore, implies that this is the final version.

Q. During the discussion of the note how would you describe the mood of the meeting?

A. Very tense.

Q. Why is that?

A. Clearly it was in a very difficult session in terms of questions were being asked. Follow-up meetings were being planned. I mean this was the first of a whole sequence of meetings over the weeks thereafter where we would come back to the same issue again and again.

Q. And was this the official start of Rockford?

A. Yes. This was the first meeting of the formal launch of Rockford.

Q. How did the project get its name?

A. I don't know. That's always a mystique.

Q. Do you recall if Mr. Watts had

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said anything during this portion of the meeting concerning Project Rockford?

A. Well, he chaired the meeting so clearly he would have said things, but I do not recollect any of the details.

Q. Now, if you look on the first page --

A. Uh-huh.

Q. -- of the document it shows the people who were present?

A. Uh-huh.

Q. Now, for you it shows for item 6 through 21 inclusive only. Does that indicate that you were not in attendance for items 1 through 5?

A. Yes, that's correct.

Q. And the same is true with regard to Mr. Brinded?

A. Yes. There was at this time there had been a system introduced where some of the agenda items would involve only Watts, van der Veer, and Boynton.

Q. Why would those agenda items only involve those three individuals?

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A. That was something that was discussed in CMD, I think somewhere in 2002 where the sort of more routine sort of items would not require the whole of the CMD to be present and was agreed that the other members obviously would be copied on the material and the minutes but would not attend that part of the meeting.

Q. Now, at this time was Ms. Boynton a member of the CMD?

A. Yes.

Q. And I see a new name, R.J. Routs. Who is R.J. Routs?

A. Rob Routs took over as group managing director from Paul Skinner who retired a couple of months earlier and he was responsible for the oil products business, the downstream business.

Q. When Mr. Routs succeeded Mr. Skinner did you have any private communications with him about the reserves issues?

A. Before it would come to CMD? No.

Q. If you look at the minutes on page

12. The second to last sentence says, "Urgent attention was required as time was of the essence."

Do you recall a discussion on this topic?

A. No, but I do recollect that a plan was put forward about follow-up meetings.

Q. Did anyone at the meeting say that time was of the essence?

A. I do not recollect.

Q. What was the program of future meetings that you have a recollection of?

A. There were at least weekly meetings on this -- on Project Rockford, but I would have to look at details in terms of the exact dates.

Q. Okay. Now, as I recall, on the first -- on the first day of our proceedings I had asked you a question about the structure of Project Rockford.

How do you -- what is your recollection of how that structure worked? And in particular I'm just trying to get an organizational structure?

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A. Yes. Over time a formal structure was put in place. Project Rockford was led by Phil Watts with the assistance of Adrian Loader. And I at that time recommended as the focal point for EP, John Darley.

So there was a structure that involved Legal, Group Finance, and I remember commenting on when that structure was proposed.

Q. And when you recommended John Darley for EP focal point he was to report to whom?

A. In his role he would report to Phil Watts.

(Van de Vijver Exhibit Numbers 42 and 43 were marked for identification.)

MR. HABER: I'm marking two exhibits, Exhibit 42 and an Exhibit 43.

While the witness has an opportunity to look at these documents I will identify them for the record.

Exhibit 42 is a two-page document, the first page has two e-mails on them, the last of which is from Philip Watts, to Adrian Loader, Beat Hess, Curtis Frasier, John Darley, Judith

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Boynton, Tim Morrison, and Mary Jo Jacobi. There's a cc to Jeroen van der Veer, Mr. Van de Vijver, Malcolm Brinded, Judith Boynton, and Rob Routs. It was sent on February 2nd, 2004. The -- that is the last. The subject line reads Rockford Coordination Team. There's an attachment, project team org chart, version 71. It is a document that was produced from the native drives that were produced to us, so there is no Bates number. The summation documentation number in the upper left-hand corner is 100485664: Forward Rockford Coordination Team.

And I will note for the record there's a footer on the bottom of the first page and that came from our printer because that's just way it prints. It's a default, so it's not part of the document.

Exhibit 43 is a series of e-mails, the last of which is from Mr. Van de Vijver, dated February 2nd, 2004. It's sent to Philip Watts with a cc to Adrian Loader, Jeroen van der Veer, Malcolm Brinded, Judith Boynton, Rob Routs, and Beat Hess. There are two Bates ranges. The first is V00370504 through

V00370505. The second range is BRINDED 0119 through BRINDED 0120.

BY MR. HABER:

Q. Now, Mr. Van de Vijver, in your answer before we marked these documents you said over time a formal structure took place. Looking at Exhibit 42, is this the structure you're referring to?

