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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 |

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

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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

Held at the offices of:  
LEBOEUF, LAMB, GREENE & MACRAE, LLP  
1875 Connecticut Avenue, N.W.  
Suite 1200  
Washington, D.C. 20009

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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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12 Also present:

13 Steve Peitler, Investigator

14 Cali Day, Videographer

15

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0008

1 WALTER VAN DE VIJVER, January 31, 2007

2 PROCEEDINGS

3 THE VIDEOGRAPHER: Here begins Tape

4 Number 1 in the deposition of Walter van de

5 Vijver, in the matter of Royal Dutch/Shell

6 Transport Securities Litigation, in the United

7 States District Court, District of New Jersey,

8 Case Number 04-3749. Today's date is

9 January 31st, 2007. The time is 9:39 a.m.

10 The video operator today is Cali Day of

11 LegaLink New York. This deposition is taking

12 place at Akin Gump, 1333 New Hampshire Avenue,

13 Northwest, Washington, D.C.

14 Would counsel please identify themselves

15 and state whom they represent.

16 MR. HABER: Jeffrey Haber from

17 Bernstein, Liebhard &amp; Lifshitz, on behalf of lead

18 plaintiff, Peter M. Wood in the class. Also with

19 me is my colleague, Allen Hobbs, also from

20 Bernstein, Liebhard &amp; Lifshitz.

21 MS. MACKINTOSH: Christine Mackintosh

22 from Grant &amp; Eisenhofer on behalf of the opt-out

23 plaintiffs.

24 MR. GOLDSTEIN: Joseph Goldstein from

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

0009

1 WALTER VAN DE VIJVER, January 31, 2007

2 Watts.

3 MS. MAZARAKIS: Akrivi Mazarakis, Mayer,

4 Brown, Rowe & Maw, on behalf of defendant Philip

5 Watts.

6 MR. MORSE: Adreian Morse, Mayer Brown,

7 for Sir Philip Watts.

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

9 MR. TUTTLE: John Tuttle, Debevoise &

10 Plimpton, LLP, on behalf of the Shell defendants.

11 MR. WARE: David Ware, Debevoise &

12 Plimpton, on behalf of the Shell defendants.

13 MR. KING: Jeffrey King from Akin Gump

14 on behalf of the witness, Mr. Van de Vijver.

15 MR. DOWD: John Dowd from Akin Gump on

16 behalf of Mr. Van de Vijver.

17 MR. HOTZ: Robert Hotz from Akin Gump

18 representing for Mr. van de Vijver.

19 MR. SCHULTEN: Christopher Schulten from

20 Akin Gump on behalf of Mr. Van de Vijver.

21 MR. ADLER: Derek Adler from Hughes,

22 Hubbard & Reed, for PricewaterhouseCoopers U.K.

23 MR. CORSON: Nicholas Corson, Hogan &

24 Hartson, for KPMG Accountants.

25 MS. WICKHEM: Rebecca Wickhem, Foley &

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Lardner, on behalf of Judith Boynton.

3 MS. SENNETT: Nancy Sennett of Foley &

4 Lardner, LLP, on behalf of the defendant Judith

5 Boynton.

6 MR. WEED: Ralph Ferrara, LeBoeuf, Lamb,

7 Green & MacRae, on behalf of Shell Transport and

8 Trading, Royal Dutch/Shell, and I might want to

9 remind my good friend Jeff Haber that there is no

10 class to represent yet, but we understand are his

11 clients.

12 THE VIDEOGRAPHER: The court reporter

13 today is Laurie Bangart-Smith of LegaLink New

14 York. Would the reporter please swear in the

15 witness.

16 WALTER VAN DE VIJVER,

17 having been duly sworn, testified as follows:

18 EXAMINATION BY COUNSEL FOR PLAINTIFFS

19 BY MR. HABER:

20 Q Mr. Van de Vijver, good morning.

21 Before we start, I just want to let  
22 everyone know that I am told that there is food,  
23 there's breakfast, and there will be lunch served  
24 in the Georgetown Room, which is right behind us,  
25 and everyone is welcome to partake in that.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Also, Ralph, I understand, but I'm  
3 pretty confident we'll get there.

4 Also, Mr. Van de Vijver, this morning  
5 and throughout the next couple of days, as you  
6 know, we're going to be asking you a series of  
7 questions, and what I'm looking for are your best  
8 recollection, your knowledge of the events and  
9 circumstances that I'll be asking you about. And  
10 as you probably know from speaking with your  
11 counsel, these issues relate to the  
12 recategorization that Shell had announced in  
13 multiple releases, beginning in January of 2004.

14 If I ask you a question and you don't  
15 understand, would you let me know that?

16 A Sure.

17 Q And I will let you know that if you ask  
18 me to rephrase a question or you don't understand  
19 a question, I'll be happy to rephrase it so that  
20 you do understand. This way we're always on the  
21 same page.

22 If you don't hear a question, will you  
23 tell me?

24 A Yes.

25 Q And again, if you don't hear it, I'll be

0012

1 WALTER VAN DE VIJVER, January 31, 2007

2 happy to repeat it.

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

7 with a "yes" or a "no" and certainly any response  
8 that you need. Head nods and "uh-huhs," they  
9 don't get picked up by the court reporter. Is  
10 that okay with you?

11 A Sure.

12 Q If you don't know the answer to a  
13 question that I ask, would you let me know that.

14 A Yes.

15 Q Please, if you could, speak clearly and  
16 audibly for the court reporter. Again, even  
17 though this is being videotaped, the court  
18 reporter needs to be able to hear and understand  
19 everything that's being said.

20 A lot of times during these proceedings  
21 what will happen -- and it's completely  
22 unintentional -- is the examiner and the witness  
23 tend to talk over each other. I will do the best  
24 that I can to make sure that you finish all your  
25 answers before I ask a question, and I would

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 appreciate it if you would do the same; wait for  
3 me to finish my questions before you answer. Is  
4 that okay?

5 A Sure.

6 Q Finally, if you need a break at any  
7 time, please let me know, and I will do what I can  
8 to accommodate you. The only time that I will not  
9 accommodate the request is if the -- if there's a  
10 question pending, in which case then I would ask  
11 for a response, the only exception to that being  
12 if there's an issue of privilege that your counsel  
13 is asserting.

14 Is that acceptable?

15 A Yes.

16 Q Great. Okay. For the record, can you  
17 tell us your name and address, current address.

18 A Walter van de Vijver. I'm living in the  
19 Netherlands in Wassenaar. The street name is  
20 Groot Haesebroenseweg, Number 1.

21 Q We can go off the record later and --

22 A I'm sorry. I can't make it any easier  
23 than that.

24 Q That's okay.

25 And have you attended a college or

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1 WALTER VAN DE VIJVER, January 31, 2007

2 university?

3 A Yes.

4 Q And where did you go?

5 A It's called the University of Technology  
6 in Delft in the Netherlands.

7 Q Did you graduate with a degree?

8 A Yes. I graduated with a master's degree  
9 in civil engineering.

10 Q Did you continue with any higher  
11 education after graduating from Delft University?

12 A No. Immediately after that degree, I  
13 joined Shell.

14 Q Before we start with your CV, if you  
15 will, just a couple of other unrelated questions  
16 to Shell.

17 Do you have any professional licenses?

18 A Apart from a driver's license, no, I  
19 don't think so.

20 Q Okay. Did you ever join the Society of  
21 Petroleum Engineers?

22 A Yeah, as a member, but it doesn't really  
23 mean a lot, right? Everyone who wants to become a  
24 member can become a member.

25 Q Are you currently a member?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A No.

3 Q When did you begin your membership?

4 A Somewhere -- I don't know exactly.  
5 Somewhere in the early, early eighties.

6 Q And how long did you maintain the  
7 membership?

8 A I left somewhere, 2000, 2001 or so.

9 Q Did you ever attend any meetings of the  
10 SPE?

11 A A couple but not, not many, and I did a  
12 few -- I think I once also did a presentation at,  
13 at one of the SPE meetings.

14 Q Do you recall when that presentation was

15 given?

16 A I think I may have given one -- I really  
17 can't be sure. I think maybe somewhere -- it was  
18 in Aberdeen, when I was based in Aberdeen looking  
19 after the Brent field.

20 Q I know now I'm skipping into your CV a  
21 little. When were you in Aberdeen?

22 A Aberdeen? I arrived in Aberdeen in end  
23 of March '91.

24 Q And how long were you there?

25 A I was there for nearly six years. In

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 February, February '97, I moved over to London.

3 Q Going back to the presentation, do you  
4 recall the subject matter of the presentation?

5 A It must have been about the Brent  
6 fields. I was -- when I was in Brent I was  
7 responsible for a major redevelopment of, uh, of  
8 the Brent field.

9 Q And where is the Brent field?

10 A In the North Sea, in the northern North  
11 Sea.

12 Q Is that a gas or oil --

13 A Gas and oil field.

14 Q It's both?

15 A Yeah.

16 Q What was your position while you were at  
17 Aberdeen?

18 A I started off as the petroleum engineer  
19 and manager for the Brent field, and then after a  
20 couple of years I took over as the General Manager  
21 for the Brent field.

22 Q And was General Manager the last  
23 position you held while you were at Aberdeen?

24 A Yes.

25 Q Going back to the SPE, do you recall

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 attending any meetings of the SPE where reserves  
3 reporting was discussed?

4 A No, never.

5 Q Do you recall -- do you know if the SPE

6 publishes any periodicals that it sends to its

7 members?

8 A Yes. I -- as part of being an SPE

9 member, I go to their -- I think it's JPT, Journal

10 of -- I don't know what, but I think theirs is

11 called JTP, a magazine that they published on I

12 think a monthly basis.

13 Q Do you recall reviewing the JPT when it

14 was distributed to you?

15 A Oh, like a little magazine saying -- I

16 must have read a few articles in it. No details.

17 Q Do you recall ever reading articles

18 about reserves reporting requirements?

19 A No.

20 Q And again I'm just referring to the JPT

21 right now.

22 A Yeah, yeah, I understand.

23 Q Other than the SPE, are you a member of

24 the Royal Institute of Engineers?

25 A No.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Can you think of any other industry

3 organizations that you either were or currently

4 are a member of?

5 A I'm currently not a member of, of

6 anything. I remember when I was in the United

7 States I was a member of the API.

8 Q And what is the API?

9 A American Petroleum Institute.

10 Q And how long were you a member of the

11 API?

12 A That was purely coincidental with my

13 assignment in the United States from '98 until

14 2001, early 2001.

15 Q Okay. Why don't we jump back to the CV

16 for a moment. You said that in February of '97

17 you moved to London?

18 A Yeah.

19 Q What position did you take when you

20 moved to London?

21 A I became the CEO of our gas, coal and

22 power business.

23 Q What is the gas, coal and power

24 business?

25 A Gas, coal and power business is a, is a

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1 WALTER VAN DE VIJVER, January 31, 2007

2 business that looked after the, the coal interest

3 that, that Shell had. Shell, not today anymore,

4 but at that time had an interest in a coal

5 business in Australia and in South Africa. It

6 looked after the, the interest in, in LNG

7 projects, and it looked after Shell's interest in

8 power. Back in '97 Shell entered the power

9 business, which I was involved in in a joint

10 venture with Bechtel called Intergen.

11 Q What was the purpose of the joint

12 venture?

13 A To get in the business of independent

14 power producers and see that there's a profitable

15 growth area for the Shell Group.

16 Q When you were at gas, coal and power,

17 what was your position? I'm sorry. Withdrawn.

18 You said you were CEO?

19 A Yeah, that was the title, yeah.

20 Q What were your duties and

21 responsibilities as CEO?

22 A To look after that part of, of the

23 business, and in that role I reported into one of

24 the Group Managing Directors.

25 Q Who did you report to?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Maarten van den Bergh.

3 Q And was Mr. van den Bergh a member of

4 the CNB at that time?

5 A Yeah, Group Managing Director means

6 being a member of the CMD.

7 Q For the record, what is the CMD?

8 A Committee of Managing Directors.

9 Q What's the function of the CMD?

10 A That's the top accountable body in the,

11 in the Shell Group below the, the boards, which

12 was called Conference.

13 Q When you say "the boards," was that --

14 are you referring to the boards of both Shell

15 Transport and Royal Dutch?

16 A If I talk Conference, that's the place  
17 where the boards of both Royal Dutch and ST&T  
18 would sit together.

19 Q And ST&T being Shell Transport and  
20 Trading?

21 A Yes.

22 Q What was your relationship like with  
23 Mr. van den Bergh when you reported to him?

24 A I think very well. It was my first  
25 assignment outside the exploration and production

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 business, so I had before never really had  
3 anything to do with him, and that was a, was a new  
4 experience for me.

5 Q Did you find he was someone that you  
6 could speak to openly and freely?

7 A Yes.

8 Q The gas and power business; is that  
9 considered an upstream business?

10 A In the group it was put separate to give  
11 it its own identity, because it was more about  
12 the, the commercial side of the business.

13 Q And is that the functional equivalent of  
14 upstream, something that is being produced and  
15 commercialized?

16 A Well, it was a separate business.  
17 Exploration and production is distinct from the  
18 gas and power business, and I think that's still  
19 the case today within Shell.

20 Q I guess what I'm just trying to  
21 understand -- I've heard within this case  
22 "upstream" and "downstream," and I understood gas  
23 and power to be upstream and to be different from  
24 exploration, which was downstream. Am I wrong?

25 A I think you're getting a little bit

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 confused. Gas and power was often called the  
3 downstream gas. The E&P business, exploration and  
4 production business, is often referred to as

5 upstream.

6 Q Okay, and can you explain to me why.

7 A Well, upstream is all about finding and  
8 getting the hydrocarbons out of the ground, and  
9 downstream, just like you have the oil products  
10 business, is about marketing and ultimately the  
11 distribution of those products.

12 Q Going back to the CV for a moment, you  
13 were in London from around February of '97 until  
14 sometime in -- until sometime into 1998, correct?

15 A Yes.

16 Q What did you do in London?

17 A That's what we just talked. That was  
18 here, the gas and power business, '97, '98.

19 Q Okay, I'm sorry. I, I completely lost  
20 it. I'm sorry.

21 In '98 to 2001 what did you do?

22 A That's when I went to the United States  
23 and I became -- I think official title is  
24 President and CEO of Shell Exploration and  
25 Production. I think the acronym was SEPCo. That  
0023

1 WALTER VAN DE VIJVER, January 31, 2007  
2 was the U.S. arm of the exploration and production  
3 business.

4 Q And as CEO of SEPCo, what were your  
5 duties and responsibilities?

6 A I had to -- the responsibilities, they  
7 are both for the upstream business, the  
8 exploration and production business, but also for  
9 the downstream gas and power business. Later that  
10 was sort of split, but that's sort of how the  
11 structure was when I arrived in the United States.

12 Q Who did you report to while you were at  
13 SEPCo?

14 A That was one of these -- in the  
15 transition I reported both to the CEO of Shell Oil  
16 Company as well as into the Regional Director  
17 within the E&P business for America and Europe,  
18 which was Bob Sprague at that time.

19 Q So Bob Sprague was the Regional Business  
20 Director for America and Europe at the time?

21 A Yes.

22 Q Did that reporting line subsequently  
23 change, or did you report to him throughout your  
24 tenure?

25 A No, that did not change.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Was Bob Sprague someone that you can  
3 talk to openly and candidly?

4 A I think generally yes, yeah.

5 Q Who was the CEO of Shell Oil?

6 A When I arrived in the United States, I  
7 took over from, from Jack Little, who had held my  
8 position there for I think about 11 years. When I  
9 arrived, he moved off up to become the CEO of  
10 Shell Oil Company.

11 Q And did he remain the CEO of Shell Oil  
12 Company during your tenure as CEO of SEPCo?

13 A No, because he retired about -- I don't  
14 know exactly. It was about a year later.

15 Q And who succeeded him?

16 A Steve Miller.

17 Q Do you know where Steve Miller had come  
18 from?

19 A He, he came in the U.S. from actually  
20 the Committee of Managing Directors. Before that  
21 he had been one of the members of the Committee of  
22 Managing Directors.

23 Q Did he remain on the CMD during his  
24 tenure as, as CEO of Shell Oil?

25 A No.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Do you have an understanding as to why?

3 A Well, I mean it was all as part of the,  
4 the transition which is called the globalization  
5 of, of the business where Shell Oil was brought  
6 more closely to the rest of the group in terms of  
7 reporting lines and decision-making. Until I  
8 arrived in the United States, Shell Oil was very  
9 much sort of in a separate identity with its own  
10 boards and with a lot of the decision-making done  
11 in the United States, whereby on the board of  
12 Shell Oil there would always be two members of the

13 Committee of Managing Directors as board members  
14 of Shell Oil Company, but it was thereby sort of  
15 governed separately.

