

[REDACTED]

From: [REDACTED]
 Sent: 07 August 2006 17:26
 To: [REDACTED]
 Cc: [REDACTED]

Subject: FW: Shell Sakhalin 2 Project

See below - not sure if you are familiar but John Donovan has been on a mission to discredit Shell and operates a number of websites including the one referred to below. He seems to have latched onto the recent statements from [REDACTED] and has sent an email for the attention of [REDACTED]

Our usual response is to ignore Donovan and the authorities may well do the same but you should be aware.

Regards - [REDACTED]

Original Message-----

From: [REDACTED]
 Sent: 07 August 2006 17:20
 To: [REDACTED]
 Subject: FW: Shell Sakhalin 2 Project

-----Original Message-----

From: John Donovan [mailto:john@shellnews.net]
 Sent: 07 August 2006 17:13
 To: info@cbi-mpr.ru
 Cc: Van der Veer, Jeroen SI-GLOBAL; Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF
 Subject: Shell Sakhalin 2 Project

MINISTRY OF NATURAL RESOURCES OF THE RUSSIAN FEDERATION
 Email for the personal attention of Mr. Oleg Mitvol,
 Deputy Head of the Natural Resources Ministry's Ecological Department, Russia.

Mr Mitvol

I have read with interest the recent press reports that you are taking legal action against Shell in respect of the Shell led Sakhalin-2 project.

In this connection, I would draw your attention to the website www.royaldutchshellplc.com and in particular, its "Live Chat" facility as I suspect that it could supply you with some important Shell insider information regarding the environmental issues in which you are interested.

THE WEBSITE

The website contains a wealth of searchable information about Royal Dutch Shell Plc and the incompetence and misdeeds of its directors, most of whom, including its Chief Executive, Jeroen van der Veer, are defendants in a multibillion dollar class action lawsuit in respect of the recent Shell reserves fraud (described as the biggest corporate fraud in history). Rather than describe the website in detail, I would refer you to a Wikipedia article which provides a more neutral account of the background to the site: <http://en.wikipedia.org/wiki/Royaldutchshellplc.com>

THE "LIVE CHAT" FEATURE

Shell shut down its own "Tell Shell Forum" Internet discussion forum several months ago claiming it was merely

21/03/2007

ing suspended for a revamp. In fact, Shell management no longer wanted to hear what Shell stakeholders, including its own employees, were posting on the facility. It simply could not put up with the rising crescendo of criticism following blunder after blunder, including the \$10 BILLION cost overrun on Sakhalin-2. We decided to provide an alternative upgraded facility - "Live Chat" - which enables anyone, anywhere, to post information without giving away their name or location and to chat live with other visitors. The feature is now receiving more daily postings than the "Tell Shell Forum". It is clear that almost all postings are from well educated highly informed Shell insiders, but we caution visitors to use their own judgement in assessing the veracity of the postings.

Some recent Live Chat postings are in relation to fundamental design faults at Sakhalin-2 with warnings of potential catastrophic failure.

At least one organisation has already sat up and taken notice, as will become evident if you visit the "Live Chat" facility. You are free to make your own appeal for information if you so wish and it is possible to put in URL link into Live Chat posting just by pasting the URL at the end of the text. The URL will then appear as "Link". It is interesting to note that thus far there has not been a single positive posting about Shell management on the Live Chat facility.

I hope this information is of assistance

Yours sincerely
John Donovan
Co-owner & Publisher
RoyalDutchShellPlc.com

-----Original Message-----

From: John Donovan [mailto:john@shellnews.net]

Sent: 07 August 2006 16:13

To: info@cbi-mpr.ru

Cc: Van der Veer, Jeroen SI-GLOBAL; Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF

Subject: Shell Sakhalin 2 Project

MINISTRY OF NATURAL RESOURCES OF THE RUSSIAN FEDERATION

21/03/2007

Email for the personal attention of Mr. Oleg Mitvol,
Deputy Head of the Natural Resources Ministry's Ecological Department, Russia.

Dear Mr Mitvol

I have read with interest the recent press reports that you are taking legal action against Shell in respect of the Shell led Sakhalin-2 project.

In this connection, I would draw your attention to the website www.royaldutchshellplc.com and in particular, its "Live Chat" facility as I suspect that it could supply you with some important Shell insider information regarding the environmental issues in which you are interested.

THE WEBSITE

The website contains a wealth of searchable information about Royal Dutch Shell Plc and the incompetence and misdeeds of its directors, most of whom, including its Chief Executive, Jeroen van der Veer, are defendants in a multibillion dollar class action lawsuit in respect of the recent Shell reserves fraud (described as the biggest corporate fraud in history). Rather than describe the website in detail, I would refer you to a Wikipedia article which provides a more neutral account of the background to the site: <http://en.wikipedia.org/wiki/Royaldutchshellplc.com>

"LIVE CHAT" FEATURE

Shell shut down its own "Tell Shell Forum" Internet discussion forum several months ago claiming it was merely being suspended for a revamp. In fact, Shell management no longer wanted to hear what Shell stakeholders, including its own employees, were posting on the facility. It simply could not put up with the rising crescendo of criticism following blunder after blunder, including the \$10 BILLION cost overrun on Sakhalin-2. We decided to provide an alternative upgraded facility - "Live Chat" - which enables anyone, anywhere, to post information without giving away their name or location and to chat live with other visitors. The feature is now receiving more daily postings than the "Tell Shell Forum". It is clear that almost all postings are from well educated highly informed Shell insiders, but we caution visitors to use their own judgement in assessing the veracity of the postings.

Some recent Live Chat postings are in relation to fundamental design faults at Sakhalin-2 with warnings of potential catastrophic failure.

At least one organisation has already sat up and taken notice, as will become evident if you visit the "Live Chat" facility. You are free to make your own appeal for information if you so wish and it is possible to put in URL link into a Live Chat posting just by pasting the URL at the end of the text. The URL will then appear as "Link". It is interesting to note that thus far there has not been a single positive posting about Shell management on the Live Chat facility.

I hope this information is of assistance

Yours sincerely
John Donovan
Co-owner & Publisher
RoyalDutchShellPlc.com

-----Original Message-----

From: John Donovan [mailto:john@shellnews.net]

Sent: 07 August 2006 16:13

To: info@cbi-mpr.ru

Cc: Van der Veer, Jeroen SI-GLOBAL; Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF

Subject: Shell Sakhalin 2 Project

MINISTRY OF NATURAL RESOURCES OF THE RUSSIAN FEDERATION

Mail for the personal attention of Mr. Oleg Mitvol,

Deputy Head of the Natural Resources Ministry's Ecological Department, Russia.

Dear Mr Mitvol

I have read with interest the recent press reports that you are taking legal action against Shell in respect of the Shell led Sakhalin-2 project.

In this connection, I would draw your attention to the website www.royaldutchshellplc.com and in particular, its "Live Chat" facility as I suspect that it could supply you with some important Shell insider information regarding the environmental issues in which you are interested.