A. Yes.

Q. And if you look at Exhibit 42 at Mr. Watts' e-mail of January 29, 2004, it appears that there was a first team meeting of this group of people that was to begin in February.

What team meeting do you understand him referring to?

A. The team meeting, the project team as depicted in this chart.

Q. Okay. Do you recall attending that meeting?

A. No. I was not invited.

Q. And why weren't you invited, if you know?

A. As per the organizational

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structure I was not on that list, but I felt totally comfortable with Curtis Frasier and John Darley being there.

Q. And why was that?

A. I had recommended those names as members to the team from the E&P side.

Q. Now, if you look at Exhibit 43, your e-mail of January 30, 2004, you write to Mr. Watts, van der Veer, Brinded, Ms. Boynton, and Mr. Routs, and I'm looking at the first sentence, "I thought the idea was to delegate day-to-day management to a group of very senior and capable leaders in our organization below CMD and, hence, was very supportive of an overall coordination of an effort by Adrian Loader with weekly updates to CMD."

Two sentences later you continue.

"The proposal put forward still has several CMD members on the actual team and I would advise against that to ensure adequate delegation, balance, and ownership."

Did you get any response from Mr. Watts to this e-mail?

A. The response you see on the same

page.

Q. If you look at his e-mail does it appear as he's responding to your criticism of the organization?

MR. TUTTLE: Object to form.

THE WITNESS: No.

BY MR. HABER:

Q. When you say in your e-mail of January 30, 2004, "to ensure adequate delegation, balance, and ownership," what message were you trying to convey to the recipients of this e-mail?

A. I was trying to convey just that I was comfortable with putting forward John Darley and Curtis Frasier that I felt it important that there was the right distance also to avoid any perception of conflict of interest on a very sensitive issue.

Q. You wrote again to Mr. Watts, again, a cc to a number of people who are recipients on these e-mails, "I note that no change has been made based on my comments. At least had expected a discussion at CMD before this was issued."

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Why were you expecting a discussion at CMD on the issue?

A. Well, I expect that if I would make comments to my colleagues that at least there would be a response.

Q. Did you ever have a response from Mr. Watts?

A. No.

Q. Did you ever get a response from Ms. Boynton?

A. No.

Q. Did any other member of the CMD respond to your comments?

A. No, not that I recollect.

Q. And throughout Project Rockford the organizational structure of Rockford remained as depicted in the org chart that's attached to Exhibit 42?

MR. MORSE: Objection to form.

THE WITNESS: Yes.

BY MR. HABER:

Q. Now, in the second sentence in the e-mail of February 2nd that you sent to Mr. Watts you said, "In order to 'contain' the

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overall senior management on this within EP."

What did you mean by putting the word contain into quotes?

A. That I wanted to make sure we had a clear focal point accountability in E&P. And John Darley had convinced me that he was able to take the task and he would utilize Curtis whenever he was not available, so I was perfectly happy with them working together as they felt comfortable.

MR. HABER: We have to change the tape, so if you can just hang around probably two or three minutes we can try and get this done.

MR. DOWD: Thank you.

THE VIDEOGRAPHER: This marks the end of tape one in Volume III of Mr. Van de Vijver. We are going off the record. The time is 11:50 a.m.

(A brief recess was taken.)

THE VIDEOGRAPHER: This marks the beginning of tape two, Volume III in the deposition of Mr. Van de Vijver. We are back on the record. The time is 11:56 a.m.

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BY MR. HABER:

Q. Mr. Van de Vijver, if you could just look at the org chart on Exhibit 42 for one second. The top of the organization says PX and then Watts/Loader. Do you see that?

A. Yes.

Q. What is PX?

A. PX is a reference indicator of Adrian Loader.

Q. What does that stand for?

A. Group planning and public affairs, if I'm correct.

Q. So the organization chart shows that everyone underneath Mr. Watts and Mr. Loader report up to them and then they are the focal point that reports to the CMD?

A. Uh-huh.

Q. I'm sorry. You have to verbalize an answer?

A. Yes. Yes.

Q. Okay. Do you know if Anton Barendregt had ever commented on the note for -- the note to the CMD that was submitted on December 8th?

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A. I don't know. As you recall from looking at the document themselves there were many contributors to the document. It says on the bottom EPS, EPT, and EPF. So that is the planning group, the technology group, and the finance group. So I wouldn't know who the individuals were that contributed.

(Van de Vijver Exhibit Number 44 was marked for identification.)

BY MR. HABER:

Q. I just handed the witness what we've marked as van de Vijver Exhibit 44, it's a multi-page document. A series of e-mails with an attachment called Storyline.