16 Q When did the globalization of the  
17 business occur?

18 A In terms of the globalization, that  
19 happened, if I recall correctly, on the sort of  
20 first of April '99 at least with respect to my  
21 business.

22 Q At the time of the globalization, around  
23 April of 1999, was Shell Oil a separate reporting  
24 company from the larger group?

25 A Yes. That's what I just explained, to  
0026

1 WALTER VAN DE VIJVER, January 31, 2007  
2 having its own, own board and, and the board would  
3 govern Shell Oil directly. And as part of the  
4 globalization, there was a gradual move to bring  
5 the decision-making, investment decisions and  
6 business planning in line with the, with the rest  
7 of the group.

8 Q And so you're talking internally about  
9 reporting, correct?

10 A Yeah, yeah.

11 Q I was actually referring to externally,  
12 like the Securities and Exchange Commission.

13 A I don't know the details about -- I mean  
14 Shell Oil, no, it's -- I think it was all reported  
15 as one entity, because it was already back in -- I  
16 think it's 1985. That was the time of my first  
17 assignment to Shell Oil where the minority  
18 shareholders and Shell Oil Company were bought  
19 out, so it wasn't a hundred percent Shell Company.

20 Q So much earlier than April of '99 for  
21 external reporting purposes, Shell was already --  
22 Shell Oil was already part of the larger group?

23 A Yes.

24 Q In your function as CEO of SEPCo, did  
25 you have any responsibilities for reporting of  
0027

1 WALTER VAN DE VIJVER, January 31, 2007  
2 proved reserves?

3 A Like every operating unit within the

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

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

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

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

22 A Yes.

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

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1 WALTER VAN DE VIJVER, January 31, 2007

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

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

13 MR. TUTTLE: Object to form.

14 BY MR. HABER:

15 Q You can answer.

16 A Sorry. Can you repeat the question.

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

21 that the numbers were prepared, and what I want to  
22 know is against what did they make sure that those  
23 numbers were prepared properly.

24 MR. MORSE: Objection to form.

25 MR. TUTTLE: Objection.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 THE WITNESS: Am I not allowed to  
3 answer?

4 BY MR. HABER:

5 Q No, no. You can answer.

6 A Okay. So to the best of my  
7 understanding, it was against the Shell guidelines  
8 that would apply just in Shell Oil.

9 (Discussion was held off the record.)

10 BY MR. HABER:

11 Q In connection with Shell's guidelines,  
12 did you review Shell's guidelines while you were  
13 CEO of SEPCo?

14 A No.

15 Q Are you aware that the SEC had enacted a  
16 rule governing the reporting of proved reserves?

17 A No.

18 Q Have you ever heard of a rule called  
19 Rule 4-10?

20 A Not until end of 2003.

21 Q And why did you hear about Rule 4-10 in  
22 the end of 2003?

23 A Because there was a, there was a lot of  
24 debate, and of course, I'm stepping forward now,  
25 all the way to, to Rockford when there was a lot

0030

1 WALTER VAN DE VIJVER, January 31, 2007

2 of discussion about whether the new numbers we  
3 came up with, whether there was an effect from  
4 what I recall these clarifications that were  
5 issued by the SEC -- was it 2000 or 2001?

6 Q When you refer to "clarifications"  
7 issued by the SEC, are you referring to the staff  
8 interpretive guidance that the SEC staff had  
9 issued?

10 A Yes. Is that something different than  
11 this rule? I assumed that that was what you were

12 referring to.

13 Q No, I'm actually referring to the rule  
14 itself, so --

15 A Maybe then I was confused. I was  
16 talking about this clarification that happened in  
17 2000 or 2001.

18 Q Going back again to the time of being  
19 CEO of SEPCo, do you know if Shell's guidelines  
20 made reference to Rule 4-10?

21 A No.

22 Q Do you know if Shell's guidelines quoted  
23 from Rule 4-10?

24 A No.

25 Q As CEO of SEPCo, were you also

0031

1 WALTER VAN DE VIJVER, January 31, 2007  
2 responsible for business planning for Shell Oil?

3 A Yes.

4 Q And let me be a little -- let me make a  
5 distinction here, because I might have been too  
6 broad. Let's take first SEPCo. Were you  
7 responsible for business planning with regard to  
8 SEPCo?

9 A Yes.

10 Q Now, is there a difference between  
11 business planning for SEPCo and Shell Oil?

12 A Well, Shell Oil involves the totality of  
13 business in the U.S., so that is downstream as  
14 well as upstream, and I did not have any  
15 responsibility, clearly, for other parts of the  
16 business. I only had responsibility for my part  
17 of the business.

18 Q So with regard to business planning for  
19 SEPCo, that was your responsibility?

20 A Yeah.

21 Q Okay. Going back to when you first  
22 started Shell, you say you started Shell when you  
23 graduated from Delft University, right?

24 A Yes.

25 Q When did you graduate?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A October -- October or November. October

3 or November '79.

4 Q Okay. What was your first position at  
5 Shell?

6 A My first position was a field  
7 engineer/structural engineer.

8 Q What is that?

9 A I, I joined Shell for an international  
10 career. That was why I joined Shell. I didn't  
11 really know anything about Shell, so I ended up in  
12 this job in London probably with the background  
13 that, because I had known civil engineering and I  
14 had finished my last study in harbor design, that  
15 I knew something about water, and I ended up in a  
16 structural engineering group which was involved in  
17 the design of offshore structures in the North  
18 Sea. So my first year I spent a lot of time  
19 calculating strengths of offshore structures and  
20 doing technical calculations and fatigue  
21 calculations around platforms.

22 Q And how long were you in this position?

23 A Not that long. I think it was probably  
24 about one and a half years, because while I was in  
25 that position I got involved in a few project

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 teams, and I wanted to know why -- I had designed  
3 a platform for six wells, so I wanted to know what  
4 was happening subsurface, and why can't I know  
5 more about subsurface. I want to know about what  
6 I'm doing. It took a little bit of time for the  
7 Shell system to accept that if I wanted to get  
8 more exposed to the subsurface, I actually had to  
9 sort of rejoin Shell, so I had to go for  
10 re-interviews again in The Hague to apply to  
11 become a petroleum engineer, and that's what I  
12 did.

13 Q And that was sometime in 1981?

14 A Yes. I think it was '81, and after I  
15 had my initial training, internal Shell classes, I  
16 was transferred to Qatar in the Middle East.  
17 That's a state, a country in the gulf state, state  
18 of Qatar, and I was transferred there as a well  
19 site petroleum engineer, which essentially meant

20 you would spend your time on the rig, learning  
21 hands-on about what it all takes to drill a well  
22 safely and successfully. And I did that again for  
23 about one and a half years, and then I couldn't  
24 find another position there, and then I moved back  
25 to the Hague. I think it was -- I don't know

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 exactly. I think somewhere early '84 I moved back  
3 to the Hague.

4 Q Before we get to that position, what --  
5 sorry. Withdrawn. How long was the training  
6 course that you attended?

7 A I think a total of about three months.

8 Q Did that course include lectures or  
9 other materials on reserves reporting?

10 A No, nothing on reserve reporting but  
11 general on all the different skills relating to  
12 petroleum engineering and field planning, so from  
13 being able to analyze a log to be able to --  
14 electric log in a well, to what it would take to  
15 do -- analyze a production well test to doing some  
16 basic economics, I mean sort of the broad spectrum  
17 of the, of the petroleum engineering business.

18 Q In 1984 you started a new position.  
19 What did you -- where did you go?

20 A In 1984 I became, I became a reservoir  
21 engineer in, in The Hague, in the section of the  
22 Hague that was involved with Europe.

23 Q And what was your position there?

24 A Just a junior reservoir engineer doing  
25 whatever work was thrown at me to do.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Up until this point you had not done any  
3 reservoir engineering work; is that correct?

4 A That's correct, yeah.

5 Q And based upon what you've said about  
6 your education, you're not -- you don't have a  
7 degree in reservoir engineering?

8 A Probably not, no.

9 Q How long did you remain in this position  
10 as a reservoir engineer?

11 A About two years, just under two years,  
12 and then I moved to Shell Oil in California as a  
13 reservoir engineer and later a team leader.

14 Q And what did you do at Shell Oil?

15 A Involved with heavy oil fields. That  
16 was the, the part where -- in Bakersfield in  
17 California. That's where Shell Oil had the  
18 business unit, a couple of business units, but I  
19 was in one of the business units called the San  
20 Joaquin division that dealt with a variety of, of  
21 heavy oil fields.

22 Q When you became a team leader, did your  
23 responsibilities change?

24 A Not -- well, it was more a coordinating  
25 role when I would work with facility engineers,

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 drilling engineers, to develop -- prepare  
3 development plans for some of the assets I was  
4 looking after. I spent about a year there on a,  
5 on a project that involved developing a steam  
6 injection project involved in cogeneration  
7 facilities, so it was quite complex, and make sure  
8 it all was properly set up.

9 Q While you were working in Bakersfield,  
10 did you work with Roelof Platenkamp?

11 A No, not directly. He was in another  
12 division, but we were sort of -- we were posted to  
13 California at the same time. There was three,  
14 three people that sort of at the same time got,  
15 got posted to California, and at that time there  
16 was a little bit high profile. Of course, we were  
17 Dutch people coming from this very strange Royal  
18 Dutch group that sort of were planted in the Shell  
19 Oil organization. So the three of us, it was him,  
20 Max Peters and Roelof Platenkamp, therefore saw  
21 each other a lot socially, but we were -- Roelof  
22 was working in a different division from where I  
23 was, I was working.

24 Q And how long were you at Shell Oil?

25 A That was predetermined. Exactly two

0037

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2 years. It was one of these sort of one year the  
3 Royal Dutch group would pay for it, another year  
4 Shell Oil would pay for it, and that was the  
5 package.

6 Q And during the two years that you were  
7 at Bakersfield, was Mr. Platenkamp also in Shell  
8 Oil for those two years?

9 A Yeah, yeah. I think we were sort of  
10 roughly exactly the same period.

11 Q After Bakersfield in 1988, where did you  
12 go?

13 A I went to -- we're in '87, huh? '85  
14 is -- from '85 to '87 I went to Shell Oil. If I'm  
15 correct, I think I moved -- I moved in '87. I  
16 moved to Oman. I think I got it correct; yes?  
17 Are you confused?

18 Q A little, but that's okay. I'm going to  
19 be guided by you.

20 A No, it's '83-'85 was The Hague, and then  
21 '85 to middle of '87 or so was Shell Oil, and  
22 then, then I went to Oman.

23 Q And so in '87 you went to Oman?

24 A Yes.

25 Q Okay, and how long were you in Oman?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A For nearly four years.

3 Q Approximately when did that position  
4 conclude?

5 A In -- I think I said earlier March '91  
6 when I moved to Aberdeen to Shell ExPro.

7 Q What was your position when you were in  
8 Oman?

9 A I started as a, as a reservoir engineer,  
10 and then after a year I became Team Leader. It  
11 was called Area Team Leader for the Marmul area.  
12 That's a geographic area within Oman. I think I  
13 did that for one and a half years or so, and then  
14 I became Operations Manager in -- for North Oman.  
15 Oman was sort of operationally split in two areas,  
16 and I moved -- my last position was Operations  
17 Manager for North Oman.

18 Q You ever heard of the Yibal field or the

19 Yibal field?

20 A Yibal field, yes. I remember it very  
21 well, because when I was Operations Manager for  
22 North Oman, I inaugurated, just for the fun of it,  
23 Well 300 on the field, Well Number 300 which was,  
24 for one field, quite a few wells, so -- that was  
25 in North Oman, yes. It was one of the, the big,  
0039

1 WALTER VAN DE VIJVER, January 31, 2007  
2 big fields in Oman.

3 Q Were there any other big fields in Oman?

4 A Yeah. In total there were about six or  
5 eight large fields in Oman. It was . . .

6 Q Do you recall the names of those fields?

7 A Now you're testing me. Lekhwair was  
8 one. Yibal was one. Farut was one. Natih was  
9 one. They were all in South Oman. South Oman had  
10 a couple as well. One was Marmul I, which I  
11 looked after. Another one was Nimr. I think  
12 that's all of the -- how many have I got now?

13 Q A number. Six, seven.

14 A Yeah, I think that's it.

15 Q Okay. Now, with regard to --

16 A Oh, another one. Rima. That was also  
17 South Oman.

18 Q Thank you.

19 Now, with regard to the restatement, do  
20 you know if any of these fields had proved  
21 reserves that were restated?

22 A A lot of them had proved reserves that  
23 were restated, because there was a big number in  
24 Oman. So I can't recollect the detail anymore,  
25 but I assume, because the, the reserves, clearly  
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1 WALTER VAN DE VIJVER, January 31, 2007  
2 the vast majority was in these big fields. They  
3 all to some extent must have been, been affected.

4 Q Do you recall, during the time that  
5 preceded the announcements of the restatement,  
6 reviewing proved reserves information concerning  
7 the fields you just identified?

8 A No, no proved reserves, no. I did  
9 expectation reserves. Expectation reserves I did,

10 because there was a, there was a disagreement with  
11 the government.

12 Q Why don't we talk about that for a  
13 moment. What, what is this disagreement with the  
14 government that you're referring to?

15 A In Oman there was an agreement,  
16 contractual agreement with the Omani government  
17 that part of the fee and, therefore, the revenue  
18 that Shell would earn in Oman was linked to a  
19 reserves fee, both in terms of reserves found  
20 under mature exploration, and then both through  
21 maturation of reserves in existing fields.

22 Just for clarity, this has nothing to do  
23 with proved reserves. The Omani government didn't  
24 work with proved reserves. This is on --  
25 exploration is a totally different categorization

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 during the reserves, and on the Estimated Ultimate  
3 Recovery fee, I think it was called the EUR fee,  
4 related to existing fields that was linked to  
5 expectation reserves.

6 Q Is there a difference between  
7 expectation reserves and proved reserves?

8 A Yes.

9 Q What is that difference?

10 A Well, I'm, I'm -- it all has to do with  
11 the certainty around these reserves. All the, all  
12 the business planning in terms of making a  
13 business plan, doing your forecast, expenditure,  
14 volumes, et cetera, is all done on expectation  
15 basis and therefore also linked to expectation  
16 reserves. Proved reserves is a separate  
17 categorization that links to the definitions  
18 around proved reserves and also comes back in your  
19 financial calculations in terms of the  
20 depreciation in terms of your investment activity.

21 Q So going back now to the disagreement --

22 A Oman does things -- just for clarity, in  
23 Oman the government didn't use proved reserves,  
24 they only used expectation reserves, and for a  
25 depreciation there were fixed rules how

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1 WALTER VAN DE VIJVER, January 31, 2007

2 depreciation happened, so totally separate from  
3 any consideration on proved reserves.

4 Q So what was the disagreement between  
5 Shell and the Omani government?

6 A There had been some field development  
7 activity that had been prepared and had been  
8 signed off, which meant -- was related to  
9 incremental recovery in the Marmul field. I think  
10 it was the Haima formation, and related to  
11 incremental development activity in the Yibal  
12 field, or development plans were executed, but  
13 when these development plans got executed, they  
14 didn't live up to expectation.

15 And clearly, because these development  
16 plans had been prepared and had been signed off by  
17 the relative parties, Shell had earned a fee on,  
18 on those activities, and as ultimately these  
19 developments didn't pan out as was predicted, the  
20 Omani government felt that that had been  
21 unjustified having paid Shell these fees. And one  
22 of the first things I did with, with the Minister  
23 of Oil and Gas is to agree that whatever Shell had  
24 received on those would be refunded. Well,  
25 actually that happened after the visit to me in

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Oman where I actually reviewed what had happened  
3 on these particular fields.

4 Q Just so the record is clear --

5 A Yeah.

6 Q -- this disagreement that you just  
7 testified about; when did this disagreement occur?

8 A I think that was already in 2001, around  
9 September 2001.

10 Q And so the efforts that you just  
11 described that you would undertake to go to Oman,  
12 that occurred once you moved on to a different  
13 position, because my questions were still with  
14 regard to your time in Oman.