THE WEBSITE

The website contains a wealth of searchable information about Royal Dutch Shell Plc and the incompetence and misdeeds of its directors, most of whom, including its Chief Executive, Jeroen van der Veer, are defendants in a multibillion dollar class action lawsuit in respect of the recent Shell reserves fraud (described as the biggest corporate fraud in history). Rather than describe the website in detail, I would refer you to a Wikipedia article which provides a more neutral account of the background to the site: <http://en.wikipedia.org/wiki/Royaldutchshellplc.com>

21/03/2007

THE "LIVE CHAT" FEATURE

Shell shut down its own "Tell Shell Forum" Internet discussion forum several months ago claiming it was merely being suspended for a revamp. In fact, Shell management no longer wanted to hear what Shell stakeholders, including its own employees, were posting on the facility. It simply could not put up with the rising crescendo of criticism following blunder after blunder, including the \$10 BILLION cost overrun on Sakhalin-2. We decided to provide an alternative upgraded facility - "Live Chat" - which enables anyone, anywhere, to post information without giving away their name or location and to chat live with other visitors. The feature is now receiving more daily postings than the "Tell Shell Forum". It is clear that almost all postings are from well educated highly informed Shell insiders, but we caution visitors to use their own judgement in assessing the veracity of the postings.

Some recent Live Chat postings are in relation to fundamental design faults at Sakhalin-2 with warnings of potential catastrophic failure.

At least one organisation has already sat up and taken notice, as will become evident if you visit the "Live Chat" facility. You are free to make your own appeal for information if you so wish and it is possible to put in URL link into a Live Chat posting just by pasting the URL at the end of the text. The URL will then appear as "Link". It is interesting to note that thus far there has not been a single positive posting about Shell management on the Live Chat facility.

I hope this information is of assistance

Yours sincerely
John Donovan
Co-owner & Publisher
RoyalDutchShellPlc.com

[REDACTED]

From: [REDACTED]
 Sent: 07 August 2006 17:26
 To: [REDACTED]
 Cc: [REDACTED]

Subject: FW: Shell Sakhalin 2 Project

See below - not sure if you are familiar but John Donovan has been on a mission to discredit Shell and operates a number of websites including the one referred to below. He seems to have latched onto the recent statements from MNR and has sent an email for the attention of [REDACTED].

Our usual response is to ignore Donovan and the authorities may well do the same but you should be aware.

Regards - [REDACTED]

[REDACTED]

From: [REDACTED]
 Sent: 07 August 2006 17:20
 To: [REDACTED]
 Subject: FW: Shell Sakhalin 2 Project

-----Original Message-----

From: John Donovan [mailto:john@shellnews.net]
 Sent: 07 August 2006 17:13
 To: info@cbi-mpr.ru
 Cc: Van der Veer, Jeroen SI-GLOBAL; Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF
 Subject: Shell Sakhalin 2 Project

MINISTRY OF NATURAL RESOURCES OF THE RUSSIAN FEDERATION
 Email for the personal attention of Mr. Oleg Mitvol,
 Deputy Head of the Natural Resources Ministry's Ecological Department, Russia.

Dear Mr Mitvol

I have read with interest the recent press reports that you are taking legal action against Shell in respect of the Shell led Sakhalin-2 project.

In this connection, I would draw your attention to the website www.royaldutchshellplc.com and in particular, its "Live Chat" facility as I suspect that it could supply you with some important Shell insider information regarding the environmental issues in which you are interested.

THE WEBSITE

The website contains a wealth of searchable information about Royal Dutch Shell Plc and the incompetence and misdeeds of its directors, most of whom, including its Chief Executive, Jeroen van der Veer, are defendants in a multibillion dollar class action lawsuit in respect of the recent Shell reserves fraud (described as the biggest corporate fraud in history). Rather than describe the website in detail, I would refer you to a Wikipedia article which provides a more neutral account of the background to the site: <http://en.wikipedia.org/wiki/Royaldutchshellplc.com>

THE "LIVE CHAT" FEATURE

Shell shut down its own "Tell Shell Forum" Internet discussion forum several months ago claiming it was merely

21/03/2007

being suspended for a revamp. In fact, Shell management no longer wanted to hear what Shell stakeholders, including its own employees, were posting on the facility. It simply could not put up with the rising crescendo of criticism following blunder after blunder, including the \$10 BILLION cost overrun on Sakhalin-2. We decided to provide an alternative upgraded facility - "Live Chat" - which enables anyone, anywhere, to post information without giving away their name or location and to chat live with other visitors. The feature is now receiving more daily postings than the "Tell Shell Forum". It is clear that almost all postings are from well educated highly informed Shell insiders, but we caution visitors to use their own judgement in assessing the veracity of the postings.

Some recent Live Chat postings are in relation to fundamental design faults at Sakhalin-2 with warnings of potential catastrophic failure.

At least one organisation has already sat up and taken notice, as will become evident if you visit the "Live Chat" facility. You are free to make your own appeal for information if you so wish and it is possible to put in URL link into Live Chat posting just by pasting the URL at the end of the text. The URL will then appear as "Link". It is interesting to note that thus far there has not been a single positive posting about Shell management on the Live Chat facility.

hence this information is of assistance

Yours sincerely
John Donovan
Co-owner & Publisher
RoyalDutchShellPlc.com

From: John Donovan [john@shellnews.net]
 Sent: 07 August 2006 16:13
 To: info@cbi-mpr.ru
 Cc: Van der Veer, Jeroen SI-GLOBAL; Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF
 Subject: Shell Sakhalin 2 Project

MINISTRY OF NATURAL RESOURCES OF THE RUSSIAN FEDERATION
 Email for the personal attention of Mr. Oleg Mitvol,
 Deputy Head of the Natural Resources Ministry's Ecological Department, Russia.

Dear Mr Mitvol

I have read with interest the recent press reports that you are taking legal action against Shell in respect of the Shell led Sakhalin-2 project.

In this connection, I would draw your attention to the website www.royaldutchshellplc.com and in particular, its "Live Chat" facility as I suspect that it could supply you with some important Shell insider information regarding the environmental issues in which you are interested.

WEBSITE

The website contains a wealth of searchable information about Royal Dutch Shell Plc and the incompetence and misdeeds of its directors, most of whom, including its Chief Executive, Jeroen van der Veer, are defendants in a multibillion dollar class action lawsuit in respect of the recent Shell reserves fraud (described as the biggest corporate fraud in history). Rather than describe the website in detail, I would refer you to a Wikipedia article which provides a more neutral account of the background to the site: <http://en.wikipedia.org/wiki/Royaldutchshellplc.com>

THE "LIVE CHAT" FEATURE

Shell shut down its own "Tell Shell Forum" Internet discussion forum several months ago claiming it was merely being suspended for a revamp. In fact, Shell management no longer wanted to hear what Shell stakeholders, including its own employees, were posting on the facility. It simply could not put up with the rising crescendo of criticism following blunder after blunder, including the \$10 BILLION cost overrun on Sakhalin-2. We decided to provide an alternative upgraded facility – "Live Chat" – which enables anyone, anywhere, to post information without giving away their name or location and to chat live with other visitors. The feature is now receiving more daily postings than the "Tell Shell Forum". It is clear that almost all postings are from well educated highly informed Shell insiders, but we caution visitors to use their own judgement in assessing the veracity of the postings.

The recent Live Chat postings are in relation to fundamental design faults at Sakhalin-2 with warnings of potential catastrophic failure.

At least one organisation has already sat up and taken notice, as will become evident if you visit the "Live Chat" facility. You are free to make your own appeal for information if you so wish and it is possible to put in URL link into a Live Chat posting just by pasting the URL at the end of the text. The URL will then appear as "Link". It is interesting to note that thus far there has not been a single positive posting about Shell management on the Live Chat facility.