The last e-mail is from Mr. Van de Vijver, it's dated December 28, 2003 to Frank Coopman, John Darley. Subject line reads: Rockford. The attachment, as I said, says Storyline-Full PowerPoint. The Bates range is HAG00205769 through HAG00205786.

Mr. Van de Vijver, have you seen this document before today?

A. Yes.

Q. And if you could take a look at

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the storyline there's handwriting on this document. Do you recognize this handwriting?

A. Yeah, that's mine.

Q. Can you explain to us what a storyline is and especially in this context?

A. If I recollect this correctly it was part of preparing the material to take to the Group Audit Committee and CMD, of course.

Q. And was there to be a presentation called storyline that was to be made to the CMD and Group Audit Committee?

A. Well, storyline is sort of typical, short of Shell speak. That's when people prepare for making a presentation.

Q. Do you know if this document was ever finalized?

A. Presentations were made in the end, but I don't know how much it contained of this particular material.

Q. If you look in the first page of the summary on page 771, what does the handwritten note in the upper right-hand corner say?

A. "What to do with 10/03 Shell

guidelines." That means what to do with the Shell guidelines that were issued in October 2003, very recently.

Q. Why were you asking that question?

A. Well, I think it comes back here with me now having been present in quite a few of the meetings with my teams, et cetera, I'm basically asking the question do we really need to have Shell guidelines.

Q. Did anyone ever respond to that question?

A. I cannot be sure, but I think John Darley did respond to that.

Q. Do you recall what Mr. Darley had said?

A. That he agreed with my thinking, but I cannot be sure. I think that sort of evolved over time.

Q. Over time, you mean over the time of Rockford?

A. Yes.

Q. How long -- how long did Rockford last?

A. Rockford continued for quite a

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long time, all the way until I left the company, because it also involved not just coordinating of whatever work needed to be done to get to a final conclusion on the numbers and the disclosures to the market, but also as it related to communication with the SEC.

Q. And you were fired from your position in the company in March of 2004?

A. Yes.

Q. I believe on Wednesday when we talked about what had happened you had said that it was unexpected; correct?

A. A total utter shock.

Q. Had anyone ever communicated to you prior to the time that you were told you were going to be let go that you should be worried about your position?

A. I was personally very worried about my position prior to my first interview with Davis Polk.

Q. And when was that interview?

A. That was -- the interview I think was on the 10th of February 2004.

Q. Did you ever communicate your

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concern about your position to anyone?

A. Yes. What happened was that during the weekend I got a phone call from Curtis Frasier advising me that I needed to have a lawyer because quote unquote as Curtis said, "Phil and Judy are out to poison you."

Q. And that's what caused you concern about your position?

A. Yes. Immediately when it happened I went to visit the former group chairman of Shell, Lo van Wachem, and expressed my deep unrest with having to have a personal lawyer and the process the company was getting into.

Q. And what did he say to you?

A. He considered it totally inappropriate that that would happen in the company and he told me to calm down.

Q. When you say that you went to him immediately after the call from Mr. Frasier, do you recall when this meeting occurred?

A. During the weekend, so on a Sunday. So on a Sunday I went to visit Mr. Wachem.

Q. Was this at his home?

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A. Yes.

Q. Do you recall how long that meeting lasted?

A. About half an hour. This was of course not a planned visit but he lives very close to me.

Q. After the meeting did you feel reassured ?

A. No, not yet, because I was also advised that I had to be in London, I think it was on the 10th of February for this interview, and I had to actually cancel a planned visit that I had during the day to Egypt at the very last minute.

Q. When Mr. Frasier had called you where were you?

A. At home.

Q. Was there an analyst presentation in the United States at or about that time that --

A. I had just come back from the analyst presentation.

Q. Okay. So prior to these discussions and the communication with

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Mr. Frasier had you spoken to anyone else about concerns you were feeling about the security of your position?

A. No, but I did mention to Jeroen van der Veer a couple of times that I felt uncomfortable with the atmosphere at CMD and I also asked him at numerous occasions whether it would not be appropriate for me to meet Aad Jacobs.

Q. You say that you met with Mr. Van der Veer a couple of times. Do you recall what times?

MR. TUTTLE: Objection to the characterization of the testimony.

THE WITNESS: This was all after the 8th of December or the 9th of December 2003 when Project Rockford started.

BY MR. HABER:

Q. Okay. So in your prior answer you said I did mention to Jeroen van der Veer a couple of times that I felt uncomfortable with the atmosphere at CMD.

Do you recall what times in particular? I'm looking for dates?

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A. Yeah. My memory is very good, but trying to remember exact dates, I can't. I can't. I'm sorry.