15 A Oh, sorry. We totally skipped fast  
16 forward, right?

17 Q That's okay. So what position were you

18 in at the time you were having these discussions  
19 with the Omani government?

20 A This is all 2001 we're talking about.

21 Q Right. Okay. So what position did you  
22 have at the time?

23 A Oh, at that time I was CEO for the  
24 exploration and production business.

25 Q Okay. How would you describe the  
0044

1 WALTER VAN DE VIJVER, January 31, 2007  
2 relationship between the Omani government and  
3 Shell at the time you became CEO of exploration  
4 and production?

5 A Very difficult.

6 Q And why is that?

7 A It's, it's -- maybe I can give you a  
8 little bit of context to, to understand it. PDO,  
9 which is a government-controlled company in Oman  
10 and very dominant in Oman, because it produces  
11 about 90 percent of the total oil in the country,  
12 so it is -- for the Omani government, it is  
13 extremely important how that entity performs.

14 That company had had a extremely  
15 successful track record for many, many, many  
16 years. It started -- I think it starts somewhere  
17 in the early seventies and sort of was able to  
18 sort of year by year to increase production and  
19 find additional fields and expand their production  
20 capacity. And the Omani government, through that  
21 process in terms of their international economy,  
22 was heavily dependent on the performance of PDO as  
23 a country, and the track record had been  
24 absolutely amazing in terms of year by year being  
25 able to increase production and et cetera.

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2 It's -- at the time, um, I think around  
3 2000, PDO was producing 850,000 barrels a day, so  
4 it was a very large operation. For Shell equity,  
5 of course, the majority part was much smaller, but  
6 as a single operation it is a very large  
7 operation, producing 850,000 barrels a day. At  
8 the time when I arrived, there were clearly --

9 there were some disagreements around the ability  
10 to continue to maintain that production  
11 performance for the decades to come.

12 And I had my first visit back in Oman I  
13 think it was one of the first operating units I  
14 visited, I think after Nigeria, I visited Oman in  
15 the middle of June in 2001 to sort of reacquaint  
16 myself with, with the company, and as part of that  
17 process, I don't know whether it's that one or the  
18 follow-up meeting exactly, I also met the Minister  
19 of, of oil and gas.

20 Q So is it fair to say that among the  
21 reasons the relationship between the Omani  
22 government and Shell was tense had to do with  
23 production that Shell -- or that PDO was no longer  
24 able to do?

25 MR. TUTTLE: Object to form.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 BY MR. HABER:

3 Q You can answer.

4 A There were a variety of issues that  
5 played at the time. Some related to the Oman LNG  
6 project, some related to the, to the performance  
7 of, of PDO as a company.

8 Q What's the Oman LNG project that you're  
9 referring to?

10 A Oman LNG is again a project that's,  
11 wherein Shell was the technical advisor and  
12 partner in of, of developing the upstream gas  
13 resource or reserves of Oman and exporting those  
14 to, to Japan and Korea.

15 Q And why was the Omani government upset  
16 over this?

17 A Like everything else, which I think I  
18 tried to put you a little bit of the context of  
19 the history of the company, when -- and of course,  
20 things went very well in Oman, and there was a bit  
21 of a tendency of the Omani government saying,  
22 well, look how great we have done, and if things  
23 would not go so well, the first to sort of point  
24 the finger at was Shell, because Shell was so  
25 dominant in the country, and there, there had been

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 some difficulties in the marketing of the Oman LNG  
3 gas, that not all the volumes that were available  
4 at that time were committed to the market, and  
5 there were some issues around clearly the overall,  
6 as I mentioned, performance of PDO.

7 Q Was this issue ever resolved?

8 A What issue?

9 Q The LNG.

10 A Yes.

11 Q And how?

12 A Because Shell was successful to  
13 ultimately help Oman to market all the gas and  
14 then later even added another train to the whole  
15 project based on the Omani government initiative.

16 Q And when was Shell able to perform  
17 those?

18 A I, I don't know the exact dates. It was  
19 not my part of, of the business, so I can't tell  
20 you exactly when it happened.

21 Q Whose part of the business?

22 A Well, that is the gas and power  
23 business.

24 Q I see. Who was the head of gas and  
25 power at the time?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A That was -- I think it was -- I'm not  
3 sure. I think it was Linda Cook.

4 Q Who is Linda Cook at the time other than  
5 being the head of gas and power?

6 A Linda Cook was someone that came out of  
7 the Shell Oil organization, an American who moved  
8 over. At the time that I moved to, to the U.S. to  
9 take over as CEO of the exploration and production  
10 business, she moved across to the what at that  
11 time was called EP BusCom, EP Business Committee,  
12 whatever they call it.

13 Q Do you know who she reported to in gas  
14 and power?

15 A In gas and power? There were some  
16 changes in the Committee of Managing Directors.

17 Up to early 2002, if I recall correctly, it was  
18 Harry Roels, and thereafter it was Malcolm  
19 Brinded.

20 Q Now, a moment ago --

21 A But there may have been an interim  
22 period where I reported directly to Phil Watts,  
23 because I think it was a bit of a gap between  
24 Harry Roels leaving and Malcolm Brinded joining  
25 CMD.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q How would you describe the relationship  
3 between Linda Cook and Phil Watts?

4 MR. TUTTLE: Object to form.

5 BY MR. HABER:

6 Q You can answer.

7 A I think they, they got on very well with  
8 each other.

9 Q Going back to your prior answer, you had  
10 mentioned the LNG project as a source of I guess  
11 being upset with Shell by the Omani government.  
12 Another response you gave was the performance of  
13 PDO. What are you referring to?

14 MR. MORSE: Objection to form.

15 BY MR. HABER:

16 Q You can answer.

17 A The Minister of Oil and Gas was not very  
18 happy with the quality of work that was being done  
19 by, by PDO.

20 Q And what did he say?

21 A He just -- he was -- his concern was  
22 that some of the field development quality was not  
23 there, that he felt that PDO did not have a real  
24 good handle in terms of a future production  
25 capacity, and he, he was just -- from his side, he

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 was not sure whether, whether Shell was basically  
3 paying enough attention to what he saw as sort of  
4 emerging problems in PDO.

5 Q Did he mention anything about the  
6 achievability of producing 850,000 barrels a day?

7 A Well, over, over time, that clearly

8 became a very hot topic, because the production --

9 I don't know particularly at what point, but the  
10 production slowly started to, to slide. And the  
11 initial response from PDO to that, that  
12 phenomenon, was something that they had done  
13 successfully in the past, and it's to get some  
14 additional drilling rigs and drill some more wells  
15 to, to cover for that shortfall.

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

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

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 barrels a day.

3 Q After your visit in two weeks later to  
4 Oman, did you reach a conclusion of whether that  
5 850,000-barrel-a-day representation was reachable?

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

19 Q And that Trip Report reflected those  
20 concerns?

21 A Yes.

22 Q Did you distribute the Trip Report to  
23 anyone?

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

25 Veer and to Phil Watts.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Do you know if it went to anyone else?

3 A My organization, clearly. I mean the

4 first was to mostly distribute it to my

5 organization.

6 Q Do you recall distributing it to the

7 other members of the CMD?

8 A I'm not so sure in this case whether it

9 went beyond Phil Watts and Jeroen van der Veer.

10 We would have to look at documentation.

11 Q Who is Mark Moody-Stuart?

12 A Mark Moody-Stuart was the Chairman, and

13 Phil Watts took over Chairman from him on the

14 first of July, 2001.

15 Q And you mentioned Jeroen van der Veer.

16 Who was Mr. Van der Veer?

17 A Jeroen van der Veer was one of the Group

18 Managing Directors at that time, who, as part of

19 the structure we had at CMD, Group Managing

20 Directors would have, of course, their business

21 responsibilities, but they would also have a, a

22 regional responsibility.

23 Q Do you know what his regional

24 responsibility was at the time?

25 A At the time when -- I mean I don't know

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1 WALTER VAN DE VIJVER, January 31, 2007

2 the history. I only know at the time when, when I

3 arrived at that CMD, he had regional

4 responsibility for the Middle East and the former

5 CIS and East Asia, which includes India and

6 Pakistan.

7 Q And within the region, was Oman the

8 largest operating unit?

9 A From an upstream perspective, it clearly

10 was the largest operating unit.

11 Q Have you, have you heard of the term

12 "creaming" before?

13 A I've heard of the word "creaming." I

14 think the word "creaming" was used in a creaming

15 curve when we talk about exploration prospects or

16 when we talk about capital allocation.

17 Q Have you ever heard of a creaming  
18 project in the context of exploration or  
19 production?

20 A Well, not the way -- it doesn't ring a  
21 bell the way you express it. Can you be more  
22 clear.

23 Q Let me ask a different one. Have you  
24 ever heard of a "sweet spot" project before?

25 A Sweet spot? No.

0054

1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. HABER: Okay. Why don't we take our  
3 first break.

4 THE VIDEOGRAPHER: We are going off the  
5 record. The time is 10:48 a.m.

6 (Whereupon, a short recess was taken.)

7 THE VIDEOGRAPHER: We are back on the  
8 record. The time is 11:02 a.m.

9 BY MR. HABER:

10 Q Mr. Van de Vijver, why don't we --

11 A Why don't you just call me "Walter." It  
12 sounds so formal.

13 Q It's on the record.

14 A Sorry.

15 Q I apologize for the formality of the  
16 whole process.

17 We will come back to this trip a little  
18 bit later, but I want to finish up, if we can,  
19 where we sort of let off, and that was your time  
20 in Oman when you were working in Oman, and I  
21 think, if I have the time correct, you said you  
22 were in Oman for nearly four years; is that  
23 correct?

24 A Yes.

25 Q And that took you to March of '91?

0055

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q Now, what is the -- withdrawn. Is PDO  
4 owned, wholly owned by Shell?

5 A No. The government has a majority stake  
6 in it. Don't ask me to quote what the exact

7 number is, but I think Shell had a 32 percent  
8 stake in PDO. And then there was Partex, a small  
9 Portuguese entity, had a few percent, and Total I  
10 think had five percent, but Shell was -- so Shell  
11 was an, was an equity player in PDO, but it was  
12 also a technical advisor to PDO.

13 Q Why, if you know, was there within Oman  
14 a split between the north and the south?

15 A That was purely for operational  
16 convenience. Oman is a very large-spread  
17 operation. I think in total you talk about a  
18 hundred fields production, and the split was sort  
19 of halfway, but it also was a little bit of a  
20 split, just purely an infrastructure, but most of  
21 the heavier oil was in South Oman, and then North  
22 Oman was the, was the lighter oil and the gas.

23 Q Did each half have its own manager that  
24 reported to a single, say, you know, head or CEO  
25 of Oman?

0056

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yeah, it all came together in one  
3 organization, so, for instance, when I was Marmul  
4 Area Team Leader, I reported in to whatever  
5 manager in South Oman, but he would then  
6 subsequently report in to overall petroleum  
7 engineering manager, and when I was Operations  
8 Manager North Oman, I was reporting to an  
9 Operations Director who was responsible for the  
10 totality of Oman, so it was purely a way to sort  
11 of cut up the, the assets and the, and the  
12 infrastructure.

13 Q And during your tenure in Oman did you  
14 have any responsibility for the calculation of  
15 proved reserves for Shell?

16 A Proved reserves, no.

17 Q Your only responsibility had to do with  
18 expectation reserves?

19 A Yeah, yeah.

20 Q And with regard to reporting then, it  
21 would only be with regard to reporting to the  
22 Omani government?

23 A Yeah, internally within the, the

24 company, yeah.

25 Q Within the company; you mean PDO?

0057

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Within PDO. I was not involved with  
3 even the reporting from PDO, for instance, into  
4 The Hague. I was not involved in any of that.

5 Q So you had no involvement in the ARPR  
6 process?

7 A Not, not directly, no.

8 Q Well, how about indirectly?

9 A Well, maybe because -- I mean clearly I  
10 was involved when I was a senior reservoir  
11 engineer, I was involved in sometimes making a --  
12 reviewing some notes that had been written on  
13 specific assets that would be sent in a Note For  
14 File purely for internal PDO reporting, but I was  
15 never involved in whatever happened in terms of  
16 collating these numbers or in terms of reporting  
17 them to the Hague or whatever.

18 Q I think you testified earlier that in  
19 March of '91 you went to Aberdeen?

20 A Yes.

21 Q And what was the operating unit that you  
22 went to?

23 A That was called the Brent field unit.

24 Q Was that part of Shell ExPro?

25 A Yes.

0058

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And you I believe testified that you  
3 were there until February of '97?

4 A Yes. That was an extremely good  
5 learning experience in terms of continuity where  
6 you could actually -- what not actually happens in  
7 a Shell career you can actually follow through  
8 from being involved in the planning and also being  
9 involved in the execution.

10 Q So you were involved in business  
11 planning while you were at Shell ExPro?

12 A For the, for the Brent field, only for  
13 the Brent field, yeah.

14 Q Is there a difference between field

15 development planning and business planning?

16 A Yeah, if you talk business planning,  
17 it's around to the, the annual cycling of, cycle  
18 of preparing your business plan and reviewing the  
19 state of your business plan, reporting versus  
20 targets, et cetera. When I talk field development  
21 planning, it is the technical work that gets done  
22 to actually plan the development of a particular  
23 field.

24 Q Did you ever have any responsibility for  
25 field development planning during any of your

0059

1 WALTER VAN DE VIJVER, January 31, 2007  
2 stints at these Operating Units, such as say PDO?

3 A When I was team leader for the  
4 Oman/Marmul area, as I mentioned to you earlier, I  
5 was responsible for field development activities  
6 in the Marmul area. I think actually during that,  
7 that time, I was involved in preparing a couple of  
8 field development plans.

9 Q What are some of the elements of a field  
10 development plan?

11 A Elements of the field development plan  
12 is, is trying to get a, a feel for the, for the  
13 recovery and production potential of the field and  
14 then linking it with activity in terms of what  
15 type of facilities need to be drilled, how many  
16 wells need to be drilled, and the economics around  
17 all of that.

18 Q Is it your understanding that before a  
19 field can start producing, field development plans  
20 have to be in place?

21 A Yes.

22 Q Now, I believe you said after the time  
23 at Shell ExPro, you then became CEO of Exploration  
24 and Production, correct?

25 A No, no. That was where I had the gas,

0060

1 WALTER VAN DE VIJVER, January 31, 2007  
2 coal and power business, in between.

3 Q That's right. That's right. So you --  
4 in '98 through 2001, that was the gas --

5 A No, no.

6 Q Please forgive me.

7 A No, no. In February, I think it was  
8 February '97, I moved over to gas and power in  
9 London, and then in August 2001 I moved across to  
10 the United States, to Houston.

11 Q And in August 2001 when you moved to  
12 Houston, the position you held was --

13 A CEO and President of SEPCo.

14 Q All right. Okay. When did you --

15 A Is it all clear? Am I confused now?

16 Q No, I thought you had become CEO --

17 A Oh, August -- August of '98. Sorry. My  
18 correction. August '98 I went to Houston as CEO  
19 and President of SEPCo, and then in June 2001 I  
20 went across to the Hague as CEO for the Global  
21 Exploration and Production Unit.

22 Q And how long were you in a position as  
23 CEO of EP?

24 A From June 2001 until my sudden exit the  
25 3rd of March 2004, March 3rd, 2004.

0061

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q When you say "sudden exit," I take it  
3 you weren't expecting to leave Shell at that time;  
4 is that correct?

5 A It was the biggest shock in my life,  
6 totally unexpected.

7 Q Why was it a big shock?

8 A I, I thought at that stage, having been  
9 the driving force around this whole issue of  
10 getting clarity around reserves, I thought I would  
11 get a reward for it rather than getting something  
12 happen to me like that.

13 Q Why don't you take us a little bit  
14 through what had happened. How did you -- how was  
15 it broken to you that you were being terminated  
16 from Shell?

17 A I was -- I was just sitting in my office  
18 on a Wednesday when we had a regular board  
19 meeting, a conference. I was preparing my  
20 material for that, for that meeting, which  
21 included the close-out of the previous year, et  
22 cetera, and suddenly two of the board members, Aad

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

0062

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And was this on March 3rd?