I hope this information is of assistance

Yours sincerely
 John Donovan
 Co-owner & Publisher
 RoyalDutchShellPlc.com

21/03/2007

[REDACTED]

From: John Donovan [john@shellnews.net]
Sent: 26 September 2006 23:04
To: Van der Veer, Jeroen SI-GLOBAL; Brinded, Malcolm A RDS-ECMB
Cc: Wiseman, Richard RM SI-LMAPF; alfred@shellnews.net
Subject: The Sakhalin II crisis

Dear Mr Van der Veer

Can I please press you to clear up the confusion over the projected cost of the Sakhalin II project? My father, Alfred Donovan, raised this vitally important issue in his email to you yesterday ([Email to Jeroen van der Veer: Resolving the Sakhalin II impasse](#)).

It is imperative because the current crisis has come about as a result of the doubling of costs from \$10 billion to £20 billion. The Putin government is understandably concerned that the date when revenues are going to start flowing to Russian state coffers from the Sakhalin II PSA will now be delayed by many years.

My father mentioned that even higher projected project costs are floating around: e.g. the \$25 billion mentioned in The Observer article on Sunday and the \$26 billion figure given to us by Shell insiders who have an excellent track record as being reliable sources of Shell confidential *leaked information. Today we have another figure quoted, this \$22 billion in the Bloomberg article: [Russia Delays Shell Cancellation Threat to Oct. 20 \(Update2\)](#)

As you are aware, there have been accusations and controversy over the timing of the Russians being notified of the \$10 billion overrun. The situation will become even more acute if a cover-up is now taking place about yet a further substantial escalation in costs.

Under the circumstances, I respectfully suggest that the issue is clarified as a matter of urgency with a press statement being released by Royal Dutch Shell Plc forthwith? This issue is probably the single most important one facing Shell and its stakeholders at what is a time of great uncertainty.

I make this request as a member of Royal Dutch Shell Plc. I have been a Shell shareholder for many years.

I would ask you to seriously reflect on what will happen if you ignore this request and it subsequently emerges that the true scale of the Sakhalin II cost overrun has been hidden from investors and the Russian government. My guess is that if authentic documentary evidence of a cover-up on this issue comes to light, it will spell the end for the current executive management of Shell.

Yours sincerely
John Donovan
owner, RoyalDutchShellPlc.com

I have for example published Shell internal emails within hours of them being sent, including one sent by you personally.

PS. www.shellgazprom.com and www.gazpromshell.com are now operational.

21/03/2007

From: Alfred Donovan [alfred@royaldutchshellplc.com]
 Sent: 25 September 2006 15:56
 To: Van der Veer, Jeroen SI-GLOBAL; Wiseman, Richard RM SI-LMAPF
 Cc: Brinded, Malcolm A RDS-ECMB; 'John Donovan'
 Subject: Resolving the Sakhalin II impasse

Dear Mr Van der Veer

I received an email from a Shell insider this morning containing a timely proposal which, although partly tongue-in-cheek, I believe actually has considerable merit in regard to resolving the Sakhalin II impasse. As you will see, it also has other advantages. I therefore thought it appropriate to bring this brainwave to your attention immediately.

Here it is without further fanfare.

Email received from a Shell Insider

Subject: Gazprom takeover? Why the hell not?

It occurs to me that a lot could be achieved by a merger of Shell and Gazprom.

In assessing the viability of a takeover, a number of factors need to be considered:

- (1) Relative size: Gazprom is bigger than Shell in terms of market capitalisation, but of a similar size
- (2) Synergy: very little overlap in terms of portfolios, both upstream and downstream
- (3) Technology: Shell claims to have technology which might be useful to Gazprom
- (4) Sakhalin issues resolved at a stroke
- (5) Gazprom gets access to the European gas distribution network
- (6) Compatible corporate cultures
- (7) Similar approach to resolution of legal obstacles
- (8) Shell's reserves problems solved forever (whether or not it ever finds anything again)
- (9) Putin's career progression problem solved
- (10) Shell's and Gazprom's respective extra-judicial arms could be combined to great effect
- (11) Ollila won't have to leave Helsinki after all
- (12) Shell will never have to worry about John Browne again
- (13) Corporate taxes would become completely voluntary

Etc, etc....

Be sure you can fill in points 14-100!!

ds

Email extracts end.

Other than to stress that Gazprom would immediately enjoy the benefits of a world-wide retail operation, I will leave it to you to fill in more points, as you obviously know far more about these matters.

Suffice it to say that I was sufficiently impressed to snap up the domain names shellgazprom.com and gazpromshell.com to add to my considerable collection, which of course includes the domain name on which Shell had set its sights: royaldutchshellplc.com (better luck next time).

If you do decide to respond to this email, can you please clear up the question of the project costs for Sakhalin II? The last official word from Shell cited a figure of \$20 billion. We subsequently heard that Shell lawyers had threatened legal action against the FT if they published a figure of \$26 billion based on alleged insider-information. We were given this same figure by our own insider sources and have quoted it many times in various articles. Yesterday "The Observer" newspaper mentioned a figure of \$25 billion. What is the true current projected cost, as we would like to quote the correct figure in our website articles (my son and I are sticklers for accuracy)?

23/03/2007

As a matter of interest, our main website - royaldutchshellplc.com - contains over 10,000 articles relating to Shell and regularly receives over 1.25 million hits per month. It even has its own page on Wikipedia:
<http://en.wikipedia.org/wiki/Royaldutchshellplc.com>

Speaking of Wikipedia, we regularly contribute to the Wikipedia article focused on Shell (http://en.wikipedia.org/wiki/Royal_Dutch_Shell) and have personally added many entire sections including, on the positive side, "The Shell Foundation", "The Shell LiveWIRE programme" and "The Shell whistleblower helpline". This demonstrates how keen we are to provide a fair and balanced view of Shell. Incidentally, if you check out the article, you will see that we are one of two websites recommended by Fortune Magazine for information about Shell. The other, rather less exotic site is shell.com. I can fairly describe our website as being exotic bearing in mind the defamation, injunction and contempt of court proceedings by eight Royal Dutch Shell Group companies relating to publications on our site under the name of Dr John Huong, the renowned Shell whistleblower. As you may be aware, a related High Court action involving Shell and Dr Huong commenced this morning and will continue throughout this week.

Your attention may have been drawn from time to time to satirical, sometimes animated, cartoon style features on our website, in which you often make a personal appearance, if I can delicately put it that way. Shell International General Counsel, Mr Richard Wiseman, did in November raise the subject of one such feature involving your current adversary, President Putin, in an email he sent to me. We had no way of knowing if Mr Wiseman was representing your own feelings, or was being vindictive because in the domain name battle, his 650 strong legal department had been bested by an 88 year old war pensioner with no legal representation (me). Mr Wiseman revealed (to my son John at a Shell AGM) that he had advised the legal team representing Shell in the domain name litigation, so he must have been annoyed. This probably explains the threats and recriminations in his email.

I want to make it plain that we realise there is a fine line between harmless amusement and something which could be construed as being personally offensive. Consequently, if you ever consider that we have strayed over the line in any such feature involving your personage, please let me know direct by email and it will be immediately deleted without argument or rancour. The offer is genuine and unconditional. I suspect that we might get on better with Shell management if your lawyers are kept out of the loop.