Q. Did you ever speak to Mr. Van der Veer before you were fired?

A. Yes. Actually, the Friday before I was fired Jeroen van der Veer wanted to see me when I was just about to go off to Oman for my visit. And Jeroen was talking a bit around about way, but the final question from him was whether I would have any difficulty reporting to him as the chairman of CMD, because it was likely that Watts would not stay.

Q. What did you say?

A. I said, yes. I said this issue for me was never anything personal about Watts. I would throw in my own glasses if that was what it was about. I said I wanted to run EP and that was all.

MR. DOWD: Excuse me. Is it yes you would have difficulty reporting to him?

THE WITNESS: No. No. I'm sorry. I didn't answer the question correctly.

MR. DOWD: Can we go over that

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again, Jeff?

BY MR. HABER:

Q. The question I asked was did you ever speak to Mr. Van der Veer before you were fired?

A. The answer is yes.

Q. And then I asked what did you say and -- I should say before that your response -- you said, actually, the Friday before I was fired Jeroen van der Veer wanted to see me when I was just about to go off to Oman for my visit and Jeroen was talking a bit around about way, but the final question from him was whether I would have any difficulty reporting to him as the chairman of CMD, because it was likely that Watts would not stay.

Then I asked what did you say?

A. I said no.

Q. Did you ever communicate to him your concern about the security of your position during that meeting?

A. Not -- that meeting we just talked about Friday, no.

Q. Yes.

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A. But I had talked about the security of my position after that first interview by Davis Polk, which I considered totally hostile and unjustified.

Q. And why did you feel that way?

A. Because I was confronted with three e-mails that were -- the famous destroy e-mail. The sick and tired e-mail. I think the third e-mail was fooling the market. Those were the three e-mails I was confronted with in a very hostile manner, and I left the meeting wondering what was going on. And after that meeting I called Jeroen van der Veer. I then next day I visited Jeroen van der Veer and I also talked to Hennie de Ruiter and I talked to Marteen van den Bergh, and they all calmed me down and told me my position was not at stake.

Q. Can we go back to the storyline for a couple of minutes. If you can turn to page 775?

A. Yes.

Q. Can you decipher what your handwritten notes note says on the second bullet point?

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A. "Increase expectation reserves lead to immediate increase in proved reserves [probabilistic method]."

Q. And the handwritten notes on the bottom?

A. "Weakened OU governance and asset based organizations in OUs," meaning operating units.

Q. Taking the first handwritten note, why did you put that note on this document?

A. That was a clarification of my understanding what had happened, because the reserve addition bonuses in both those countries were linked to expectation reserves.

Q. And the last bullet note that you added, why did you put that in there?

A. Well, this is sort of the recurring theme of my tenure, that I felt operating units were not adequately managed and that there had been a fragmentation in a lot of the organizations, what was called an asset based organization, leading to the central technical and professional excellence eroding.

Q. If you can just turn back to page

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773. The very bottom. The dash mark that says, "pressure on staff to obtain approved reserves replacement ratio (RRR of 100 percent) particularly in 2000."

Who did you understand to be exerting pressure on the staff to obtain a proved reserves replacement ratio of 100 percent?

A. The EP leadership team at that time.

Q. And that would include Philip Watts?

A. Yes.

Q. If you would turn to the last page there's some more of your handwriting. Under the bullet point, basic technical flaws at OU level. The middle subpoint there's some handwriting?

A. "And consistency check between reserves and long-term forecasts."

Q. Why did you insert that?

A. Because what I meant to say there that obviously business plans focus on production. And as you produce you reduce your reserves. And what we found in our analysis in, I recall in Oman, for instance, there was no ability to tie back the production forecast to individual assets and their individual reserves. It's a quality issue of the overall business performance.

Q. And if you look at the bottom of the page you add two bullet points. What's the first one?

A. "Oman Nigeria support efforts 2002, 2003."

Q. And the last one?

A. "New operating model strengthens technical function."

I think as we recalled earlier if you don't to the technical work the reserve audit can do all he can do, but he doesn't have the quality.

Q. If you can turn to Exhibit 1, which is your letter dated March 22, 2004. If you can turn to page 3 again. You say that in the paragraph that begins in November 2003, I want you to focus at the bottom of that paragraph now.

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You say, "My efforts to effect full disclosure were continually challenged, even up until the day before the analyst presentations in early February 2004."

How were your efforts to effect full disclosure challenged?

A. It was an extreme battle to finalize the presentation to the analysts in 2004. Where I was very keen to give as much regional breakdown of where the exposures had now materialized the debookings were taking place and also wanted to put it in a historic context about when these bookings were first made.