3 A Yes.

4 Q Now, was this meeting with Lord Oxburgh  
5 and Aad Jakob scheduled?

6 A No. Totally out of nowhere.

7 Q So what did they say to you when they  
8 entered your office?

9 A They told me that they had lost  
10 confidence in me and that they basically wanted me  
11 to leave, resign.

12 Q Did they explain why they had lost  
13 confidence in you?

14 A No.

15 Q What did you say in response?

16 A I was just totally -- I mean I just  
17 broke down. I was just totally and utterly  
18 shocked.

19 Q How long did the meeting last?

20 A Maybe two minutes.

21 Q So they just came in, said --

22 A Delivered the message, and they said  
23 they would come back, because they, they wanted me  
24 to sign a paper.

25 Q Did they say what paper they wanted you

0063

1 WALTER VAN DE VIJVER, January 31, 2007

2 to sign?

3 A Well, that I would resign, that I would  
4 leave, because they wanted to issue a press  
5 release that day at 11:00 or something like that.

6 Q Did they come back with a Letter of  
7 Resignation?

8 A Yes. I mean when that happened, the  
9 first I did was, uh, was call my wife, and she,  
10 she immediately came to the office. I was in a  
11 pretty bad state then. I was just so deeply  
12 shocked. I, I then -- did I contact John  
13 directly? Because I basically was just so

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

23 Q Who is Mr. Ricciardi?

24 A He is one of the board members.

25 Q And who is John Hofmeister?

0064

1 WALTER VAN DE VIJVER, January 31, 2007

2 A The head of HR, Human Resources in  
3 Shell.

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

6 A Yes.

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

9 A Cool.

10 Q Why is that?

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

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

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

18 Q Are there any particular instances that  
19 you can recall?

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

0065

1 WALTER VAN DE VIJVER, January 31, 2007  
2 with --

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

5 organization?

6 A Yeah.

7 Q When -- did the three gentlemen that you  
8 identified -- Ricciardi, Hofmeister and van der  
9 Veer -- did they come together to your office or  
10 separately?

11 A Separately. They sort of had, I guess,  
12 sort of an agreed process of every half hour to  
13 check in to me to make sure that I was making  
14 progress in, in signing the letter.

15 Q Did you sign the letter?

16 A Yes. You can imagine at that time I was  
17 just so shocked and so deeply, deeply insulted,  
18 that -- what can you do?

19 Q Were there people within Shell who you  
20 believed should have been terminated?

21 A That's not for me to judge.

22 Q Well, with regard to the, the whole  
23 reserves issue that we're here for today, at the  
24 time did you feel that there were people who were  
25 responsible who should have been terminated?

0066

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q Who?

4 A Phil Watts and Judy Boynton.

5 Q Why did you feel that way about  
6 Mr. Watts?

7 A I, I had the feel that, that clearly  
8 with, with a lot of things I was dealing with,  
9 were things that were from the time that he was,  
10 uh, was running E&P.

11 Q Can you be a little specific.

12 MR. FERRARA: Objection as to form.  
13 It's very ambiguous and vague. We know that this  
14 is an important area of the testimony. I think  
15 these should be questions that are precise that  
16 the witness can answer with respect to relating  
17 facts into the record.

18 BY MR. HABER:

19 Q You said that you had a feel, you said,  
20 with "a lot of things that I was dealing with."  
21 What do you mean by that?

22 A I think we can -- as I mentioned, when I  
23 took over E&P, there were a lot of things  
24 operationally, organizationally, et cetera, that I  
25 found in the business that I was not very happy  
0067

1 WALTER VAN DE VIJVER, January 31, 2007  
2 with.

3 Q What sort of things?

4 A I think -- I mean generally in terms of  
5 how the organizational structure was operating,  
6 how we had made some choices in the, in the  
7 portfolio; how we -- how the technical quality of,  
8 of the organization was, was performing around the  
9 strategy in terms of where we wanted to go. A  
10 whole variety of, of business things.

11 Q And were these issues issues that you  
12 communicated to Mr. Watts prior to your  
13 termination?

14 A I had been totally transparent in my  
15 whole tenure in E&P about what issues -- the  
16 answer is yes. I've been totally transparent  
17 about the issues I was working and I was dealing  
18 with over the tenure.

19 Q When you say "over the tenure," you're  
20 talking beginning as early as June of 2001?

21 A Yes. There were things already that I,  
22 very quickly after I arrived -- you mentioned  
23 example in Oman on things that I was uncomfortable  
24 with.

25 Q Now, you mentioned choices in portfolio.  
0068

1 WALTER VAN DE VIJVER, January 31, 2007  
2 What did you mean by choices in the portfolio?

3 A A choice in the portfolio, I mean some  
4 of the, the acquisitions that were made, that  
5 didn't turn out as was hoped that they would turn  
6 out, some of the strategic focus about where we  
7 wanted to grow the business.

8 Q Did any of these choices have to do also  
9 with bookings of proved reserves?

10 A No, initially that was not the first  
11 thing I, I came across. I mean I think I -- the  
12 issue around concerns around reserves started

13 early 2002.

14 Q And generally what were the issues  
15 surrounding your concerns around reserves?

16 A Those were issues that they came up  
17 during the closeout report from Anton Barendregt  
18 in 2001 which identified areas of, of exposure and  
19 concern.

20 Q Do you recall what areas of exposure  
21 were identified with Mr. Barendregt?

22 A Some related to, to specific projects.  
23 Some related to Oman and Nigeria as a total  
24 country.

25 Q And of course, with Oman you had already  
0069

1 WALTER VAN DE VIJVER, January 31, 2007  
2 identified problems in your Trip Report; is that  
3 correct?

4 MR. TUTTLE: Objection to form;  
5 characterization of the testimony.

6 MR. MORSE: Same objection.

7 MR. DOWD: Answer the question.

8 BY MR. HABER:

9 Q You can answer the question.

10 A Sorry. Can you repeat the question  
11 again.

12 Q I said with Oman you had already  
13 identified problems in your Trip Report; is that  
14 correct?

15 MR. TUTTLE: Same objection.

16 THE WITNESS: That's correct, but that  
17 was not relating to proved reserves, just to  
18 clarify.

19 BY MR. HABER:

20 Q It was a broader issue --

21 A Broader issues around the state of the  
22 business.

23 Q Performance?

24 A Yes.

25 Q Production?

0070

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Production, but just quality of the, of  
3 the overall operation, quality of the team, how

4 the company felt in terms of being well organized  
5 and functioning.

6 Q And the Trip Report you distributed to  
7 Phil Watts, correct?

8 A Yes, and Jeroen van der Veer.

9 Q Going back to the reasons why you felt  
10 Mr. Watts should have been terminated, what other  
11 reasons did you have for believing that?

12 A I'd rather talk about myself than about  
13 other people, if I may.

14 Q Well, if I could I'd like an answer.  
15 I'd like to know what other reasons.

16 MR. DOWD: Answer the questions. You  
17 don't have that liberty.

18 THE WITNESS: Okay.

19 MR. FERRARA: Could you repeat the  
20 question.

21 MR. DOWD: Hang on a second.

22 (Discussion was held off the record.)

23 BY MR. HABER:

24 Q Going back to the reasons why you felt  
25 Mr. Watts should have been terminated, what are  
0071

1 WALTER VAN DE VIJVER, January 31, 2007  
2 the reasons you had for believing that?

3 MR. FERRARA: Objection; ambiguous,  
4 vague, calling for a narrative, not facts.

5 BY MR. HABER:

6 Q You can answer.

7 MR. DOWD: Answer the question.

8 THE WITNESS: I, I generally felt that  
9 the company was not doing well under his  
10 leadership.

11 BY MR. HABER:

12 Q And what reasons did you have for  
13 feeling that?

14 A As I mentioned earlier, a lot of these  
15 reasons related to how I felt the E&P business was  
16 run before my time.

17 Q Were there other reasons than what you  
18 mentioned a few moments ago?

19 A No. I always tried to keep a  
20 professional relationship going.

21 Q You referred to the E&P business under  
22 Mr. Watts' leadership. When was he running E&P?

23 A From mid-'97 until June 2001.

24 Q Did any of the reasons that --  
25 withdrawn.

0072

1 WALTER VAN DE VIJVER, January 31, 2007

2 Did the fact that there were a number of  
3 bookings of proved reserves before they had  
4 reached FID factor into your reasoning for why  
5 Phil Watts should have been fired?

6 A No.

7 MR. TUTTLE: Objection to form. Assumes  
8 facts not in evidence.

9 MR. MORSE: Objection.

10 BY MR. HABER:

11 Q You can answer.

12 A I said no.

13 Q You mentioned Judy Boynton as someone  
14 who you believe should have been terminated. What  
15 reasons did you have for that feeling?

16 A I felt very uncomfortable during Project  
17 Rockford.

18 Q And why is that?

19 A I didn't feel that the right questions  
20 were being asked and that we were going through  
21 the process as efficiently as we could have gone  
22 through.

23 Q Can you elaborate a little bit more of  
24 what questions did you believe should be asked or  
25 should have been asked.

0073

1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. TUTTLE: Mr. Haber, at this point as  
3 we get into questions on Project Rockford, I'd  
4 like to remind you and the witness that Shell has  
5 not waived its attorney/client privilege with  
6 respect to conversations that Mr. Van de Vijver  
7 may have had with lawyers or seeking legal advice.  
8 I would ask you and Mr. Van de Vijver both to make  
9 sure that we stay away from those privileged areas  
10 and that the company intends to assert its  
11 privilege on this.

12 MR. HABER: Okay.

13 MS. SENNETT: Objection to the form of  
14 the question, too, if you're going to proceed and  
15 answer.

16 BY MR. HABER:

17 Q Can you answer the question without  
18 involving any counsel, any of Shell's counsel at  
19 the time?

20 A I think I -- one of the things that I  
21 did after this whole shock event at Shell, I wrote  
22 a letter to my former colleagues in March 2004  
23 where I tried to provide some of the overall  
24 context, and particularly during Project Rockford  
25 where I was, I was very worried about conflict of

0074

1 WALTER VAN DE VIJVER, January 31, 2007  
2 interest, I was very worried about this not going  
3 quickly enough through the process of establishing  
4 what the real -- getting out of this new knowledge  
5 based on Oman and Nigeria, trying to get a full  
6 understanding of, of the extent of our global  
7 problem based on the findings, and getting to an  
8 understanding about, given what we had about  
9 addressing issues like restatement and revision  
10 and doing that role as expediently as possible.

11 MR. DOWD: Let me make a statement for  
12 the record on behalf of Mr. Van de Vijver with  
13 respect to Mr. Tuttle's point. After Mr. Van de  
14 Vijver was discharged, there were leaks out of the  
15 Shell organization trying to defame him and  
16 destroy him, and it had to do with Rockford, so I  
17 think he's free to respond, and particularly the  
18 March letter, if you could focus on that, but  
19 there weren't any privilege with respect to the  
20 leaks to defame him and make it appear that he had  
21 done nothing to bring these matters to the  
22 attention of the senior people in Shell, so I  
23 object to the objection, and I think Mr. Van de  
24 Vijver ought to be able to testify to these  
25 matters.

0075

1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. HABER: Certainly from the

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

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

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

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

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

25 THE VIDEOGRAPHER: This marks the  
0076

1 WALTER VAN DE VIJVER, January 31, 2007  
2 beginning of Tape 2. We are back on the record.  
3 The time is 11:42 a.m.

4 BY MR. HABER:

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

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

12 A Yes.

13 Q Did you write this letter?

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

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

18 A I was still very upset about what had  
19 happened to me, which I considered totally unjust,

20 and I, I felt -- particularly with all the things  
21 that were in the news on this issue, I felt that I  
22 had to explain to the, to the board and my former  
23 colleagues at CMD what I thought was the  
24 reflection of the facts.

25 Q Now, earlier I had asked you questions  
0077

1 WALTER VAN DE VIJVER, January 31, 2007  
2 about why you believe Ms. Boynton should have been  
3 terminated, and you identified one reason:  
4 Because she wasn't asking the right questions. Is  
5 there something in this letter where you discuss  
6 that issue? And please take a moment to look at  
7 the letter.

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

23 Now, the reality was that in  
24 November 2003 when I received unsatisfactory audit  
25 reports on Oman and Nigeria, I was deeply  
0078

1 WALTER VAN DE VIJVER, January 31, 2007  
2 concerned that we now had a, a real disclosure  
3 issue, and I got my staff to work on that whole  
4 disclosure. I, I submitted a note to the CMD to  
5 that effect on, on the 8th of December, 2003. I  
6 was advised, as soon as I had submitted that Note  
7 For Distribution to the CMD, that, that the note  
8 needed to be looked at and, uh, and was then  
9 redistributed the day thereafter to CMD, and some  
10 changes were made.

11 At the same time when all of this was

12 ongoing, there was a lot of work ongoing trying to  
13 get to the full understanding about not only what  
14 the real numbers should be on Oman and Nigeria,  
15 but also doing a patrol to the rest of our  
16 portfolio, very carefully with the limited number  
17 of experts we had, to try to get to the full  
18 understanding. At that, at that first CMD  
19 meeting, I think it was December 9th, the process  
20 was, was being taken over by, uh, by the Group  
21 Chairman and the CFO, and I felt that that whole  
22 process was, was very, very difficult, very tense,  
23 and it, it led to, to ultimately the disclosure as  
24 it was on the 9th of January. I felt the whole  
25 process was a very tedious process.

0079

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And when you say "the Group Chairman,"  
3 who are you referring to?

4 A Phil Watts.

5 Q And the CFO?

6 A Judy Boynton.

7 Q Now, if you look at Page 3, and I'm  
8 looking at the paragraph that begins "Throughout  
9 this entire process." Do you see that? It's on  
10 the -- it's the fourth -- it's the third paragraph  
11 from the bottom. The first sentence reads,  
12 "Throughout this entire process, my attempts to  
13 bring the reserves issues to management's  
14 attention were met with resistance."

15 How were your attempts resisted?

16 A You have to see the sentence in the  
17 context of, of the whole period that, that started  
18 in, when we had the real understanding in  
19 November 2003.

20 Q Okay, so in that context, in that  
21 context --

22 A In that context I, I charged -- in  
23 November I charged Coopman to prepare the staff  
24 work to take the issue at that stage I think my  
25 target to Conference on the 3rd of December, and

0080

1 WALTER VAN DE VIJVER, January 31, 2007

2 as you know, it, it took a long time to actually  
3 get there. I mentioned earlier that, that the  
4 process that happened on the 8th of December were  
5 actually when I had the meeting with all my staff  
6 on the 3rd of December to work this and get all  
7 the necessary work done. Part of that work was,  
8 uh, was taken away from E&P and was taken by Judy  
9 Boynton, and therefore I had the original -- I had  
10 the work scope for E&P reduced, and thereafter, as  
11 you know, the process was, was totally taken over  
12 by the Chairman and the CFO, and I -- that was the  
13 start of, of Rockford.

14 Q Now, when you say that, that the work  
15 scope was taken away from E&P, what did you mean?  
16 What do you mean by that?

17 A There were, there were two issues to  
18 work. First, there was the technical work, doing  
19 the detailed review based on the SEC rules, what  
20 the real numbers needed to be, but there was other  
21 issue that related to how are we going to  
22 externally disclose the numbers, and what are we  
23 going to communicate and what are we not going to  
24 communicate in that disclosure externally. And  
25 the note to the Group Audit Committee was also  
0081

1 WALTER VAN DE VIJVER, January 31, 2007  
2 largely outside my hands.

3 Q Do you have an understanding as to why  
4 Ms. Boynton had reduced the scope of work at EP?

5 A I think she, she felt uncomfortable with  
6 the work done by Frank Coopman and wanted to have  
7 a closer control on the end product.

8 Q And what is your understanding as to why  
9 she had felt uncomfortable with the work done by  
10 Mr. Coopman?

11 MS. WICKHEM: Object to form and  
12 foundation.

13 BY MR. HABER:

14 Q You can answer.

15 A Her, her relationship with Coopman was a  
16 difficult one.

17 Q Did someone tell you that?

18 A Yes.

19 Q Who?

20 A Judy Boynton told me that in many  
21 instances.

22 Q Did Frank Coopman ever tell you he had a  
23 difficult relationship with Ms. Boynton?

24 A Yes.

25 Q On how many occasions?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Quite a few.

3 Q Who took over the work that was  
4 earmarked or targeted toward E&P?

5 MR. MORSE: Objection to form.

6 MR. TUTTLE: Same objection.

7 BY MR. HABER:

8 Q You can answer.

9 A There was Tim Morrison, the controller  
10 group working for Judy Boynton.

11 Q Now, who is Tim Morrison?

12 A The Group Controller.

13 Q And who did Tim Morrison report to?

14 A Judy Boynton.

15 Q Have you heard of a "dotted line  
16 reporting" within Shell?

17 A Yes.

18 Q And what is your understanding of a  
19 dotted line reporting?

20 A In this particular case it means that  
21 the CFO of E&P has a dotted line reporting  
22 relationship to the Group CFO.