Finally, there is no need to be coy about your knowledge of our website. Mr Wiseman accidentally sent me a copy of an email about our activities which he had meant to send only to you and Malcolm Brinded. Such things happen in the electronic age and we would never dream of exploiting a silly mistake - something we have all done. Nonetheless, it was still an interesting read and revealing to know just how seriously we are taken at such a high level.

Yours sincerely
Alfred Donovan

[REDACTED]

From: Alfred Donovan [alfred@shellnews.net]
Sent: 15 November 2005 09:35
To: Wiseman, Richard RM SI-LMAPF
Cc: van der Veer, Jeroen J SI-SI-CEJV; Brinded, Malcolm A SI-ECMB; john@shellnews.net
Subject: RECENT CORRESPONDENCE

Dear Mr Wiseman

As it seems that you do not intend to correspond further, we will move forward with are plans in the knowledge that Shell is uninterested in, and unmoved by, our current activities. In this connection, we will shortly be publishing a number of leaked Shell internal documents. My letter to President Putin will also be published on our website, as will the article I mentioned. But we are first contacting the FT regarding the \$26 billion dollar question. It may be interesting to compare information received from our various sources.

Thanks again for your kind assurance regarding the robbery.

Yours sincerely
Alfred Donovan

23/03/2007

From: John Donovan [john@shellnews.net]
 Sent: 03 November 2006 00:04
 To: van der Veer, Jeroen J RDS-CEJV
 Cc: Brinded, Malcolm A RDS-ECMB; Wiseman, Richard RM SI-LMAPF
 Subject: Royal Dutch Shell reputation issues

Dear Mr Van der Veer

As you may be aware, our website www.royaldutchshellplc.com, is one of two recommended by Fortune Magazine for information about Royal Dutch Shell (the other being www.shell.com). I therefore wondered if you would care to grant me an interview to discuss with you the Sakhalin II project and a number of issues of particular interest to ethical investors, some of which are listed below.

In the latter connection, I am concerned that the actions of Shell management in practice are not in line with your stated business principles of honesty, integrity and transparency in all of Shell's dealings. I fear that there is a vast gap between what amounts to empty PR pledges, compared with hard commercial reality.

Shell monitors traffic on our website, you will already know that we received nearly 1.7 million hits and over a million page views in October. It is important to note that this traffic is not from the general public but from people interested in Shell e.g. your shareholders, employees, contractors, suppliers, NGO's, energy news media etc. Our "Live Chat" facility is very popular and fills the void left by the closure of the "Tell Shell" Internet Discussion Forum a year ago. I strongly recommend that you read the postings which, unlike "Tell Shell", are uncensored.

Sakhalin II

I have written to you previously expressing my concern as a Shell shareholder about the uncertainty relating to the cost of the Sakhalin II project. In my email of 27 September 2006, I quoted some of the costs cited at that time by various sources: \$20 billion (The Wall Street Journal); \$22 billion (Bloomberg); £25 billion (The Observer) and \$26 billion in our own ShellNews.net articles (based on information from Shell insiders).

On Sunday 22 October 2006, a new, even higher figure of \$28 billion was published by The Observer (story link below). This figure is apparently based on information from an internal report by the Russian government leaked to the newspaper. I am sure that like me, other Shell shareholders would like to know what the correct figure is.

[The Observer: Shell's costs on Sakhalin spiralling: \\$28 bn](#)

At least it appears there is some two way traffic of leaked documents relating to Sakhalin II bearing in mind that we have supplied Shell internal documents to the Russian government via Oleg Mitvol. As you may recall, I also supplied information directly to President Putin last September. It is therefore possible that our role in passing on news of potentially calamitous design and construction flaws disclosed to us by Shell insiders may have resulted in the Russian reassessment of the Sakhalin II project.

Funds set aside to settle litigation

I note from the quarterly financial report that Shell has set aside \$500 million to settle a U.S. class action relating to the reserves fraud. I assume that one of the reasons why Shell is willing to settle is to prevent public disclosure of documents arising from the discovery process. Senior partners of Bernstein Liebhard & Lifshitz LLP, the New York lead plaintiff attorneys in the relevant class action, consulted with me in a conference call on finding a non U.S. Shell shareholder to represent all non U.S. Shell shareholders. Our website subsequently successfully found,

22/03/2007

within a deadline set by a US Judge, the gentleman who now legally fulfils that role. Without our assistance, the historic global class action against Shell would almost certainly not have happened.

Documents covering the reserves fraud and a range of other potentially hugely embarrassing issues will need to be disclosed by Shell in the discovery process relating to the defamation action against Dr John Huong by eight Royal Dutch Shell companies. It will cost shareholders a significant sum of money just for lawyers to assemble and catalogue the documents. Even worse, when made public in open court, the documents about these explosive matters will likely create the biggest PR disaster in corporate history, eclipsing even the McLibel debacle. It therefore seems safe to predict that the defamation action against Dr Huong will never reach trial. I wonder how many millions have been earmarked to settle the extensive litigation involving Shell and Dr Huong.

Cravath Swaine & Moore

I was surprised to read that Wall Street lawyers Cravath Swaine & Moore have been appointed to represent Royal Dutch Shell Plc in the offer to purchase the non Shell owned stock in Shell Canada. It is remarkable to me that this appointment was made despite a U.S. Judge recently imposing sanctions on three of their top lawyers for improper conduct while representing Shell in the Ogoni class action lawsuit. How can the latest appointment be compatible with Shell's statement of General Business principles pledging honesty and integrity in all of Shell's dealings? Is this not encouraging improper conduct which degrades the legal profession?

ShellNews.net: Shell attorneys in Ogoni human rights case fined by U.S. Judge for conduct which degrades legal profession

<http://royaldutchshellplc.com/2006/10/30/thelawyercom-cravath-scores-key-royal-dutch-shell-role/>

Iran

Shell's activities in Iran are highly controversial and could potentially backfire particularly as far as the American government and American public opinion is concerned, bearing in mind the call for UN sanctions in respect of Iran's nuclear ambitions.

<http://royaldutchshellplc.com/2006/11/01/gulf-times-shell-rak-plan-to-pipe-iran-gas-into-uae/>

Darfur region of Sudan

Again Shell is playing with fire with regard to inflaming American public opinion. Cornell University recently announced that its endowment assets would not be invested in any oil companies operating in Sudan and therefore supporting the Sudanese government. "It is the best way to stand up for the people of Darfur by refusing to invest in such companies that, in effect, provide the financial backing to the instigators of genocide," Cornell President David Skorton said in a statement. Others U.S. institutions are following the same policy.

<http://royaldutchshellplc.com/2006/10/31/democratandchroniclecom-university-of-rochester-wont-invest-in-sudan/>

If you are willing to grant an interview, I am sure we could have an interesting discussion on some of these matters. I would be perfectly happy for Shell to tape record the meeting. Shell International General Counsel Richard Wiseman has some experience in this regard. Apparently he feels it appropriate to do so when discussing sensitive matters with journalists involving our activities.