Even at the end -- at the presentation I made to Conference as sort of final draft version of the analyst presentation there was quite a hostile environment because I wanted to flag, for instance, that on -- during that analyst presentation that if you make a change in proved reserves, if you take the terminology correctly, if you take away proved reserves then the probable reserves can also not exist because of this part of a buildup. I wanted to flag that as a result of the proved reserves there would also be an impact on the probable reserves. I'm getting a little bit technical, but that's just way it is.

Forgetting about it it is not about challenging the total technical resource thing, this is all about classification.

Q. Who was challenging your efforts to effect full disclosure?

A. This whole process was a very difficult process with investor relations and whoever was close to investor relations.

Q. Would that include Ms. Boynton?

A. Yes.

Q. Would that include Simon Henry?

A. Yes.

Q. Would that include Tim Morrison?

A. I cannot be sure.

Q. Other than the people I identified, did it also include Mr. Watts?

A. Yes.

Q. How was the investor relations group of people challenging your efforts to effect full disclosure?

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A. There were many cycles to finalize the presentation. Originally just after an announcement was made it would be the intention that there would just be a group presentation, a group presentation meaning a presentation that would be done by Phil Watts and Judy Boynton. And then subsequently it was decided that there would be a dedicated EP presentation that I would do where I would provide the EP details of the reserves recategorization.

There were a lot of discussions, as you could see, also in the early note to the CMD about whether we were using the word Brunei, yes or no, Oman yes or no, all about providing the detail and also the historical context about when some of these bookings were made, which in the end is a business process.

Q. Well, in this letter were you trying to convey what was happening was more than just business process?

A. There was a lot of pressure at that time. I mean, and understandably so, it was a difficult subject, but it -- it did require extreme efforts from my side to

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ultimately get what I wanted to get out to the market.

Q. Can you think of any specific examples of where Ms. Watts had thrown a roadblock, for instance, in your efforts to make this disclosure?

MR. TUTTLE: You mean Mr. Watts?

BY MR. HABER:

Q. I'm sorry, Mr. Watts. My apologies.

A. I recollect there was a lot of resistance initially to show a plot that indicated when the original bookings were made and some of the debookings or recategorizations we were posing at that time.

Q. What was Mr. Watts' position?

A. I think the position, and ultimately he is the boss, that there were still ongoing discussions also with the SEC at that time around restatements and revisions and many other communications, so there was a tension on what could be shown and what could not be shown.

Q. Can you think of any other examples?

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A. No. I mean during the whole process there was a lot of challenge before we finalized our numbers on what should be in, what should be out. Are there offsets, yes or no, et cetera.

Q. Can you think of any examples involving Ms. Boynton where she erected roadblocks to your efforts to make full disclosure?

MR. TUTTLE: Objection to form.

MS. SENNETT: Objection to the form of the question.

THE WITNESS: No, not specific, because it was always difficult to know who provided the feedback because it was funneled through the IR organization. So I would not be able to personalize where some of these comments would come from.

BY MR. HABER:

Q. During your tenure as a member of the CMD do you recall any presentations on IR program for the particular year or for the upcoming year?

A. Yes. That would come up on a

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regular basis to the CMD.

Q. And do you have an understanding as to why that would come up on a regular basis?

A. The understanding was that that was one of the things CMD members will do and there would be a discussion on who would be doing what type of presentations or meetings.

(Van de Vijver Exhibit Number 45 was marked for identification.)

BY MR. HABER:

Q. We've marked as van de Vijver Exhibit 45 a document which is a Note For Information, IR plan for 2002. The cover page says CMD January 15, 2002, IR plan for 2002. Its Bates number is LON00940595 through LON00940608.

Have you seen this document before today?

A. Yes.

Q. And did you receive it in the manner in which you testified earlier about it being submitted and then circulated electronically?

A. You would always receive wherever

you were a hard copy of the prereading for a follow-up CMD meeting.

Q. If you look at the first page that is with writing on page 596 it -- underneath the four items listed it says, "IR has developed a proposal for the first three elements of a 2002 plan based on the December group strategy reviews and feedback from other IR events throughout 2001."

It then goes on to say, "Input was also received from a U.S. investor perception study conducted in Q3 2001 and advisors Fergus McCloud and Finsbury." Do you see that?

A. Yes.

Q. What U.S. investor perception study is being referred to here?

A. I cannot recollect.

Q. Do you remember any discussion about such a study?

A. No. Is it covered further? I don't recollect.

Q. Who was Fergus McCloud?

A. Fergus McCloud was a former well respected analyst. I'm not so sure from what --

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which bank anymore, but who was hired by Steve Hodge to assist in the preparation of analyst presentations. If I'm fully correct then today he is still head of IR at BP.

Q. So at the time he was also at BP?

A. No. No. He was in between jobs.

Q. So he served as a consultant?

A. Yes.

Q. The other person mentioned is Finsbury. Do you know who that is?

A. Not totally sure, but I think they are sort of consultancy that helps with presentation and skills and formatting, also a consultancy.