23 Q And the opposite or I guess the other  
24 type of reporting is a straight line reporting?

25 A Yes, straight line reporting to me of

0083

1 WALTER VAN DE VIJVER, January 31, 2007  
2 Frank Coopman.

3 Q How did you react when Ms. Boynton had  
4 reduced the scope of work that EP was supposed to  
5 be doing?

6 MS. WICKHEM: Object to form and  
7 foundation.

8 THE WITNESS: Well, I know we had a  
9 discussion about it at that time, and in the end

10 of the day she is the Group CFO, so she has the  
11 right to do that, and for us it was important to  
12 make sure that we were getting the right numbers,  
13 so in the end of the day you work within the  
14 organization that is there.

15 BY MR. HABER:

16 Q And you said you had a, a discussion  
17 with her. Was this a face-to-face meeting?

18 A Yes.

19 Q Do you recall when this meeting took  
20 place?

21 A I think it was either the 4th or 5th of  
22 December.

23 Q And where was the meeting held?

24 A In London.

25 Q And why was it held in London?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A She is based in London, and it was part  
3 of the CMD system. We had offices on both sides,  
4 so I also had an office in London, and I would be  
5 there on a regular basis.

6 Q Was anyone else present during this  
7 meeting?

8 A No. I think it was just between Judy  
9 and myself, whereafter a note was issued to  
10 clarify who was going to do what work.

11 Q Other than the reduction in the scope of  
12 work to EP, are there any other instances where  
13 you believe you met with resistance with regard to  
14 Ms. Boynton?

15 A Well, there was a lot of argument at the  
16 time as well about whether this was going to be a  
17 revision or a restatement. We in E&P believed it  
18 was pretty clear-cut that this needed to be a  
19 restatement.

20 Q And why did you believe it needed to be  
21 a restatement?

22 A Because it affected things that -- in  
23 the strict adherence with the knowledge we now had  
24 at the time of SEC rules, it was not related to  
25 new learning in that particular year, but it was

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1 WALTER VAN DE VIJVER, January 31, 2007

2 something that in the past, based on using the  
3 Shell guidelines, has been done incorrectly.

4 Q What was Ms. Boynton's position?

5 A She very much believed it to be a  
6 revision.

7 Q Did she ever express to you why she  
8 thought it should be a revision?

9 A A revision is an easier route, because  
10 you don't have to readjust all your prior year  
11 results as part of that process.

12 Q Did she say anything else?

13 A No, not that I recall.

14 Q Now, you understand that in January the  
15 first announcement that Shell made referred to a  
16 recategorization of proved reserves; do you recall  
17 that?

18 A Yes.

19 Q Do you recall any discussion over  
20 calling the restatement a recategorization?

21 MR. TUTTLE: Object to form and  
22 foundation.

23 THE WITNESS: I recall that in early  
24 January, John Darley and myself prepared a note  
25 that tried to, to provide the rationale that this

0086

1 WALTER VAN DE VIJVER, January 31, 2007

2 was, was a restatement in our, in our position,  
3 but ultimately it was decided in London that it  
4 was going to be a recategorization. Sorry. I  
5 have difficulty pronouncing the word.

6 BY MR. HABER:

7 Q Don't worry. It doesn't flow off my  
8 tongue either.

9 Do you recall when this was decided in  
10 London?

11 A A couple of days before the press  
12 announcement.

13 Q A couple of days before the first  
14 announcement in January of 2004?

15 A Yes.

16 Q Were you in attendance during this  
17 meeting?

18 MR. TUTTLE: Object to form.

19 THE WITNESS: Not that I recall.

20 BY MR. HABER:

21 Q Did someone report to you what had been  
22 decided?

23 A Yes.

24 Q Who?

25 A I think I remember receiving that from

0087

1 WALTER VAN DE VIJVER, January 31, 2007

2 Mary Jo Jacobi.

3 Q And who is Mary Jo Jacobi?

4 A She was the head of our External Affairs  
5 or Public Affairs, one of the two departments.

6 Q Did she say she was in attendance at a  
7 meeting where this decision was made?

8 A Not that I recall. I think this was an  
9 e-mail that I saw.

10 MR. HABER: Let's mark as Exhibit 2 an  
11 e-mail string, and while you take a look at it,  
12 I'll identify it for the record.

13 (Exhibit No. 2 was marked for  
14 identification and attached to the deposition  
15 transcript.)

16 BY MR. HABER:

17 Q I've just marked as van de Vijver  
18 Exhibit 2 an e-mail string, the last of which is  
19 from Mr. Van de Vijver to John Darley and Frank  
20 Coopman. It's dated December 29, 2003. The Bates  
21 number is V00010584 through V00010587.

22 Mr. Van de Vijver, have you seen this  
23 document before today?

24 A Yes.

25 Q Before I ask you the question about this

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 document, I just wanted to go back to your  
3 understanding of the use of the word

4 "recategorization." Did you have an understanding  
5 after learning from Ms. Jacobi why the term  
6 "recategorization" was chosen?

7 A My understanding, it meant that  
8 therefore it could not be interpreted just as

9 either a revision or a restatement. It was

10 something --

11 THE REPORTER: As either a what or a  
12 restatement?

13 THE WITNESS: A revision or a  
14 restatement.

15 BY MR. HABER:

16 Q Did Ms. Jacobi say anything about the  
17 impact on the market that the term  
18 "recategorization" would have?

19 A No.

20 MR. TUTTLE: Objection to form.

21 THE WITNESS: No.

22 BY MR. HABER:

23 Q Did Ms. Jacobi say anything to the  
24 effect that a recategorization would be received  
25 by the market better than a restatement?

0089

1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. TUTTLE: Objection to form;  
3 foundation.

4 THE WITNESS: No.

5 BY MR. HABER:

6 Q Now, looking at this document, you --  
7 the last e-mail is from you to John Darley and  
8 Frank Coopman. Who is John Darley?

9 A John Darley is -- was reporting to me.  
10 He was the head of Technology, and he was my  
11 Designated Focal Point in Project Rockford.

12 Q And when you say your "Designated Focal  
13 Point," is that for EP?

14 A Yes.

15 Q And was there more than EP involved in  
16 Project Rockford?

17 A Well, there was -- an organizational  
18 structure was set up for Rockford, which clarified  
19 who were the focal points for the various  
20 organizations whilst we were working through this  
21 process, and I felt strongly that John Darley was  
22 the best candidate from the E&P side.

23 Curtis Frazier was my, my, was my legal  
24 counsel for E&P; was also closely involved, on the  
25 technical side, John Darley was leading the effort

0090

1 WALTER VAN DE VIJVER, January 31, 2007

2 and coordinating the activity.

3 THE VIDEOGRAPHER: If you could just

4 adjust your microphone really quick. It's about

5 to fall off your tie.

6 THE WITNESS: All right.

7 THE VIDEOGRAPHER: Thanks.

8 BY MR. HABER:

9 Q What other organizations were part of

10 Project Rockford?

11 A Public Affairs, IR, Legal, the finance

12 organization from, from Judy Boynton, obviously.

13 There was an organizational structure defined in

14 that time.

15 Q Who was the Focal Point for Investor

16 Relations?

17 A Simon Henry.

18 Q And who was Simon Henry?

19 A He was head of Investor Relations and

20 reported in to Judy Boynton.

21 Q And who is the Focal Point for Public

22 Affairs?

23 A That was Mary Jo Jacobi.

24 Q Okay, and in the organization, all of

25 these little separate organizations, did they

0091

1 WALTER VAN DE VIJVER, January 31, 2007

2 report to one person or persons at the top?

3 A Yes. Ultimately they all reported in to

4 Phil Watts.

5 Q Do you know at the time that, at the

6 time that Rockford was started, if anyone was

7 urging an independent review of the reserves

8 issues?

9 A So you mean independent outside the

10 company, or --

11 Q Well, let's take within the company.

12 A Within the company?

13 Q Other than being headed by Phil Watts.

14 MR. TUTTLE: Objection to form;

15 foundation, characterization.

16 THE WITNESS: Project Rockford was

17 launched by Phil Watts on that first CMD meeting  
18 the 9th of December.

19 BY MR. HABER:

20 Q Okay. Now, let's take externally. Did  
21 anyone advocate an independent review of the  
22 reserves?

23 A Yeah, but I was not involved in those  
24 discussions. They took place separately with the  
25 Group, Group Audit Committee and the Group  
0092

1 WALTER VAN DE VIJVER, January 31, 2007  
2 Conference.

3 Q Going back, if we can look at Exhibit 2  
4 for a moment, do you recall why you sent this  
5 e-mail to Mr. Darley and Mr. Coopman?

6 A Well, this was part of our internal  
7 debate, and I think there are a couple of more  
8 e-mails at the time where I -- and I mean I  
9 clearly was not an expert in this issue. I was  
10 trying to get an understanding based on the rules  
11 as they were, and that's why I asked originally  
12 Judy Boynton the question about how this is worked  
13 and got this feedback from Tim Morrison. And  
14 ultimately from my interpretation of his notes, I  
15 concluded it had to be a restatement.

16 Q And that's reflected in the note that  
17 you wrote to them that says, "Looks that we are  
18 more in hindsight mode number 2"?

19 A Yeah, but there were some separate other  
20 notes as well to that effect.

21 Q Right, okay. Just so you know,  
22 throughout these proceedings, we'll be coming back  
23 and forth to this letter, so --

24 A Okay.

25 Q -- I just want to let you know to keep  
0093

1 WALTER VAN DE VIJVER, January 31, 2007  
2 it handy.

3 Other than Ms. Boynton and Mr. Watts,  
4 was there anyone else you felt should have been  
5 terminated as a result of their role in the  
6 reserves recategorization?

7 MR. MORSE: Objection to form;

8 mischaracterizes prior testimony.

9 BY MR. HABER:

10 Q You can answer.

11 A No.

12 Q I'd like to -- just so you know where  
13 we're going to go, I'm going to take you now to  
14 when you first started as head of EP, CEO of EP.

15 When did you first learn that you were  
16 appointed or selected to become the head of EP?

17 A I think that there was a two-step  
18 process. I was -- in December 2000 I was asked to  
19 become a member of the Committee of Managing  
20 Directors, but it was not until February 2001  
21 somewhere -- I don't know the exact date -- where  
22 I was advised what my role would be.

23 Q Let's take the December 2000. Who asked  
24 you to become a member of the Committee of  
25 Managing Directors?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Mark Moody-Stuart.

3 Q And did he explain to you why you were  
4 being invited to join the CMD?

5 A I, I don't exactly recall the, the  
6 conversation. My head was spinning a little bit  
7 at that time. I had not expected it to happen at  
8 that time.

9 Q And at this time you were still at  
10 SEPCo, correct?

11 A Yes.

12 Q I got it right this time.

13 A It was after -- it was after a, a --  
14 what do you call it? In a regular meeting, I  
15 think, of the, of Conference where I had been  
16 presenting a project.

17 Q So you were advised during a  
18 presentation?

19 A No, after, after, after the meeting.

20 Q I apologize.

21 Did Mr. Moody-Stuart say anything to you  
22 about becoming a candidate for the position of  
23 head of EP?

24 A No. I think at that time he merely said

25 that the normal process would be that somewhere

0095

1 WALTER VAN DE VIJVER, January 31, 2007

2 early in the year there would be discussions about

3 how the portfolio would be distributed.

4 Q Did you request to be considered as a

5 candidate for the position as head of EP?

6 A At that time?

7 Q Yes.

8 A No.

9 Q So if you didn't request, someone

10 nominated you?

11 MR. TUTTLE: Objection to form.

12 BY MR. HABER:

13 Q Do you know if someone nominated you?

14 A I'm -- I don't know how that process

15 ultimately works. I was not privileged to it. I

16 think I'm -- I may have made the remark somewhere

17 early in 2001 to Mark Moody-Stuart that I would be

18 very interested in the E&P business.

19 Q But at that time did you mention that

20 what you meant was to be the head of the business?

21 A Yeah, yeah. No. Clearly. Sure, but I

22 don't --

23 Q I'm sorry.

24 A He didn't give me any indication one way

25 or another.

0096

1 WALTER VAN DE VIJVER, January 31, 2007

2 (Discussion was held off the record.)

3 BY MR. HABER:

4 Q Do you recall having discussions with

5 anyone other than Mr. Moody-Stuart about an

6 interest you had in becoming the head of EP?

7 A No, I do not recall.

8 Q Do you recall having any discussions

9 with Phil Watts about becoming, you know, becoming

10 the head of EP?

11 MR. TUTTLE: Same time period?

12 MR. HABER: Yes.

13 THE WITNESS: I do not recall.

14 BY MR. HABER:

15 Q Now, you said that it was not until

16 February of 2001 or so where you were advised of  
17 what your role would be. What did you mean by  
18 that?

19 A In the CMD the various portfolios in  
20 terms of the businesses -- gas and power,  
21 chemicals, exploration and production and oil  
22 products -- are distributed amongst the various  
23 members of the Committee of Managing Directors,  
24 plus allocation of some of the staff functions,  
25 plus some of the regional responsibilities. And  
0097

1 WALTER VAN DE VIJVER, January 31, 2007  
2 when there is a change in the committee, then  
3 there is a change in the allocation of roles.

4 Q And what role were you assigned?

5 A I was given the role of CEO of the  
6 exploration and production business, and I was  
7 given the regional role for Latin America and  
8 Africa.

9 Q And within that region, Latin America  
10 and Africa, did you have any responsibilities for  
11 monitoring the activities of the operating units  
12 within that region -- those regions?

13 A Yeah, but very much on a light touch  
14 basis. I mean the businesses are directly  
15 responsible for running the business, ensuring the  
16 performance of the business. As Regional Managing  
17 Director, you care more about the reputation of  
18 the business, relationships with key  
19 stakeholders -- for instance, the government --  
20 and relationships with the country chairpersons in  
21 that country, to make sure that they feel able to  
22 do their job and have the right sort of check and  
23 balances in place.

24 Q What is a country chairperson?

25 A A country chairperson is the most --  
0098

1 WALTER VAN DE VIJVER, January 31, 2007  
2 appointed most senior Shell person in a particular  
3 country.

4 Q And was there a chairperson for Nigeria?

5 A Yes.

6 Q Who was the chairperson at the time that

7 we're talking about, February of 2001?

8 A Ron van den Bergh.

9 Q Did Mr. van den Bergh remain the country  
10 chair throughout your tenure as head of EP?

11 A No. He moved -- somewhere during my  
12 tenure he actually moved to become one of my  
13 Regional Business Directors on the EP ExCom,  
14 somewhere around the summer 2003, if I recollect,  
15 when he took over from Din Megat, who then  
16 retired.

17 Q And who succeeded Mr. van den Bergh as  
18 chairperson for Nigeria?

19 A That was Chris Finlayson.

20 Q Do you know where Mr. Finlayson had come  
21 from prior to succeeding Mr. van den Bergh?

22 A Yes. He was the Managing Director for  
23 Shell in Brunei and also country chair.

24 Q Now, is there a difference between a  
25 Managing Director and a Regional Business

0099

1 WALTER VAN DE VIJVER, January 31, 2007  
2 Director?

3 A A Regional Business Director has  
4 responsibility for -- are you talking about now my  
5 EP ExCom, or are you talking about a Group  
6 Regional Director?

7 Q I was referring to the Regional Business  
8 Director that is a member of the ExCom.

9 A Okay. So the Regional -- the Regional  
10 Business Director has responsibility for a  
11 particular region, and someone sitting in a  
12 country only has responsibility for the country  
13 where he is located. And job titles, yeah, were  
14 not always totally consistent, some clerical,  
15 sometimes chief executive, some managing  
16 directors, whatever was sort of the, sort of local  
17 custom.

18 Q So a managing director in some operating  
19 units could be the Regional Business Director?

20 A No. Well, that's, that's, that's  
21 what -- that was one of the changes I made at the,  
22 at the end of 2003, and we had the transition in  
23 2003 when we actually created an organization

24 where we wanted to get more hands-on to the  
25 operation, and some of the Regional Business  
0100

1 WALTER VAN DE VIJVER, January 31, 2007

2 Directors would actually physically sit in a  
3 location. So my Regional Business Director then  
4 for Africa actually sat in Nigeria, for instance,  
5 for the Middle East ended up sitting in Dubai.