Yours sincerely
John Donovan Editor/Co-owner
RoyalDutchShellPlc.com

Cc

22/03/2007

15

Malcolm Brinded, Chief Execution, Shell Exploration & Production
Richard Wiseman, General Counsel, Shell International Petroleum Company Limited

22/03/2007

From: John Donovan [john@shellnews.net]
Sent: 23 November 2006 16:01
To: compliance@ebrd.com
Cc: Wiseman, Richard RM SI-LMAPF; van der Veer, Jeroen J RDS-CEJV; Brinded, Malcolm A RDS-ECMB
Subject: Sakhalin 2 Project

From John Donovan
Owner of the news based website focused on Royal Dutch Shell www.royaldutchshellplc.com and a long term Shell shareholder

TO
Mr. Enery Quinones
Chief Compliance Officer
The European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

+44 20 7338 6944
+44 20 7338 7633
Email: compliance@ebrd.com

Dear Mr. Quinones

RE: SAKHALIN II PROJECT

It is my understanding that a decision is pending by the EBRD on a loan in respect of the Sakhalin Energy project in Russia in which Royal Dutch Shell Plc is the lead partner and majority shareholder

I wish to officially draw to your attention the existence of Shell internal correspondence in 2002 between senior Shell managers including the technical director of Sakhalin Energy which place a question mark over important safety and environmental issues and the possibility of a cover-up.

These are the documents on which Mr Oleg Mitvol, the Deputy Head of Rosprirodnadzor, the Russian environmental agency, is basing a pending legal claim against Shell for \$10 billion dollars. Mr Mitvol has confirmed to the news media that I supplied the evidence to him.

to some related articles:

[Interfax: Russian Ministry Says Sakhalin Energy Measures on Environment Unsatisfactory](#)

[MarketWatch: Shell manager warned of Sakhalin faults in e-mails](#)

[argus-eyes.com: Mitvol turns up the heat: I received these letters from John Donovan, owner of the anti-Shell website www.royaldutchshellplc.com.](#)

(Argus FSU Energy: Covers the oil and gas industry in the former Soviet Union with analysis on politics, investments and trading. Includes unique and valuable data on production and flows of crude and refined products within and out of the region.)

[Sakhalin II: Apocalypse Now? A potential environmental calamity on a scale never before witnessed by humanity...](#)

The following are extracts from the above MarketWatch article about the email correspondence:

The e-mails from Hans Bouman, a natural-gas field manager, to Engel Van Spronsen, then Sakhalin Energy's

22/03/2007

technical director, raise the possibility that the company's risks at the Sakhalin II project go beyond the river bank erosion now under Russian government scrutiny.

In a May 29, 2002 e-mail, Bouman told Van Spronsen he had "started to worry" about potential flaws in the wells' design after a technical presentation by Sakhalin Energy engineers. He said his concern was particularly related to young seismic faults and shallow gas pockets.

The project's completion "will all happen after we both retire but, nevertheless, I am a shareholder and I am worried," Bouman wrote. "All this (is) probably hearsay and no science or hard facts but still, I get this sinking feeling."

Mr Mitvol is quoted as saying that Sakhalin Energy is in a state of shock over the documents. He wrote to them seeking confirmation of authenticity and has not received a response. He is also quoted as saying that Russian "special services" are investigating. This may have relevance to reports we have received about Sakhalin Energy employees being followed. We thought that this was down to activity by Shell spooks. We have it on good authority that spyware has been installed on all Shell pc's and laptops in the hunt for the Shell "insiders" who have been leaking information to us. Shell has previously admitted using undercover agents against us and other perceived enemies such as Greenpeace.

In any event, two news organisations have independently confirmed the authenticity of the documents. I can also testify that the emails are 100% genuine.

I thought that you might like to receive a copy of the relevant email correspondence so that you can make your own judgement over the content.

THE BOUMAN/SPRONSEN EMAILS

—Original Message—

From: Bouman, Hans MGJ NAM-ELG

Sent: 29 May 2002 01:24

To: Van Spronsen, Engel

Subject: Sakhalin

Sensitivity: Personal

Engel

Long time no hear! Hope all is well. I write this in english as you may want to quote from this email. I write it completely on personal title, nothing is of my business and if you think I am talking crap, just delete it.

We had last week a visit of some of the Sakhalin team people to look at our big wells (Pauwen-6 and Nor because your project would need very big wells.

We have shown them around in the field and passed some data along and at the end of the day there was a short meeting during which they presented some stuff on the Lunskoye field. During that meeting I told them not to underestimate the difficulties of putting in a 9 5/8" completion, this is a major project and not a copy paste job!

When they talked (with great enthusiasm!) about the well completions and other problems (earthquake area, young faults that have gasplumes, half a year no access to platform etc) and I saw the completion design, I started to worry, especially on the oil producers.

Engel, several of us had the same feeling: this is not going too well. On some general questions why not this or that (e.g. sub sea templates like in Troll or Draugen) we heard: yes you are right but we are now schedule driven.....

I couple that to emails from a subsurface hand I know in the Sakhalin team and he is also apprehensive. And later, not related to any of this I heard from Teun van Waart that many moons ago EP declined to do something in this field because the risks were too high but that G&P had signed a contract anyhow.

All this probably hearsay and no science or hard facts but still: I get this sinking feeling. I would NEVER EVER want to be schedule driven pre FID on a 9 billion \$ project. That is asking for problems.

I also hope nobody will state somewhere that NAM has reviewed their design and it is now OK. We never did anything like this.

I can only advise to be very cautious, ask some senior people to comment/design stuff in this are and get the biggest bastards you can find for a VAR3 to really grill everyone on the team. It will all happen after we both retire but nevertheless: I am a shareholder and I am worried.

Please do not shit on the guys that were here, they mean well and else they will never come forward with ideas etc. NAM could help on reviewing designs or on VARs.

All the above written in great haste and in several different periods so treat it as such.

Cheers

Hans

ps today I agreed on a visit by the Central Development Committee next Thursday. A group of some 13-15 people will visit based on enthusiastic stories by the visitors I described above!

=====
Hans Bouman

Manager Asset Groningen

Tel: +31 592 3 63276 GSM: 06 201 35 448

Internet: m.g.j.bouman@nam.nl

—Original Message—

From: Van Spronsen, Engel
Sent: woensdag 5 juni 2002 4:00
To: Bouman, Hans NAM-ELG
Subject: RE: Sakhalin
Sensitivity: Personal

Hans,

I never ever think that what you say is crap. I think it shows that the text is written at different time, so my apologies for asking questions to get a good picture.

I accept that a 9 5/8 completion is a major job, but do you have the feeling that the Sakhalin staff got that in their head?

What is exactly your concern about the completion, particularly for the oil wells? I assume that is not related to your paragraph about general questions (sub-sea template).

Thank you for noting that NAM did not sign off on the design (you must however done this, so what do you mean by "We never did anything like this"). Can you advice me on some real bastards I can use to grill?

I know that Paul Stuivenwold is also apprehensive about the "production technology" input, particularly for the gas wells. Is that the subsurface hand you refer too or are there more?

I share sometimes the same feeling as you about schedule, particularly if the schedule is "very aspirational". One problem we have however is that the Russian Approval system requires an early lock-in of about everything. Any change immediately sets off a whole series of new environmental impact calculations etc.

Thanks for hosting the CDC. So far this group has been quite reasonable. All experts you can convince with good technical arguments. They are the group who sign off on the reservoir development plan. Unfortunately, the State Reserve Committee is more difficult. One would expect that development plan and reserves have a link, but that link is in Russia not so clear. However, we have even be able to convince the SRC.

Hope to hear from you soon.