Q. If you turn to page 3 of the document which has the Bates number 600 at the end. If you take a look at the bullet points, the proposal is proposing targeting investor relation activities, and the first bullet point says, "top five investors in U.K., U.S., E.U." Why were the top investors in the U.S. being targeted?

A. I don't know. I assume they were the largest shareholders in the group.

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Q. Did the CMD discuss the U.S. market at all?

A. The CMD as a body had a global responsibility, so that would include the United States.

Q. I'm referring -- let me be a little more specific. I'm referring with regard to investor relations activities?

A. Yes. In a similar vein as investor relations activity in Europe or anywhere else.

Q. Do you know if this proposal that's reflected in Exhibit 45 was approved by the CMD?

A. I do not recollect. You would have to look at the minutes.

Q. So that would be reflected in the minutes?

A. Yes. If there is no comment in the minutes then it means it's supported.

Q. Supported meaning approved?

A. Yes.

(Van de Vijver Exhibit Number 46 was marked for identification.)

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BY MR. HABER:

Q. I've handed the witness what we've marked as Exhibit 46. It's an e-mail from Simon Henry to Frank Coopman and a number of other people with a cc to Judith Boynton, dated August 30, 2002. The subject line reads: Note. And the attachment is a Note For Information, Investor Relations Program Enhancement Status Update.

I will note that this was produced in native format on the native drive that was produced to us and as with one of the other documents, I would also note there is a footer that came from our printer that is not part of the document. Again, this is just way the default on the printer is set. I'm sorry, it's already been redacted.

Have you seen this document before today?

A. No, not that I recollect, but it does show a note, at least in draft form for something that went to CMD, the attachment, but I don't see the e-mail, the e-mail note.

Q. Do you recall having a discussion

at the CMD in or about the end of August in 2002 where investor relations program was discussed?

A. No.

MR. HABER: At this time then we have nothing further.

MR. DOWD: 30 minutes all right?

MR. FERRARA: I think there may be the need to ask some additional questions, so perhaps 45 minutes would give everybody the opportunity to kind of collect their thoughts and prepare for that.

MR. DOWD: All right. 45 minutes.

THE VIDEOGRAPHER: We're going off the record. The time is 12:37 p.m.

(Whereupon, at 12:37 p.m., a lunch recess was taken.)

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AFTERNOON SESSION

(1:26 p.m.)

THE VIDEOGRAPHER: We're back on the record. The time is 1:26 p.m.

EXAMINATION BY COUNSEL FOR ROYAL DUTCH/SHELL

BY MR. FERRARA:

Q. Mr. Van der Veer, first I want to thank you --

A. Van de Vijver is the name.

Q. Sorry. Van de Vijver. Well, my client is Mr. Van der Veer so I sometimes get them confused. I may call you Walter if you permit that on the record?

A. Sure.

Q. First I want to thank you for appearing here for the past two-and-a-half days. I understand that these are difficult sessions and not one that folks who are not lawyers are used to dealing with, and we appreciate it.

We also appreciate that you have agreed to continue to be available for discovery in these proceedings as if you were still a party to them.

We also appreciate that you have agreed to become or be available at a trial of this case in the event that a trial occurs. And in light of those things the questions that I have to ask you at this point are limited.

First, I just want to be clear that while you've been very articulate in the course of these two-and-a-half days, English is not your first language; is it?

A. That's true.

Q. So I'm going to ask you a series of questions where I'm going to use a word that has appeared, unfortunately, in some of these documents is word is lie or lying.

A. Uh-huh.

Q. Now, for purposes of having this record be as clear as my ability to make it, I would like to have an understanding that when I use that word in these questions I'm referring to two things:

First, a misstatement of fact, that would be a lie.

Second, a half truth. And by that

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I mean an omission to state a fact that is necessary to be stated in order to make what has been stated not appear misleading.

So when I ask about a lie I'm incorporating a misstatement or a half truth.

Is that an agreeable definition for lie for purpose of my question?

MR. HABER: Objection to form, calls for a legal conclusion.

BY MR. FERRARA:

Q. Sorry. Do you understand what I mean by lying if I use that term?

A. I understand what lying means, but I find your definition rather complex.

Q. Then let's -- let me make sure it's clear. I'm talking about misstatements and half truths. Is that clear to you?

A. Yes.

Q. Okay. So if I say lying and I ask you a question about lying it will include in your answer a misstatement or a half truth?

MR. HABER: Objection to form.

MR. DOWD: I object. Let's just let his answers speak for themselves.

THE WITNESS: I really don't get it. Can you please ask your questions?