6 Q So prior to this change in the  
7 organization, the Regional Business Directors sat  
8 where?

9 A Regional Business Directors sat in The  
10 Hague.

11 Q In the Center?

12 A In the Center.

13 Q Do you know if there was anyone else who  
14 was a candidate for the position of head of EP?

15 A No. I, I don't know, but I can guess  
16 there were others, and when it comes to the, to  
17 the Committee of Managing Directors, another  
18 choice with respect to a history and experience  
19 would have been Harry Roels, who also came from --  
20 most of his career was spent in the E&P business.

21 Q And at the time you joined the CMD, who  
22 was the chairman of the CMD?

23 A Phil Watts.

24 Q Do you know if Mr. Watts had any input  
25 into your appointment?

0101

1 WALTER VAN DE VIJVER, January 31, 2007

2 A I don't personally I don't know,  
3 but . . .

4 Q Did anyone ever tell you that he did?

5 A No.

6 Q Was Mr. Watts scheduled to retire at  
7 some point, if you know?

8 A Well, when I was still within Shell,  
9 there was a mandatory retirement age of 60, so I  
10 think on that basis -- I can't be sure. I think  
11 Phil Watts would retire in the middle of 2005.

12 Q Did Shell have a succession planned for  
13 Mr. Watts?

14 A I'm not the one to be able to answer

15 that.

16 Q Were you interested in succeeding

17 Mr. Watts as chair of the CMD?

18 A Yes.

19 Q Do you have an understanding that being  
20 head of EP was a footstone for becoming chair of  
21 the CMD?

22 A I well understood that my two  
23 predecessors had gone through the same route, so  
24 yes.

25 Q Do you know who a Mr. Loudon is?

0102

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q And who is that?

4 A He is one of the board members of Royal  
5 Dutch/Shell, so he sat at Conference.

6 Q Do you recall having any discussions  
7 with Mr. Loudon about becoming the head of EP?

8 A Becoming the head of EP? No.

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

11 MR. DOWD: Good.

12 THE VIDEOGRAPHER: We are going off the  
13 record. The time is 12:26 p.m.

14 (Whereupon, the lunch recess was taken.)

15 THE VIDEOGRAPHER: We are back on the  
16 record. The time is 1:20 p.m.

17 BY MR. HABER:

18 Q Good afternoon, Mr. Van de Vijver. I'd  
19 like to talk to you now about what had happened  
20 when you became the head of EP, so my first  
21 question to you is: Was there a transition period  
22 between you and Mr. Watts?

23 A There was no real transition period. I  
24 had a, a couple of, of meetings with him, and the  
25 sort of formal handover happened at a group

0103

1 WALTER VAN DE VIJVER, January 31, 2007  
2 leadership meeting in Houston in the end of May in  
3 2001, and then I became the CEO of E&P in The  
4 Hague in June. Somewhere in early June I moved my  
5 family to come across with us.

6 Q Why is it the handover, the formal  
7 handover occurred in Houston?

8 MR. FERRARA: Objection as to form;  
9 foundation, calling for lay opinion.

10 THE WITNESS: That was pure --

11 BY MR. HABER:

12 Q You can answer.

13 A -- coincidence, because there was an  
14 annual group leadership meeting taking place in  
15 Houston which incorporated a meeting with all the  
16 senior E&P people as well.

17 Q Was the handover planned for this group  
18 leadership meeting?

19 A It was intentioned that that was the  
20 last meeting for the E&P leadership forum where  
21 Phil would have the forum and that I would take it  
22 on from there onwards.

23 Q Did Mr. Watts make an announcement that  
24 you were succeeding him at the meeting?

25 A Yes, and he handed over part of the

0104

1 WALTER VAN DE VIJVER, January 31, 2007  
2 agenda to me.

3 Q What is a group leadership meeting?

4 A A group leadership meeting is an event  
5 that started many, many years before my time,  
6 where the senior persons in the group would get  
7 together twice a year to basically discuss the  
8 state of the group and whatever group initiatives  
9 were, were happening at that stage. So that could  
10 vary from the top 700 to the top 500 of the  
11 company.

12 Q Do you know if any external participants  
13 are invited to these group leadership meetings?

14 A Generally no, but sometimes some  
15 external parties would be invited to make a  
16 presentation.

17 Q What type of external party would be  
18 invited?

19 A I remember at one occasion there was a  
20 presentation from someone from an investment bank  
21 that would make a presentation about sort of their  
22 perception of Shell, and I think we also sometimes

23 had a CEO of another company to make a  
24 presentation.

25 Q Do you recall at the group leadership  
0105

1 WALTER VAN DE VIJVER, January 31, 2007  
2 meeting where the formal handover occurred, if  
3 there were any external participants?

4 A No.

5 Q Do you have an understanding as to why  
6 the meeting was held in Houston?

7 A I, I think it sort of has grown  
8 historically. I mean I think the most important  
9 part was that there was an extremely good facility  
10 there, a very large facility there in Woodland, I  
11 think it is called, in Houston that was used when  
12 Shell Oil for many, many years for training, and  
13 it has a very large accommodation to it, so just a  
14 convenient area. And it also -- as part of the  
15 whole globalization effort, it is also part of  
16 saying rather than people, the senior people,  
17 which are many in the U.S., always traveling to  
18 the other part of the world, once a year we would  
19 have it in Houston. The other meeting would  
20 always be somewhere else.

21 Q When you say "the other meeting" --

22 A These meetings occurred twice per year,  
23 so one would be held in Houston, another one would  
24 be held in Maastricht or in Paris or in London or  
25 the Netherlands.

0106

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Just to be clear, I think you referred  
3 to the facility as "Woodland." Is it Woodcreek?

4 A No. Woodcreek is the name of an office.  
5 No, Woodland is sort of out of town. I think it  
6 is called the Woodlands, yeah.

7 Q Okay.

8 A Not an office.

9 Q Okay.

10 A It is a pure training and convention  
11 center type of facility.

12 Q Earlier you mentioned that there was an  
13 investment banker that attended one of these

14 meetings?

15 A Yeah.

16 Q Do you recall which meeting that was?

17 A No, I cannot, not be sure. I know who  
18 it was, but I would not be able to recall  
19 whether -- what location it was.

20 Q And who do you recall the investment  
21 banker was?

22 A It was Chang Su Yun. He was from  
23 Goldman Sachs.

24 Q And do you know where he was based?

25 A In New York.

0107

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And you don't recall the date of this  
3 meeting?

4 A No. As I said, I've been to so many of  
5 these meetings, I really -- I cannot be sure.

6 Q Do you recall if this meeting where the  
7 investment banker attended occurred during your  
8 tenure as head of EP?

9 A No. I think it was before then.

10 Q You think it was while you were head of  
11 SEPCo?

12 A Yeah, or even earlier, when I was CEO of  
13 Gas and Power. I'm sorry. I can't really  
14 recollect that one.

15 MR. DOWD: That's all right.

16 BY MR. HABER:

17 Q Now, going back to the handover period,  
18 did you have any meetings with Mr. Watts about  
19 what you could expect as head of EP?

20 A I had -- I think, as I said, I recall  
21 two meetings with Watts where he would sort of do  
22 a tour of the globe and give me a general  
23 impression of what activity was ongoing, very much  
24 focused around new business development  
25 activities.

0108

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q During these meetings did he mention any  
3 past bookings?

4 A No.

5 Q Did he mention any operating units that  
6 may have issues that you should draw your  
7 attention to?

8 A No, but I do think he, he thought it  
9 would be a good idea if I would, sort of early on,  
10 would visit Nigeria, because that was clearly an  
11 area that he had worked in the past, and he  
12 considered very important, and I personally had  
13 never worked there, so . . .

14 Q Did he give any other explanation as to  
15 why he thought you ought to consider visiting  
16 Nigeria?

17 A No, just a general familiarization with  
18 the business.

19 Q And in discussing Nigeria, did he  
20 identify a particular operating unit within  
21 Nigeria that you should visit?

22 A No. It was more in a general sense,  
23 knowing there were two operating units there, SPDC  
24 and SNEPCO.

25 Q But he didn't say which one you should  
0109

1 WALTER VAN DE VIJVER, January 31, 2007  
2 visit?

3 A (Shakes head.)

4 THE REPORTER: Was that a no?

5 THE WITNESS: That was a no. Sorry.

6 BY MR. HABER:

7 Q Did he mention Gorgon at all?

8 A No.

9 Q At that -- prior to that time had you  
10 ever heard of Gorgon?

11 A Yes.

12 Q And how is it that you heard about  
13 Gorgon?

14 A I heard about Gorgon for the first time  
15 when I was CEO of Gas and Power.

16 Q And when did you -- when is this first  
17 time that you have this recollection?

18 A Well, I don't know the exact time, but  
19 as part of my handover for my job as CEO of Gas  
20 and Power, I visited Australia fairly early on  
21 when I was in, in that new job, because there were

22 two important parts. Australia also had the vast  
23 majority of the coal business of Shell, so I  
24 remember spending a whole week in, in Australia  
25 visiting every single Shell mine that Shell had,  
0110

1 WALTER VAN DE VIJVER, January 31, 2007  
2 and probably also visited the Northwest Shelf  
3 facilities.

4 Q And where is the Gorgon reserve located?

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

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

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

12 Q And where --

13 A Karata, I think it's called.

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

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

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

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

0111

1 WALTER VAN DE VIJVER, January 31, 2007

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

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

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

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

12 Q So you recall this being around 1997?

13 A Well, that's when I became CEO of Gas  
14 and Power, and I know, because of my portfolio,  
15 that Australia must have been one of the first --  
16 together with Japan, must have been one of my  
17 first visits that I, I did.

18 Q You mentioned that you had two meetings  
19 with Mr. Watts. Do you recall over the time  
20 period in which these meetings occurred?

21 A I think I had one dinner with him  
22 somewhere early in May, and then the actual  
23 breakfast meeting in, in Houston during this group  
24 leadership meeting.

25 Q And again when was this group leadership  
0112

1 WALTER VAN DE VIJVER, January 31, 2007  
2 meeting?

3 A Somewhere in the second half of  
4 May 2001.

5 Q Other than these two meetings, can you  
6 think of any other communications that you had  
7 with Mr. Watts concerning the transition into the  
8 CEO position of EP?

9 A No, but he would -- as we got closer to  
10 the date, he would copy me on, on some trip  
11 reports that he had, and he would -- he sent me  
12 the, the staff reports, I call it, the staff  
13 appraisals of his people at EP ExCom.

14 Q Do you recall what trip reports he had  
15 copied you on?

16 A If you can find something, then I'm  
17 happy, but I wouldn't be able to recollect that.

18 Q Okay.

19 A But it's -- I did not get any beyond  
20 what I mentioned on some of these e-mails and on,  
21 uh, on the staff appraisals as part of the  
22 closeout. I did not receive any other handover  
23 documents.

24 Q Did you request any documents from  
25 Mr. Watts?

0113

1 WALTER VAN DE VIJVER, January 31, 2007

2 A No.

3 Q Did you review any files during this

4 transition period?

5 A No, I -- when I came to the Hague, I  
6 arrived in an empty office, and I spent time with  
7 the people around me to give me a briefing and get  
8 me up to date on the state of the business.

9 (Exhibit No. 3 was marked for  
10 identification and attached to the deposition  
11 transcript.)

12 BY MR. HABER:

13 Q We've marked as van de Vijver Exhibit 3  
14 an e-mail from John Darley to Lorin Brass, among  
15 other people. It's dated August 5, 2001, unless  
16 you can correct me, if it's the other way, May 8,  
17 2001. There's no Bates number on this. This was  
18 produced in the native drive. It has a document  
19 identification number in the upper left-hand  
20 corner that says number "100214396: First meeting  
21 with Walter."

22 Have you seen this document before  
23 today?

24 A No.

25 Q Now, I recognize that your name is not  
0114

1 WALTER VAN DE VIJVER, January 31, 2007  
2 on this e-mail, but I asked, because perhaps you  
3 might have seen it during your tenure.

4 A No.

5 Q The reference in this document is a  
6 first meeting with you --

7 A Uh-huh.

8 Q -- with it looks like a number of  
9 people, including Lorin Brass, John Bell, Fons  
10 Claessen, Aidan McKay, Serge Leijten and Mark  
11 Leonard.

12 Do you recall meeting with these people?

13 A I recall having a few meetings early on,  
14 sort of the central strategy and planning people  
15 in Lorin Brass' organization to get a feel for,  
16 for the overall business.

17 Q Who is Lorin Brass?

18 A Lorin Brass was my director, responsible  
19 for new business development strategy and  
20 planning.

21 Q How would you describe the relationship  
22 you had with Mr. Brass?

23 A Very good.

24 Q And just so the record is clear, the  
25 date -- is this May 8, 2001, or is this August 5,  
0115

1 WALTER VAN DE VIJVER, January 31, 2007  
2 2001? Don't know?

3 A Well, I can't be sure, but if I think  
4 it's the first meeting, then it probably must have  
5 been in May, because if it was the first, I have  
6 to assume it is May.

7 Q Well, I'd like you to -- I'd like you  
8 to -- also, before we do that, who is John Bell?

9 A John Bell reported directly to Lorin  
10 Brass and was the head of Planning and Strategy.

11 Q Now, I'd like you to take a look at --  
12 I'm going to call them bullet points. They're  
13 actually dashes, but if you take a look at the  
14 third bullet point, the one that reads, "he picked  
15 up on the aggressive targets for production in  
16 BP00, commenting particularly about the  
17 significant early contribution from strategic  
18 options." Do you see that?

19 A Uh-huh.

20 Q Do you recall the discussion that  
21 surrounded this statement?

22 A No, not directly, but if I, if I read  
23 the terminology, "strategic options" must be  
24 related to production linked to new business  
25 development.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q What are strategic options?

3 A These are -- it's a combination of, of  
4 activities that staff would be working to create  
5 new business, from opening a business in a new  
6 country or bringing an additional project into the  
7 portfolio.

8 Q And with regard to the earlier part of  
9 the statement about "aggressive targets for  
10 production," do you recall any discussion about  
11 that?

12 A This is a team that sort of came back  
13 when we started building the business plan for the  
14 following year, and here I guess they were giving,  
15 giving me, giving me an overall update in terms of  
16 the business, to get me up to speed.

17 Q And do you remember any discussion about  
18 production targets?

19 A Well, if they showed me the business  
20 plan, they must have talked about production  
21 targets.

22 Q Are production targets included in the  
23 business plan?

24 A Yes.

25 Q And do you recall any discussion about

0117

1 WALTER VAN DE VIJVER, January 31, 2007  
2 those targets being aggressive?

3 MR. FERRARA: Asked and answered.

4 BY MR. HABER:

5 Q You can answer.

6 A Not particular recollection from this  
7 particular meeting, but I remember having many  
8 follow-up discussions as we prepared the business  
9 plan for the next year.

10 Q And in those follow-up discussions do  
11 you recall any discussions concerning production  
12 targets being aggressive?

13 A Yes, and that ultimately led to whether  
14 the process we went up with all the learning we  
15 had later in the year to lower our production  
16 growth target.

17 Q And what was the production growth  
18 target that was reduced?

19 A I don't, I don't recall the exact  
20 definition, but there was a growth production  
21 target, there was a sort of window around it of  
22 five percent, and I, I reduced that production  
23 growth target -- based on all the learning we had  
24 over the following months, as part of my due  
25 diligence I reduced the growth target to three

0118

1 WALTER VAN DE VIJVER, January 31, 2007  
2 percent.

3 Q We'll cover the events that relate to  
4 that in a few moments.

5 The -- if you jump down to the bullet  
6 point that says, "He showed concern at the trends  
7 around reserves replacement," do you recall a  
8 discussion around Shell's Reserves Replacement  
9 Ratio?

10 MR. TUTTLE: Objection; characterization  
11 of the document.

12 THE WITNESS: I do not directly recall  
13 this particular discussion, but I assume that they  
14 showed me some graph to show reserve replacement  
15 over, over the years.

16 BY MR. HABER:

17 Q And what do you understand "reserve  
18 replacement" to mean?

19 A Normally when we talk about reserve  
20 replacement, we talk about the proved reserves  
21 replacement or the percentage of reserve you  
22 replace relative to the annual production in that  
23 year.

24 Q And is that reflected in a percentage  
25 that's referred to as the "RRR" or "Reserves

0119

1 WALTER VAN DE VIJVER, January 31, 2007  
2 Replacement Ratio"?

3 A Yes.

4 Q And periodically throughout these  
5 proceedings I may refer to it as "RRR."

6 Now, if you go down to the next bullet  
7 point, it says, "He showed some concerns at our  
8 lack of focus." Do you recall any discussions on  
9 this issue?