Engel

22/03/2007

From: Bouman, Hans MGJ NAM-ELG
Sent: 25 June 2002 15:49
To: Van Spronsen, Engel
Subject: RE: Sakhalin
Sensitivity: Personal

Engel

I am back since 2 days so here a very short answer.

I believe that the guys that visited us understand that a 9 5/8 completion is a major piece of work. With 'not signed off' I mean that we as NAM did not tell Sakhalin all was well with their 9 5/8 well. Their visit was only for info and sharing best practices etc, so no formal NAM involvement. Of course we signed off 14 years ago on the Pauwen6 well and that has worked very well.

My concerns on the lunskeye project were:

- limited time of access to the platform so you must build in redundancy.
- the gasplumes you have over those big faults. What are the chances of re-activating those faults if you drill through them with extended reach wells.

- I forgot the number of wells but understand these will be limited, so what of the reliability of supply?. Also the oilwells would be horizontals from the platform that would produce high watercuts very quickly. But they would perforate the wells higher up for autogaslift since the wells would not flow against 1400 psi surface pressure. They could not argue why not putting a simple LP unit on top and flare some gas for the first few weeks.

- injection of cuttings in this are: any risk for re-activating faults?
- why not use any templates and do everything from 1 platform? (Answer 'yes' we think so too but we are already on a schedule driven programme...)

If you are going to put a VAR team together I suggest you include Willem Heijnen, now in New Orleans for well and completion design and knowing Willem he will comment on many other topics as well. Also a good designer would be Peter Oosterling, no idea where he is now.

I cannot remember more things but hope this clarifies my worries somewhat. Apparently the visit of the CPC has gone very smoothly, they were very happy to see our facilities and Groningen System. One of our production people drove the bus past the house of Koop in Tjuchem and they all saw the big statue of L... in his garden (10 m tall!) This impressed the hell out of them!

Greetings
Hans

EMAILS END

We operate a "Live Chat" facility on our website on which Shell insiders often post comments without having to reveal identities. It is the only public platform on which Shell employees can now freely express views and make insider revelations after Shell closed down the "Tell Shell Forum" on its own website. This happened after we exposed a scandalous situation whereby Shell was secretly carrying out censorship of postings. Shell General Counsel Richard Wiseman admitted the censorship policy (in an email to us). We also receive information from a growing network of Shell "insiders" as mentioned above.

Printed below are a selection of Live Chat postings and emails relevant to the Sakhalin project.

LIVE CHAT POSTINGS 3 August 2006

guest_2770: If this is just the beginning of the ministry's audit of Sakhalin, I wonder what they will find next....

Looks like Gazprom will be getting a lot more than 25% of Sakhalin 2.....

guest_4214: wait until they discover the flawed ERD well designs which have a high chance of causing blow-

outs when drilling through the young faults... and wait until they discover that there maybe just insufficient contingency built into the process facilities and number of wells to produce uninterrupted several months unattended. Just imagine if the facility trips in early winter with no possibility to send people there. An LNG plant without gasinput is an expensive piece of kit.... Putin may drive Shell mad until they want to give Sakhalin away for free?

LIVE CHAT POSTING 4 August 2006

The messages posted about the ERD wells through young faults and process facilities deserve to be highlighted. If true, these are both very serious issues. Due to ice and fog, access to the Sakhalin offshore production facilities during the winter months is severely limited, and they are therefore designed to be operated unmanned. In the event that a fault is detected in the production system, the facilities are designed to shut down automatically, cutting the supply of gas to the LNG plant onshore. Manual intervention, investigation and rectification of the fault are then required prior to restarting. Faults are more likely to occur if the system design does not incorporate adequate contingency.

An ERD (Extended Reach Development) well is a extended reach well, designed to drain a reservoir at a distance (up to 8km) from a platform. If an ERD well is drilled through an active geological fault, any geological activity is likely to rupture the well casing and production tubing, causing a blowout (an uncontrolled release of hydrocarbons from the reservoir). The environmental consequences of such an event in winter would be catastrophic as it may be impossible to undertake blowout control measures until the following summer. This could result in the discharge of millions of tons of oil into an ice filled sea, and the Exxon Valdez would look insignificant in comparison. And the whales?

Email received from a Shell insider on 5 October 2006. Please note the caveat.

There is an interesting comment in the Kashagan article by a Total executive, who says that the development has to be re-designed because of safety concerns. Shell was originally the operator of Kashagan, but was kicked out. ENI became the operator by default, but inherited much of Shell's prior work and project infrastructure - hence the offices for the project are in the Hague rather than Milan. If the development planning for Kashagan was so bad that it now has to be re-engineered, Shell will have some responsibility, casting further doubts on the safety and viability of the development plan for Sakhalin. I have not checked the dates and cannot remember all the details, so it's probably better not to quote too much of the previous paragraph - although there are certainly plenty of people (doubtless readers of your website) who will be able to confirm/correct my suspicions.

Email received by a Shell insider on 8 October 2006.

The issue of well integrity, as wonderfully illustrated by the Indonesian disaster, is real. If my understanding is correct, the Sakhalin 2 wells are horizontal, and penetrate active, non-sealing, faults. In the event of an earthquake (and they are frequent in and around Sakhalin), it is probable that the wells would be sheared by any movement of a fault. This would cause exactly the same situation as we see in Indonesia, except that it would be further complicated by the fact that the fluid released might be oil rather than gas (both will be produced in Sakhalin) causing an environmental disaster on a scale never seen before, that the eruptions would take place offshore, and that the sea might be frozen preventing any remedial action for several months.

It is obvious from the content of the above that the individuals making these comments are experts in the relevant issues.

We receive information on a regular basis and this is being supplied to Mr Mitvol via his private fax number. News organisations are also activity pursuing these matters.

The fact that Royal Dutch Shell senior management has a track record in cover-up and deceit must be a matter of concern. Are you aware, for example, that the majority of the Board of Directors of Royal Dutch Shell Plc are tainted by what the Chairman of the US Securities & Exchange Commission, Christopher Cox, has branded as a fraud (the Shell reserves debacle). He has described the fraud as being on a par with the Enron, WorldCom, Global Crossing, Tyco, Vivendi and Parmalat scandals

Aad Jabobs, (non-executive Chairman of the Board of Directors, his deputy Lord Kerr (the senior independent Director), Jeroen van der Veer (CEO), Malcolm Brinded (Executive Director for Exploration and Production), Rob Routs (Executive Director, Oil Products and Chemicals), plus non-executive directors, Maarten van den Bergh, Sir Peter Burt, Sir Peter Job, Wim Kok, Jonkheer Aarnout Loudon and Lawrence Ricciardi, are ALL tainted by the reserves fraud.

22/03/2007

All are named Defendants in a US Class Action lawsuit originally brought by the UNITE National Retirement Fund and the Plumbers and Pipefitters National Pension Fund. The lawsuit names 27 directors and officers of Royal Dutch/Shell. The suit accuses Shell executives of breach of duties to shareholders, abuse of control, mismanagement, fraud and unjust enrichment. Shell has set aside \$500 million to settle the action.

Shell has also already agreed to settle other related lawsuits for over \$100 million. Although Shell officially denies any wrongdoing, these settlements amount to a tacit admittance of misdeeds in return for a lesser penalty. Shell management has also agreed to changes in respect of corporate structure and governance, including business ethics. It has also paid over \$150 million in fines imposed by regulatory authorities.

Would it be proper or wise for the EBRD to put its faith in the current discredited Royal Dutch Shell management when the stakes are so high, including the fate of the last remaining population of Gray Whales on our planet?