BY MR. FERRARA:

Q. I think this is important, so perhaps we should spend --

MR. DOWD: You may, but I don't think he should forecast what his answer is going to include until you ask the question.

MR. FERRARA: Sorry.

MR. DOWD: I don't think that's fair and I object to it and I'm not going to let him answer that kind of question.

MR. FERRARA: You're welcome to object to it.

MR. DOWD: I will. And I will also tell him whether he can answer or not. We're not going to, you know --

MR. FERRARA: Sorry. Why don't you complete your objection. Have you completed your objection?

MR. DOWD: Yes.

BY MR. FERRARA:

Q. Perhaps you could share with me, Walter, what you understand a lie to be?

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A. A lie is not telling the truth or -- I think that's as short as I can be.

Q. Okay. We'll accept that for purposes of my question. You testified earlier in the course of your examination that your memory is good. Do you recall that?

A. Yes.

Q. And your memory is good; is it not?

A. Yes.

Q. I would like you to focus if you would on the period of time when you were chief executive officer of E&P, which I believe you said was approximately June of '01 until March of '04; correct?

A. Yes.

Q. And I would particularly like you to focus on the period June '01 to what we have defined to be the beginning of Project Rockford, that period of time. Is that understood?

A. That for me is November 2003; correct?

Q. That's fine. So we'll be focusing on the period June of 2001 to November of 2003

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in all of my questions; is that understood?

A. Yes.

Q. Okay. During that period, Walter, do you ever have a recollection of lying to EP ExCom, the CMD, or Conference with respect to any business plan that was submitted by the E&P organization for their consideration?

A. No.

Q. Do you ever recall during that period of time lying about a business plan in any session that you attended where there was present either a Shell investor, securities analyst, or a member of the financial press?

A. No.

Q. We talked in Exhibit 20 about what has been euphemistically called "caught in the box parameters;" do you recall that?

A. Yes.

Q. And do you recall what those caught in the box parameters are?

A. Yes.

Q. Have you ever lied to an investor, a securities analyst or member of the financial press about Shell's estimate of a 15 percent

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ROACE return during your tenure as CEO of E&P?

A. No.

Q. So any time when you address the subject of ROACE in the context of a meeting where an investor and analyst or member of the financial press was present you told the truth?

A. Yes.

Q. With respect to the second parameter of the so-called caught in the box metaphor, and here I'm referring to the production growth rate, in any session where there was present an investor of Shell, a securities analyst or a member of the financial press, did you ever lie about Shell's projected 3 percent production growth rate?

MR. HABER: Objection.

MR. DOWD: Just answer the question.

THE WITNESS: No.

BY MR. FERRARA:

Q. At any time when you advised an investor, securities analyst, or a member of the financial press that Shell's production growth rate was 3 percent were you telling the truth?

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A. Yes.

Q. With respect to what we've been calling RRR or reserve replacement ratio, each and every time that you can recall -- no. Withdraw that.

Each and every time that you spoke to an investor in Shell, a securities analyst, or a member of the financial press where you articulated what Shell's reserve replacement ratio was, were you telling the truth?

A. Yes.

Q. Did you ever lie in any of those fora about what the reserve replacement ratio was?

MR. HABER: Objection.

THE WITNESS: No.

BY MR. FERRARA:

Q. Thank you. We talked over the past three days about proved reserves; do you recall that?

A. Yes.

Q. And did you ever advise the CMD, EP ExCom or Conference that any reserved previously reported by Shell as proved should be debooked that wasn't debooked?

A. No.

Q. So in each and every instance that you can recall recommending that a resource, whether it be proved or expectation, should be debooked it was?

A. I did not make personally those recommendations.

Q. To the extent that a recommendation was made by you to debook a reserve, to your knowledge it was done though?

A. Yes.

Q. Are you aware of any recommendation made to CMD or Conference to debook a reserve that wasn't debooked during the period June of '01 through November of '03?

MR. HABER: Objection.

THE WITNESS: No, but just to clarify again, I did not personally make those recommendations.

BY MR. FERRARA:

Q. I understand.

During the time when you were chief executive officer of EP ExCom did you

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believe that Shell's reporting of proved reserves was consistent and compliant with Shell's proved reserves -- Shell's guideline for reporting proved reserves?

A. Yes, until November 2003.

Q. Did you believe during that same period of time that Shell's guidelines were in all material respects consistent with the SEC guidelines, to the extent you knew what the SEC guidelines were?

A. Yes.

MR. HABER: Objection.

BY MR. FERRARA:

Q. Did anyone ever tell you while you were chief executive officer of Shell that Shell was materially out of compliance with SEC proved reserve reporting guidelines?