10 A No. I don't have any direct  
11 recollection of this discussion. I want to help,  
12 so . . .

13 Q It's okay.

14 If you turn the page, the next sentence  
15 says, "My feeling was that he recognizes a need to  
16 prepare for 'spinning the problem away' at the  
17 right moment (December analyst briefing?) and  
18 would be prepared for a '3-month hit" on our  
19 reputation/stock price (a la BP and their climb

20 down on production targets)."

21 Do you recall any discussion on the  
22 issue I just read into the record?

23 A No, but I think the general part of --  
24 this is my first sort of due diligence visit on  
25 E&P, and I like to professionally deal with the

0120

1 WALTER VAN DE VIJVER, January 31, 2007  
2 facts, whatever the facts tell me.

3 Q During meetings with your staff, did you  
4 require your staff members to take notes?

5 A I didn't, no.

6 Q When you started meeting with your  
7 staff, do you recall if any members of your staff  
8 were taking notes of the meetings?

9 A No, no.

10 Q Did you take notes of meetings that you  
11 attended?

12 A Yes, often I did, because, as you can  
13 see later, that's what I had, and for Visit  
14 Reports and so on, used to write those notes.

15 Q If you look at the last paragraph, the  
16 one that begins "overall," and look to the second  
17 sentence, which says, "My biggest takeaway was his  
18 view (almost the first thing he said) of the "lack  
19 of) realism in the current plan."

20 Do you recall any discussion about that?

21 A Well, no, I don't recall it, but I'm  
22 referring to the earlier statement that was in  
23 Matthias note. When it talks about "strategic  
24 options," you have to make clear that the options  
25 are happening if you put them in your production

0121

1 WALTER VAN DE VIJVER, January 31, 2007  
2 forecast.

3 Q And did you find that these options were  
4 being put in the forecast when they were not  
5 happening?

6 MR. TUTTLE: Objection to form;  
7 characterization.

8 THE WITNESS: No. I think -- I mean I  
9 remember discussions later in July and August when  
10 we really went deeply into that whole production

11 forecasting, that I noted that there had been  
12 optimistic assumptions on when some of these  
13 strategic options would occur.

14 BY MR. HABER:

15 Q And who did you have these discussions  
16 with in July and August?

17 A A lot of those discussions are with  
18 Lorin Brass and John, John Bell and others that  
19 are part of the annual planning process.

20 Q And were these discussions a part of the  
21 discussions that related to the production of the  
22 production growth target you mentioned a few  
23 moments ago?

24 A Yes.

25 Q Now, earlier you testified that you had

0122

1 WALTER VAN DE VIJVER, January 31, 2007  
2 visited Oman in June of 2001, correct?

3 A Yes.

4 MR. HABER: I'm going to show you a  
5 document which I believe is your Trip Report, but  
6 I'd like you to identify it.

7 (Exhibit No. 4 was marked for  
8 identification and attached to the deposition  
9 transcript.)

10 BY MR. HABER:

11 Q We've marked -- and Mr. van de Vijver,  
12 if you could just review it while I'm identifying  
13 the document for the record.

14 We've marked as van de Vijver Exhibit 4  
15 an e-mail string, the last of which is from Jeroen  
16 van der Veer, dated June 25, 2001, to Mr. Van de  
17 Vijver, with a CC to Phil Watts. The subject line  
18 reads "Visit to PDO." There are two Bates ranges.  
19 The first one is V00230057 through V00230059. The  
20 other one is Vijver 0057 through Vijver 0059.

21 Now, Mr. Van de Vijver, have you seen  
22 these e-mails before today?

23 A Yes.

24 Q And is this -- "this" being the e-mail  
25 from you, dated June 21, 2001, to Zaharuddin

0123

1 WALTER VAN DE VIJVER, January 31, 2007

2 Megat, with a CC to a number of people which I'll  
3 ask you about in a few moments.

4 A Yes.

5 Q Since we're on the CC, who are the  
6 members -- withdrawn. The people identified as  
7 being copied on your e-mail of June 21, are  
8 these -- are all of these people at the time  
9 members of the EP ExCom?

10 A Yes.

11 Q And I think we talked about the ExCom  
12 without identifying it earlier. Can you identify  
13 what is the EP ExCom.

14 A That's the Senior Executive Team of the  
15 E&P business.

16 Q Now, earlier you identified Bob Sprague.  
17 Who is Tim Warren?

18 A Tim -- Tim Warren at that time had  
19 regional responsibility for the Far East. That's  
20 the EPA reference.

21 Q And Carol Dubnicki?

22 A The HR, Human Resource Director.

23 Q And she was on the ExCom?

24 A Yeah.

25 Q Okay. Lorin Brass you've identified.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 John Darley?

3 A He was head of the technology  
4 organization.

5 Q Now, is John Darley someone you had a  
6 good relationship with?

7 A Yes.

8 Q Is he someone you could talk to openly  
9 and candidly?

10 A Yes. I still do.

11 Q How about with regard to Lorin Brass;  
12 was he someone you could talk to openly and  
13 candidly?

14 A Yes.

15 Q Heinz Rothermund; who is Mr. Rothermund?

16 A Heinz Rothermund was responsible for the  
17 Africa region. I'm sorry. Africa and Latin  
18 America.

19 Q And that would be the reference

20 indicator "EPG"?

21 A Yes.

22 Q And the next person, Dominique Gardy?

23 A He was my Finance Director.

24 Q And the final person, Linda Cook?

25 A Linda Cook was the CEO of Gas and Power,

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1 WALTER VAN DE VIJVER, January 31, 2007

2 and there was sort of an overall sort of

3 arrangement in place that she would be copied on

4 relevant information, including all the material

5 that went to the EP ExCom.

6 Q So Ms. Cook was not a member of the

7 ExCom?

8 A She was not a formal member of the

9 ExCom. She had her own Gas and Power ExCom.

10 Q Did she attend the EP ExCom meetings?

11 A Sometimes. She was invited. Sort of an

12 open invitation to attend.

13 Q So did she need a formal invitation to

14 attend, or she could just show up?

15 A She could just show up if it fit with

16 her schedule.

17 Q And the minutes of the -- withdrawn.

18 Were there minutes taken of the ExCom meetings?

19 A Yes, yes.

20 Q So the minutes of the ExCom meeting

21 would reflect who was in attendance?

22 A Yes.

23 Q Now, did you have a practice with regard

24 to recording your trips or memorializing what you

25 had seen or observed during your trips? As you

0126

1 WALTER VAN DE VIJVER, January 31, 2007

2 say, did you "make reports"?

3 A I did make reports.

4 Q Was that your practice to make reports

5 of your trips that you had taken?

6 A Yes.

7 Q And is Exhibit 4 reflective of that

8 practice?

9 A Yes.

10 Q Did you have a distribution -- a --  
11 withdrawn. Were there certain people who you  
12 always included in the distribution of your trip  
13 reports?

14 MR. TUTTLE: Objection to form.

15 THE WITNESS: I tried as a general  
16 practice to, on my visit reports, to at least copy  
17 relevant CMD members, but most importantly the  
18 relevant staff in my own organization.

19 BY MR. HABER:

20 Q How would you decide with regard to  
21 relevant CMD members who to distribute a trip  
22 report to?

23 A It depended on what their role was in  
24 terms of regional responsibility or business  
25 responsibility.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q So this particular trip report you  
3 distributed to Mr. Van der Veer and Mr. Watts?

4 A Yes.

5 Q Is there anyone else that's not listed  
6 here who you recall you may have distributed  
7 Exhibit 4 to?

8 A I don't know.

9 Q If you look at your e-mail of the  
10 June 22, which is the second one on Page 1, to  
11 Mr. Watts and Mr. Van der Veer, you wrote, "FYI,  
12 the overall health of the company was below my  
13 expectation."

14 Did you get any feedback other than an  
15 e-mail that was sent in response three days later  
16 from Mr. Van der Veer?

17 A Not that I recall.

18 Q Do you recall having any verbal  
19 communications with Mr. Van der Veer about your  
20 trip to Oman?

21 A Not that I recall.

22 Q With regard to Mr. Watts, did you  
23 receive any response to your trip report from  
24 Mr. Watts?

25 A Not that I recall.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Now, if you look down at the e-mail  
3 dated June 21, 2001, which is the third one on the  
4 first page, I want to direct your attention to the  
5 paragraph that comes under Number 1, "Company  
6 Health." Feel free to read that whole paragraph  
7 that begins, "Overall, Shell's financial take from  
8 Oman." I'm interested in the sentence that  
9 begins, "Not meeting the production target," so if  
10 you could just take a look at that for a moment.

11 If you -- I want you to take a look at  
12 the sentence that begins "Not meeting the  
13 production target from 1997-2000 and being behind  
14 the 850,000 b/d target year to date." Do you see  
15 that?

16 A Yes.

17 Q Who set the 850,000-barrel-per-day  
18 target?

19 A I don't know.

20 Q Do you know if that was a representation  
21 that was made by Mr. Moody-Stuart and van der Veer  
22 when they visited Oman a couple of weeks before  
23 you?

24 MR. TUTTLE: Objection to form;  
25 characterization of the testimony.

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2 THE WITNESS: Yeah, I understood that  
3 during that visit, the achievability of  
4 850,000 barrels a day was confirmed to the Sultan.

5 BY MR. HABER:

6 Q And this report reflects that PDO Oman  
7 was behind achieving that target, correct?

8 A Yes.

9 Q The rest of the sentence says, "is an  
10 extremely sensitive issue for Shell's and MOG's  
11 reputation in the country." What does "MOG" stand  
12 for?

13 A Ministry of Oil and Gas.

14 Q What did you understand that this was a  
15 sensitive issue for Shell and the Ministry of Oil  
16 and Gas?

17 A As I explained to you earlier, the total

18 country is usually dependent on the revenue coming  
19 from the oil production in PDO, and their whole  
20 budget, their country budget is based on, to a  
21 large extent, by the revenue being generated by  
22 this business.

23 Q Now, if you turn to the next page,  
24 under -- it's the very top of the second page. It  
25 says, "worrying issues." You see that? And then  
0130

1 WALTER VAN DE VIJVER, January 31, 2007  
2 there's four dashes.

3 A Yes.

4 Q What does "Omanisation progress at  
5 senior levels" refer to?

6 A "Omanisation" is a term that was used  
7 for getting local staff to climb up in the  
8 organization, the hierarchy of the company, and  
9 the whole process of getting more local staff to  
10 look after the business and reduce the level of  
11 dependence on expatriate staff. That was called  
12 "Omanisation."

13 Q And was Omanisation something that the  
14 Minister of Oil and Gas was interested in?

15 A The whole -- not only the Minister of  
16 Oil and Gas, but the whole country, when it comes  
17 to local employment of their staff and development  
18 of their staff, consider Omanisation a very  
19 important issue for the country.

20 Q And at the time is it fair to say that,  
21 that there was not a lot of progress of  
22 Omanisation at senior levels?

23 A Yeah. My perspective was to say that  
24 the people I saw at senior level in the company,  
25 as Omanis, were the same people I'm remembering  
0131

1 WALTER VAN DE VIJVER, January 31, 2007  
2 from seeing there, in my first assignment there  
3 in '87-'91.

4 Q So you didn't see any new blood?

5 A I didn't see the sort of new blood and  
6 progression I was hoping to see.

7 Q If you look at the next one underneath  
8 it, it says, "Core business performance," and then

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

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

16 MR. TUTTLE: Objection.

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

25 BY MR. HABER:

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And who did you talk with?

3 A In Oman?

4 Q Yeah.

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

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

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

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

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

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

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1 WALTER VAN DE VIJVER, January 31, 2007

2 What was it about drilling that worried you?

3 A My worry about drilling is that the  
4 company was still overly focused on drilling  
5 additional wells and making sure the rigs were  
6 busy drilling additional wells, because that would  
7 generate additional production, but I, I didn't  
8 get the confidence that people actually were  
9 really, in detail, working field development  
10 planning that should go before deciding where to  
11 drill your wells.

12 Q And the next item in that parenthetical  
13 under "worrying issues" is "unit costs." What is  
14 it about unit costs that worried you?

15 A The Unit Technical Cost in Oman was  
16 gradually increasing, so Unit Technical Cost is a  
17 ratio of, of cost per additional volume that is  
18 being generated, so the overall cost of producing  
19 incremental barrels was on the increase.

20 Q So if I understand that correctly, the,  
21 the unit cost is how much it costs to produce  
22 volume --

23 A Incremental, sort of how the, very much  
24 how to -- how the economics of individual project  
25 activities were presented and how successful they

0134

1 WALTER VAN DE VIJVER, January 31, 2007  
2 were as a project on a Unit Technical Cost basis.

3 Q And the next and last in that  
4 parenthetical of worrying issues is "new  
5 opportunities." What is it about new  
6 opportunities that worried you?

7 A That some of the new business  
8 opportunities that were out there were very  
9 complex, and therefore they needed a lot of  
10 technical work in order to, to mature  
11 successfully.

12 Q At the time that you had visited Oman,  
13 had you observed, through either your own viewing  
14 or discussions with people at PDO, issues  
15 concerning mature fields and not being able to  
16 produce out of these mature fields?

17 A I think -- didn't I read in here that  
18 there were some -- let me go back and read this  
19 note.

20 I see a reference in the, in the note to  
21 Yibal as one of the fields becoming "old and  
22 tired," the very last sentence.

23 Q And I'm sorry. Where are you pointing  
24 to?

25 A The very last sentence of my note.

0135

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q That's on Page 3?

3 A Yes.

4 Q Okay. Now, other than the people who  
5 are identified on Exhibit 4, who within your  
6 organization did you provide your trip report to?

7 A I cannot recollect anyone beyond this  
8 distribution.

9 Q But do you recall having any discussions  
10 with Lorin Brass? And I recognize he's listed on  
11 here. I just want to know if you had any  
12 conversations with Lorin Brass.

13 A I don't recall.

14 Q Do you recall having any discussions  
15 with John Darley about your trip report?

16 A No.

17 Q How about with John Bell?

18 A No.

19 Q Okay.

20 A I think most of the sort of follow-up  
21 discussions were with Din Megat, because it was  
22 his -- it was in his region.

23 Q Okay. Did you talk to Din Megat about  
24 what you had observed?

25 A Yes.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And when do you recall having that  
3 discussion?

4 A On a very frequent basis, because, you  
5 know, there's a lot of follow-up activity on, on  
6 Oman, because what came out of here was the, a  
7 strong desire from my side to strengthen the

8 organization in Oman and to provide more support  
9 for activity within Oman.

10 Q During your discussion with Mr. Megat  
11 did he indicate that he was aware of these  
12 problems that you identified in your trip report?

13 MR. TUTTLE: Objection to form;  
14 characterization of the document.

15 THE WITNESS: He recognized that there  
16 were problems.

17 BY MR. HABER:

18 Q In particular, did he recognize any of  
19 the worrying issues that you identified as  
20 problems?

21 A Yes, and he shared with me during this  
22 month a sort of other review that had taken place  
23 on the overall health of Oman.

24 Q What did he say about this review?

25 A That it was -- that it indeed was

0137

1 WALTER VAN DE VIJVER, January 31, 2007  
2 recognized that Oman was going to need a lot of  
3 support to improve its performance.

4 Q When do you recall having this  
5 discussion with him?

6 A In between here and, and September when  
7 I had my next visit to, to Oman.

8 Q Do you -- did he say when this review  
9 took place?

10 A If I recollect correctly, it's somewhere  
11 in the June/July time frame.

12 Q So the review occurred after your trip?

13 A Well, or it was already started. I'm,  
14 I'm not so sure.

15 Q Do you know if the ExCom was aware of  
16 this review?

17 A I cannot be sure. I don't know.

18 Q Do you know if that would be reflected  
19 in minutes of the ExCom?

20 A I, I cannot be sure. One thing that was  
21 common practice, that with every ExCom meeting,  
22 people from the various regions and departments  
23 would include, in the pre-reading material,  
24 highlights of their particular regions.

25 Q Did reviews such as the one you just

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1 WALTER VAN DE VIJVER, January 31, 2007

2 testified about, did they have to be approved by

3 the ExCom before they were conducted?

4 A No.

5 Q So such a review would be at the

6 discretion of the Regional Business Director?