Yours sincerely
John Donovan

P.S. Further information about our website can be found on: <http://en.wikipedia.org/wiki/Royaldutchshellplc.com>

cc. Mr Emmanuel Maurice, General Counsel, EBRD, Fax: +44 20 7338 6150

From: John Donovan [john@shellnews.net]
 Sent: 10 October 2006 10:00
 To: Van der Veer, Jeroen SI-GLOBAL; Wiseman, Richard RM SI-LMAPF
 Cc: Brinded, Malcolm A RDS-ECMB
 Subject: Sakhaklin II Debacle

Dear Mr Van der Veer

The Moscow Times has published a news report this morning indicating a projected cost of \$50 billion for the Sakhalin II project.

This is what happens when you rudely ignore a legitimate question from a long term Shell shareholder (me) – the cost doubles again.

I asked in a recent email which estimated project costing figure was correct: -

\$20 billion: the official costing according to Shell.

\$22 billion: the sum now quoted routinely by Bloomberg and confirmed to me by Bloomberg as being correct.

£25 billion: the figure mentioned recently by The Observer newspaper.

\$26 billion: the figure repeatedly given to us by Shell insiders following a Shell top secret technical review of the project. I notice there is even a posting on our Live Chat facility today mentioning this figure.

We now have the figure of \$50 billion which Sakhalin Energy refuses to comment on.

Considering that this is far and away the most important white elephant project in which Shell is involved, when are you going to come clean and tell shareholders what the current project cost is for Sakhalin II?

It is no good sticking your head in the sand like an *Ostrich in the hope that the questions over Sakhalin II will go away. The uncertainty over the true current estimated cost needs to be cleared up as a matter of urgency.

The typical trickery and deception by Shell senior management over the true cost of this project has resulted in the current crisis. What ever made you think that you could pull a fast one over the Kremlin and Gazprom without coming to grief?

Mitsui and Mitsubishi must bitterly regret that they became partners in a project led by such an incompetent and dishonest Shell Management.

If you take issue with this description, the libel courts are available to you.

Have a nice day.

Yours sincerely
 John Donovan

22/03/2007

definition: somebody who tries to avoid unpleasant situations by refusing to acknowledge that they exist...

President Putin

Deputy Minister Oleg Mitvol, Russian Ministry of Natural Resources

Colm Brinded, Chief Executive Shell Exploration & Production

Richard Wiseman, General Counsel, Shell International Petroleum Co Ltd

Related emails:

17/09/2006: Sakhalin II: \$20 billion, £22 billion, \$25 billion or \$26 billion?

15/09/2006: Email to Jeroen van der Veer: the Sakhalin II crisis

15/09/2006: Email to Van der Veer: Resolving Sakhalin II impasse

[REDACTED]

From: John Donovan [john@shellnews.net]
Sent: 14 November 2005 08:25
To: Wiseman, Richard RM SI-LMAPF
Cc: van der Veer, Jeroen J SI-SI-CEJV; Brinded, Malcolm A SI-ECMB; john@shellnews.net
Subject: A CORRECTION

Dear Mr Wiseman

I wish to make one correction in regard to my email earlier today. It is in regard to the following paragraph: -

"The fact that our source was able to supply the confidential Shell internal document containing commercially sensitive information, obviously adds credibility to their confirmation that the final projected cost for Sakhalin2 is now \$26 billion. That news is likely to make President Putin even less happy about being in bed with Royal Dutch Shell."

In fact the leaked confidential document came from a different source to the source who revealed the \$26 billion cost overrun figure. I apologise for this error which stemmed from a mix up in communications between John and

Yours sincerely
Alfred Donovan

26/03/2007

MS

ShellNews.net: Royal Dutch Shell fails to deny \$26 billion overrun figure on Sakhalin2: Tuesday 15 November 2005

In correspondence over the last few days with ShellNews.net owner Alfred Donovan, Shell management has not taken up the opportunity to deny our recent report that the final cost of Sakhalin2 will be \$26 billion (USD).

The correspondence was with Shell International General Counsel, Richard Wiseman. Royal Dutch Shell Plc Chief Executive Jeroen van der Veer and Exploration & Production Executive Director, Malcolm Brinded, were involved in the correspondence.

Mr Wiseman made an implied threat in his email dated 11th November 2005 regarding the ShellNews.net webpage (link below) which is focused on the runaway project costs of Sakhalin2 and the related tongue lashing President Putin reportedly gave to Jeroen van der Veer.

The full correspondence will be published shortly.

The following disclaimer appears on the bottom of each article to try to ensure legal protection:

Article Published By RoyalDutchShellplc.com: Publisher, ALFRED DONOVAN, RoyalDutchShellplc.com, 847a Second Avenue, New York City, NY 10017, USA. Telephone No: +1 (646) 502-8756. Fax: +1 (646) 349-2605. The statements expressed here, and any opinions, are those of the writers alone, and neither are opinions of nor reflect the views of RoyalDutchShellplc.com. Content created by the writers is the sole responsibility of the writers and its accuracy and completeness are not endorsed or guaranteed. This goes for all links, too: Shell2004.com has no control over the information you access via such links, does not endorse that information, cannot guarantee the accuracy of the information provided or any analysis based thereon, and shall not be responsible for it or for the consequences of your use of that information.

ShellNews.net: Final Cost of Sakhalin-2 will now be at least \$26 Bn.: "A new Sakhalin management team recently completed a technical review of the project. It has concluded that the final cost will be at least \$26bn."
Tuesday 18 October 2005

By Alfred Donovan

The Observer newspaper published an article on Sunday 16 October 2005 reporting that the "escalating financial crisis at one of Shell's most crucial energy projects, already massively over budget, has taken a turn for the worse." It went on to say: "It is understood that the Sakhalin-2 gas and oil pipeline project, which originally had a budget of \$10 billion, could now cost \$22bn. The scheme will transport oil and gas from an island off the east coast of Russia."

Information gained from a reliable source indicates that the cost will in fact be even higher than feared. A new Sakhalin management team recently completed a technical review of the project. It has concluded that the final cost will be at least \$26bn.

As recently as June 2005 the estimated cost for the Sakhalin2 project in Russia was \$10 billion (USD). In July, Shell announced that estimated project costs had doubled to a staggering \$20 billion. As was stated in a July Daily Mail article about the Sakhalin-2 cost overrun debacle: "If a national government were to admit an error on such a scale the finance minister would almost certainly pay with their job."

Royal Dutch Shell Chief Executive Jeroen van der Veer has acknowledged in an interview with the Financial Times that Shell's reputation has already been severely damaged by the previous revised costs estimate. He was quoted as saying: "I fully realise it has an impact on our reputation - certainly for this project, and then of course I'm concerned it will carry over to other things that we do..."