A. No.

Q. We've talked a good deal over the past two-and-a-half days about exposure catalogs and exposure lists; do you recall that testimony?

A. Yes.

Q. With respect to those exposure

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lists that were created during your tenure, and I understand they took different form, was there ever an instance when you advised EP ExCom, CMD, or Conference that any of the exposures listed on that catalog should be debooked and they were not?

A. No. I merely kept challenging my staff to get the best most accurate numbers.

Q. We've talked throughout the course of these three days about pressure. Pressure being exerted on members of Shell's staff by other members of Shell's staff. Do you recall testimony to that effect during the course of the past three days?

A. Yes.

Q. And you recall that on two or three occasions you have testified that you felt the object of pressure to act or not act in a particular way; correct?

A. Yes.

Q. Did you ever tell a lie to CMD, Conference, EP ExCom, a Shell investor, a Shell securities analyst, or a member of the financial media because of the pressure you received to

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lie?

MR. HABER: Objection to form.

THE WITNESS: No.

MR. FERRARA: If you would like to tell me what the objection to the form is I'll straighten it out. Is it a compound question?

MR. HABER: Yes.

MR. DOWD: He answered it. Let's move on.

MR. FERRARA: No, no. I want to make sure. I will go through them one at a time if you would like.

MR. HABER: Ask him if the answer was no to all of those.

BY MR. FERRARA:

Q. Was the answer no to each of those, that is you did not lie with respect to each of those?

A. Yes.

Q. Walter, did you ever make a recommendation with respect to the operations or business of E&P to ExCom, the CMD, or Conference that you personally did not believe in, that you personally did not believe was the correct

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recommendation?

A. No.

Q. So each and every time you recommended a course of action with respect to the operations or prospects of this company you believed that it was in the best interest of Shell to do it in the way that you were recommending it?

A. Yes.

Q. Did you ever submit a business plan to ExCom, CMD, or Conference that you did not think was real?

A. No, but I would always give the context of the stretch or not that would be in that plan.

Q. I understand.

During your tenure as CEO of E&P did anyone inside or outside Shell ever ask you to lie to a Shell investor, member of the securities analyst community, or a member of the financial media?

A. No.

MR. FERRARA: I want to thank you for responding to those questions. I don't have any further questions at this time, but I would like to hear if there are other questions that I might want to come back to seek clarification on, but I'm done.

MR. GOLDSTEIN: I would like to suggest we just take a break. I think I can shorten it.

MR. DOWD: What do you want to do, Joe?

MR. GOLDSTEIN: I want to go off the record for a minute because I think based on the questions Ralph asked I can shorten it.

THE VIDEOGRAPHER: We are going off the record. The time is 1:43 p.m.

(A brief recess was taken.)

THE VIDEOGRAPHER: We are back on the record. The time is 1:59 p.m.

MR. FERRARA: We have no further questions.

MR. GOLDSTEIN: No further questions.

MS. SENNETT: I would just like to confirm in light of the agreements that Mr. Ferrara outlined at the beginning of his

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questioning that based on your representation that you will continue to cooperate in further proceedings we will not ask any questions on behalf of Judy Boynton today, either.

MR. GOLDSTEIN: I would like to add the same representations.

MR. DOWD: We don't have to cooperate with you, we'll cooperate with Shell. I'm just kidding.

(Laughter.)

MR. HABER: Again from plaintiffs' side we're done. I want to thank you very much, Mr. Van de Vijver, for sitting through these last two-and-a-half days. We wish you a good trip back.

THE VIDEOGRAPHER: This marks the end of the deposition of Mr. Van de Vijver. The total number of tapes used today was two. We're going off the record. The time is 2:00 p.m.

(Whereupon, at 2:00 p.m., the deposition was concluded.)

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WALTER VAN DE VIJVER

ACKNOWLEDGMENT OF DEPONENT

I do hereby acknowledge that I have read and examined the foregoing pages of the transcript of my deposition and that:

(Check appropriate box):

( ) the same is a true, correct and complete transcription of the answers given by me to the questions therein recorded.

( ) except for the changes noted in the attached errata sheet, the same is a true, correct and complete transcription of the answers given by me to the questions therein recorded.

__________________ ____________________________

DATE SIGNATURE

WALTER VAN DE VIJVER

CERTIFICATE OF NOTARY PUBLIC

I, Paula G. Satkin, the officer before whom the foregoing proceedings were taken, do hereby certify that the witness whose testimony appears in the foregoing proceeding was duly sworn by me; that the testimony of said witness was taken by me in stenotype and thereafter reduced to typewriting under my direction; that said proceedings is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

My commission expires October 31, 2010.

Paula G Satkin

PAULA G. SATKIN

Notary Public in and for the

District of Columbia

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