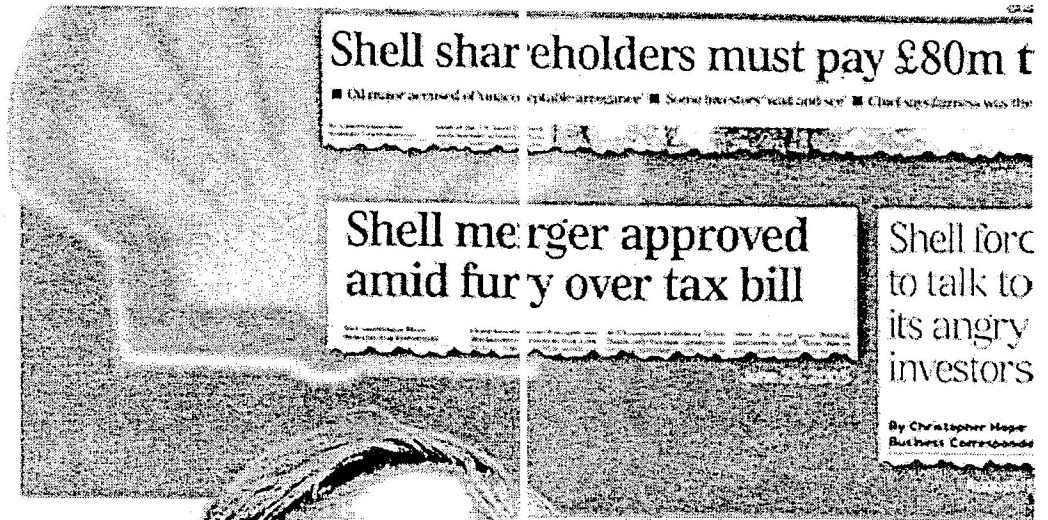
The fast escalating financial crisis had already prompted Gazprom, the state-owned Russian energy giant, to delay the asset swap deal that would have resulted in it acquiring a 25 per cent stake in Sakhalin-2. Gazprom will now insist on considering the implications of yet further colossal cost overruns on the project and is likely to use the situation to negotiate a larger slice of the Sakhalin-2 project. The renegotiation puts the whole Gazprom/Shell asset swap deal in jeopardy. That in turn puts Shell's recovery plan in peril.

The timing could not be worse for Shell which is desperate to secure a loan from the European Bank for Reconstruction and Development (the EBRD) to assist in funding Sakhalin-2. The sensitivity of the loan situation is heightened by the fact that campaigners are asking the EBRD to refuse to grant the loan because of concerns about the impact on the environment and in regard to the survival of the critically endangered Western Pacific grey whale.

The Sakhalin2 costs overrun must now rank as the biggest financial cock-up in corporate history.

Message from Royal Dutch Shell Plc CEO, Jeroen ("the finger") van der Veer, to Russian President Putin, after Putin slams Sakhalin2 \$16 billion (USD) cost overrun : Wednesday 2 Nov 2005:

AGI - UNREGISTERED



"I'd love to tell that corrupt short arse Putin what I really think about him (if he didn't have a black belt)"

Monday 14 November 2005

Dear Mr Wiseman

SAKHALIN2 PROJECT

I note what can only be construed as a threat regarding the removal of the cited Van der Veer/Putin/Sakhalin webpage as "a matter of urgency". Am I right in assuming that this cannot be a threat by Shell bearing in mind that you prefaced your comment by claiming that Shell is "uninterested in, and unmoved by" our current activities. It seems from what you say that something very serious IS imminent. If so, is it a threat by Mr Van der Veer personally, The Kremlin, or some other party?

In considering your free legal advice on this matter it would be useful if we were made aware of the basis of the objection. Remember that we created satirical comments made in the context of a supposed response from Mr Jeroen van der Veer to the recent tirade attributed to President Putin concerning the Sakhalin2 cost overrun. We took into account the facts - President Putin is vertically challenged, he does have a black belt in Judo and there are published comments regarding alleged corruption at the highest levels of The Kremlin. With regards to the reported tongue lashing from President Putin, Shell initially claimed that no such conversation had taken place and then confirmed that it had. That perhaps indicates the degree of sensitivity attached to the subject.

There is also a great deal of confusion over the costs of this "elephant" project (white elephant some might say). In June 2005 it was widely reported that costs had doubled to \$20 billion (as Mr Jeroen van der Veer confirmed). Then "The Observer" revealed on Sunday 16 October that the projected cost had climbed to \$22 billion. On 18 October, we reported that according to a high level reliable source at Shell, the final cost was estimated to be \$26 billion. We understand that Shell has warned the FT not to mention the \$26 billion figure, which the FT has apparently confirmed independently, via its own source.

It would be useful if you would kindly clear up this confusion as I will very shortly be publishing a related article on Mondaq focused partly on the Sakhalin2 project. Is the final projected cost \$20 billion, \$22 billion, or \$26 billion (USD)? I will be quoting extensively from a 48 page confidential document in our possession mentioned in the recent FT story under the headline: "Shell's 'hands off' approach pushes up costs". We are awaiting permission from our source to publish the entire revealing "independent project analysis: "The Looming Crisis in Project Management; Issues and Implications for Shell". If you doubt that we have the entire document, please request information from any page of your choice.

The fact that our source was able to supply the confidential Shell internal document containing commercially sensitive information, obviously adds credibility to their confirmation that the final projected cost for Sakhalin2 is now \$26 billion. That news

is likely to make President Putin even less happy about being in bed with Royal Dutch Shell.

We have been told independently that the "engineering" costs alone of Sakhalin2 are about \$20bn - i.e. construction costs which will be incurred prior to start-up. One of our sources has speculated that the additional \$6bn is made up of financing costs, penalties for the late deliveries of first gas, and other costs which will be incurred prior to 2014 (or whenever repayment of costs is complete and the Russians finally start to receive some revenue themselves).

According to yet another source there are major problems with the development plans for Sakhalin2, such as the fact that illites are present in the reservoir - we understand that during production these will block the pore spaces in the reservoir, reducing production and requiring expensive remedial work and other oversights. It is our information that many of the Sakhalin2 cost overruns are in fact Shell's internal costs and Shell will therefore actually benefit from the overruns.

We have also been informed that there are a number of other multi-billion dollar projects which while neither as high profile nor as costly as Sakhalin, have overrun their budgets by very large amounts. In fact it appears that for every major project approved during Watts' period at the helm of E&P (and then Shell itself) the project costs were severely underestimated. We understand that it was only because of the low estimates that the projects could be approved in accordance with Shell's economic screening criteria, and the associated reserves booked.

Monday 14 November 2005

Dear Mr Wiseman

I wish to make one correction in regard to my email earlier today. It is in regard to the following paragraph: -

"The fact that our source was able to supply the confidential Shell internal document containing commercially sensitive information, obviously adds credibility to their confirmation that the final projected cost for Sakhalin2 is now \$26 billion. That news is likely to make President Putin even less happy about being in bed with Royal Dutch Shell."

In fact the leaked confidential document came from a different source to the source who revealed the \$26 billion cost overrun figure. I apologise for this error which stemmed from a mix up in communications between John and me.

Yours sincerely
Alfred Donovan

-Original Message-----

> From: John Donovan <john@shellnews.net>
> To: admin@mnr.gov.ru <admin@mnr.gov.ru>
> CC: info@cbi-mpr.ru <info@cbi-mpr.ru>; Van der Veer, Jeroen
> SI-GLOBAL; Brinded, Malcolm A RDS-ECMB
> Sent: Mon Aug 07 16:40:32 2006
> Subject: Sakhalin-2 Project

> MINISTRY OF NATURAL RESOURCES OF THE RUSSIAN FEDERATION

> Email for the personal attention of Mr. Oleg Mitvol,

> Deputy Head of the Natural Resources Ministry's Ecological
> Department, Russia.

> Dear Mr Mitvol