7 A Yeah, but I think also at the discretion

8 of the board of PDO. If it would involve

9 shareholder activity, the board of PDO also needed

10 to approve that.

11 Q So other than you, do you know if

12 Mister -- if Mr. Megat had said he shared the fact

13 that this review, if it was being conducted with

14 anyone else on the ExCom?

15 A I can't recollect.

16 Q Okay. Did he ever say he shared the

17 fact that this review was being conducted with

18 anyone on the CMD, again other than you?

19 A I don't know.

20 Q Now, also -- you can put this document

21 aside.

22 Also, when we were earlier talking about

23 the disagreement with the Omani government, you

24 talked about a fee; am I correct?

25 A Yes.

0139

1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. HABER: I'm going to mark as van de

3 Vijver Exhibit 5 a document which I believe

4 discusses this disagreement that you had

5 mentioned, but again I'll ask you to identify it.

6 (Exhibit No. 5 was marked for

7 identification and attached to the deposition

8 transcript.)

9 BY MR. HABER:

10 Q Actually, you know what, before we get

11 to this document, I just want to ask one follow-up

12 question about Exhibit 4. I'm sorry. With regard

13 to the issues that you identified as "worrying,"

14 did you take any steps to try to address those

15 issues that you identified?

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

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

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 core of the organization, to, to get the petroleum  
3 engineer in the department up in quality. It  
4 became a priority for our resourcing people.

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

18 Q You said that -- one of the things you  
19 said is you created study teams?

20 A Yeah.

21 Q Did any of these teams come out of a  
22 service organization called SepTAR?

23 A Yes.

24 Q And do you recall if any of the teams  
25 from SepTAR were located in the United States?

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1 WALTER VAN DE VIJVER, January 31, 2007

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

7 would provide support to things that needed to be  
8 done in Oman. Some of them were very complex, and  
9 the local skills were not available on the  
10 location, particularly not initially, to deal with  
11 the complexity of a lot of these studies that  
12 needed to be done.

13 Q Now, I just showed you what's been  
14 marked as van de Vijver Exhibit 5. Can you  
15 identify what this document is.

16 A This is a letter from the Minister of  
17 Oil and Gas in Oman to myself.

18 Q And do you have an understanding as to  
19 why the Minister of Oil and Gas had written this  
20 letter to you?

21 A Well, it's a follow-up to a letter that  
22 I wrote to him, so that's the first thing I see.

23 Q Okay.

24 A And this was -- I think this -- my  
25 letter was related to the, to the reserves fee.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. HABER: We're going to mark the next  
3 exhibit, but while we mark it, why don't we take a  
4 break?

5 THE VIDEOGRAPHER: This marks the end of  
6 Tape 2 in the deposition of Mr. van de Vijver. We  
7 are going off the record. The time is 2:21 p.m.

8 (Whereupon, a short recess was taken.)

9 THE VIDEOGRAPHER: This marks the  
10 beginning of Tape 3 in the deposition of Mr. Van  
11 de Vijver. We are back on the record. The time  
12 is 2:43 p.m.

13 (Exhibit No. 6 was marked for  
14 identification and attached to the deposition  
15 transcript.)

16 BY MR. HABER:

17 Q Mr. Van de Vijver, right before the  
18 break I handed you a document that we marked as  
19 van de Vijver Exhibit 6. It's a three-page letter  
20 on Shell letterhead from you to two people, and  
21 I'm not going to try to pronounce their names, but  
22 it's the Minister of Finance and National Economy,  
23 from the Sultanate of Oman, and to the Minister of

24 Oil and Gas, also from the Sultanate of Oman. The  
25 letter is dated October 1, 2001, and the Bates  
0143

1 WALTER VAN DE VIJVER, January 31, 2007  
2 number is HAG00010179 through HAG00010181.

3 Do you recall drafting this letter?

4 A Yes, with support from my staff.

5 Q And in your prior answer you said that  
6 Exhibit 5 was in response to a letter that you had  
7 written dated October 1st. Is this that letter?

8 A Yes.

9 Q Now, who assisted you from your staff in  
10 this letter, in drafting this letter?

11 A That would have mainly been John  
12 Crocker, who was the Shell representative in Oman  
13 at that time, and that's the senior Shell person,  
14 the Shell representative office, and he had quite  
15 a good personal relationship with the Minister.

16 Q Did Mr. Crocker accompany you when you  
17 had visited Oman?

18 A Yes.

19 Q Generally speaking, do you recall why  
20 you wrote this letter?

21 A This was as a follow-up to, to the  
22 second visit I had to Oman I believe somewhere in  
23 the end of September, where I also met with, with  
24 these ministers.

25 Q Did you make a trip report of that

0144

1 WALTER VAN DE VIJVER, January 31, 2007  
2 second visit to Oman?

3 A Well, I cannot recollect it, but mostly  
4 I did, so . . .

5 Q Had you -- do you recall if the issues  
6 that you termed "worrying issues" had improved  
7 between June and September of '01?

8 A I think at that stage not a lot had  
9 improved. I clearly had put a lot of --  
10 personally put a lot of action in motion to get  
11 improvements done, but these things take time.

12 Q Now, do you recall what you had  
13 discussed with the two ministers during your visit  
14 in September?

15 A It was about overall performance of PDO  
16 and what PDO and Shell should be doing about it,  
17 and as you see in the letter, there was also the  
18 discussion on repayment of, of that, that bonus.

19 Q And that discussion, does that appear on  
20 Page 3 of the letter?

21 A Yes.

22 Q And that's the top paragraph?

23 A Yes.

24 Q If you look at that paragraph, the first  
25 sentence says, "The conclusion I draw from what I  
0145

1 WALTER VAN DE VIJVER, January 31, 2007  
2 saw is that the original reserves bookings were  
3 reasonable on the basis of the best information  
4 available at the time, but that it is now clear  
5 there will be some de-booking at the conclusion of  
6 the present studies."

7 What studies were you referring to?

8 A Petroleum engineering studies.

9 Q Were those the studies that you just  
10 testified about that Mr. Megat had initiated?

11 A I'm talking about -- no, no. I referred  
12 to Megat in terms of overall review of the  
13 company.

14 Q I see.

15 A I'm talking here about specific field  
16 studies on Yibal and on Marmul Haima.

17 Q And what kind of field studies were  
18 being conducted?

19 A Petroleum engineering reviews of the  
20 performance of original plans that were made on  
21 those particular reservoirs.

22 Q Have you heard of a STOIP review?

23 A Yes.

24 Q What is a STOIP review?

25 A A STOIP review is Stock Tank Oil  
0146

1 WALTER VAN DE VIJVER, January 31, 2007  
2 Initially In Place. As occurred later, as you  
3 know, at the end of 2002, we concluded that we  
4 wanted to do a bottoms-up review of all the assets  
5 involved in STOIP and ultimate recovery during

6 2003 for Oman, to get a bottoms-up understanding  
7 of all the assets.

8 Q So these petroleum engineering reviews  
9 were not a STOIP review?

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

12 Q Who was conducting those performance  
13 reviews?

14 A These particular ones were done in PDO.

15 Q By whom?

16 A By PDO staff.

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

19 MR. TUTTLE: Objection; foundation.

20 BY MR. HABER:

21 Q Do you know what a hit team is?

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

0147

1 WALTER VAN DE VIJVER, January 31, 2007  
2 September/October 2001 to recreate the Technical  
3 Core of Excellence in E&P, and staff from that  
4 organization would go out to specific locations  
5 and assist people understanding their, their asset  
6 base.

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

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

21 Q Now, if you look at the sentence I just  
22 read, there's a reference in there about -- it

23 says, "It is now clear there will be some  
24 de-booking at the conclusion of the present  
25 studies." What, what basis did you have for  
0148

1 WALTER VAN DE VIJVER, January 31, 2007  
2 saying that?

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

10 Q And so if I understand this letter  
11 correctly, you were making a connection between  
12 the probable de-booking and the payment of the  
13 \$30 million; is that correct?

14 A Yes.

15 Q Why is there that connection?

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

25 Q I see. Now, in your experience, was a  
0149

1 WALTER VAN DE VIJVER, January 31, 2007  
2 payment back to a government, such as in Oman, a  
3 practice that had occurred in Shell prior to your  
4 tenure?

5 A I don't know.

6 Q I'm sorry?

7 A I don't know.

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

10 A Other than with my staff around me, no.

11 Q Did you discuss it with Phil Watts?

12 A Not that I recall.

13 Q Do you recall discussing it with any

14 member of the ExCom?

15 A Definitely with Din Megat as the  
16 Regional Director.

17 Q Did you need approval from the CMD to  
18 make the payment?

19 A No. That would be within my own  
20 authority.

21 Q Was there a certain dollar threshold  
22 within your authority that you could make payments  
23 such as this one?

24 A My authority was to up to \$60 million.

25 Q And was that included in the business

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 budget of Shell, like a discretionary amount of  
3 money you could spend?

4 A I'm not sure.

5 Q I just want to go back to the first  
6 part, the first page of the letter for a moment.  
7 I'm looking at the middle paragraph and the  
8 sentence that begins, "The company's world-leading  
9 reputation was earned." Do you see that?

10 A Yeah.

11 Q It goes on to say, "I hate to see it" --  
12 referring to the reputation -- "called into  
13 question by recurrent failures to deliver and by  
14 unexpected shortfalls."

15 What were you referring to with regard  
16 to recurrent failures?

17 A That we hadn't met our production  
18 performance, and the forecast, and that there were  
19 clearly problems in the organization.

20 Q When you had met with them, did either  
21 Minister convey frustration to you about Shell's  
22 performance?

23 A Oh, very clearly, yes.

24 Q And what did they say?

25 A They were both very unhappy with, with

0151

1 WALTER VAN DE VIJVER, January 31, 2007  
2 the performance of Shell in the country.

3 Q Did they communicate to you that they  
4 were upset with anyone in particular at Shell?

5 A No.

6 Q Did they communicate to you the --  
7 withdrawn. Did they say to you that they had  
8 communicated their unhappiness that Mark  
9 Moody-Stuart and Jeroen van der Veer when they had  
10 visited Oman?

11 A Not that I know.

12 Q If you turn to the second page for a  
13 moment and look at the third full paragraph, you  
14 see in the letter there's a reference to  
15 815,000 barrels per day "on a capex budget of  
16 \$975 million." Do you see that?

17 A Yes.

18 Q Do you recall discussions about that  
19 production target, or if you read the next  
20 sentence, the one about a previously stated target  
21 of 830,000 barrels per day? Do you recall  
22 discussions with the Ministers on that issue?

23 A Yes.

24 Q And what do you recall?

25 A From the Oman perspective, they, they

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 clearly were still hoping that as quickly as  
3 possible we would return to the 850,000 barrels a  
4 day, because that was the formal story that had  
5 gone through to the Sultan. And I had at that  
6 stage, seeing what I was seeing at that stage,  
7 thought it was a difficult-to-achieve target, but  
8 at the same time I had just gotten in there trying  
9 to get an understanding of what was happening, so  
10 a lot of work needed to, to happen to get a better  
11 comfort and understanding about where production  
12 would really end up.

13 Q And so the reference here to the "best  
14 estimate" for the 2002 production was  
15 815,000 barrels, correct?

16 A Yeah.

17 Q Now, it says that you are not willing  
18 to, at that point, to give up on a target of  
19 830,000 barrels. Was that 830,000 barrels per day  
20 communicated during your trip in June of 2001?

21 A I think that's -- the 830,000 was the

22 formal business plan from PDO at that point in  
23 time.

24 Q So that was already less than what had  
25 been previously represented by Moody-Stuart and  
0153

1 WALTER VAN DE VIJVER, January 31, 2007  
2 van der Veer, correct?

3 A Yeah, but there may have been -- I don't  
4 recollect the details. There may have been sort  
5 of an incline up again to 850,000 maybe a year  
6 later.

7 Q But in terms of what their  
8 representation was and where you were at now, it  
9 was different than what had been represented,  
10 correct?

11 MR. TUTTLE: Objection to form; calls  
12 for speculation.

13 MR. MORSE: Objection.

14 THE WITNESS: I don't know the specific  
15 year. It was working towards a trend, long-term  
16 trend of 850, but there may have been specific  
17 years where that was not achievable.

18 BY MR. HABER:

19 Q Do you know when, looking at this  
20 letter, the current best estimate for 2002 became  
21 815,000 barrels per day?

22 A No, I don't.

23 Q By the way, in the upper right-hand  
24 corner there is some handwriting. Is that your --  
25 do you recognize that as your handwriting?

0154

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q I'm looking at still Exhibit 6, your  
4 October 1st letter.

5 A The "Copy Megat, Mann"?

6 Q Yeah.

7 A No, that is my secretary.

8 Q And who is your secretary?

9 A Marian van der Laan. We can do the  
10 spelling later.

11 Q And the Mann; is that Paul Mann?

12 A Paul Mann, yes.

13 Q Who is Paul Mann?

14 A He was the Regional Business Advisor for  
15 Oman, reporting in to Din Megat.

16 Q Now, looking at Exhibit 5, do you  
17 recognize the handwriting on this document?

18 A Yes.

19 Q And whose handwriting is that?

20 A Paul -- on top that's my secretary  
21 again, and on the bottom is my handwriting.

22 Q On the bottom you're talking about --

23 A Copy John Crocker, Din Megat, Paul Mann.  
24 "It is a pity," that's my handwriting.

25 Q And what does that say?

0155

1 WALTER VAN DE VIJVER, January 31, 2007

2 A "It is a pity that he wrote this letter.

3 Please recommend the appropriate response."

4 Q And what did you mean by that?

5 A Well, I was hoping at this stage,  
6 particularly after my visit and our letter, that  
7 he, he was convinced that I was doing everything  
8 possible and starting so many initiatives to get,  
9 get hold of the business and do all the right  
10 things, that I hadn't expected that I would get a  
11 letter back at that stage.

12 Q If you look at the middle of the first  
13 page, the paragraph that begins "there were a  
14 number of issues," towards the bottom of the  
15 paragraph -- I believe this is Dr. Al Rumhy?

16 A Yes.

17 Q -- writes, "Many of us strongly believe  
18 that the following factors are either responsible  
19 or contributed to the production 'crisis,'" and  
20 then he identifies five factors.

21 I want to address your attention to  
22 Number 2, "Reserve Booking Methodology." Do you  
23 have an understanding of what Dr. Al Rumhy was  
24 referring to?

25 A Yeah, he referred to a, to a discussion

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1 WALTER VAN DE VIJVER, January 31, 2007

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

4 linked up to expectation reserves for the company  
5 had to be based on completed field development  
6 plans on particular fields, where at in the past  
7 it had been the custom that it was based on the  
8 note for files that petroleum engineers prepared  
9 that reflected their latest perspective on a  
10 particular field rather than being a total  
11 separate complete bottoms-up field development  
12 plan that sometimes can take years to, to, to  
13 prepare.

14 Q So Dr. Al Rumhy was advocating the field  
15 development plan as opposed to these notes for  
16 file?

17 A Yes.

18 Q What was Shell's practice with regard to  
19 booking of proved reserves? Were field  
20 development plans required?

21 MR. TUTTLE: Objection; foundation.

22 THE WITNESS: This had nothing to do  
23 with proved reserves.

24 BY MR. HABER:

25 Q I understand.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 THE REPORTER: I'm sorry. I didn't get  
3 the answer.

4 MR. HABER: He said it had nothing to do  
5 with proved reserves.

6 BY MR. HABER:

7 Q I'm just asking separately if Shell  
8 required field development plans to be in place  
9 before reserves could be booked as proved?

10 A I would not be able to, to know yes or  
11 no on that, that question.

12 Q Okay. Going back again to Exhibit 5,  
13 the third item that he -- that Dr. Al Rumhy  
14 identifies as "scorecard," do you recall a  
15 discussion on scorecard?

16 A No, I don't.

17 Q Do you have an understanding of what  
18 he's referring to?

19 A Yes. The board of PDO had a scorecard  
20 to evaluate the performance of PDO as a company.

21 Q And was this scorecard a Shell

22 scorecard?

23 A No. It was a PDO scorecard, but Shell  
24 introduced the system of scorecards to PDO. As  
25 you know, PDO is a joint venture company, so they  
0158

1 WALTER VAN DE VIJVER, January 31, 2007  
2 have their own board.

3 Q So did you understand that Dr. Al Rumhy  
4 was indicating that scorecard was a factor that  
5 contributed to, as he puts it, the production  
6 "crisis"?

7 A Yes.

8 Q Do you have an understanding if Shell  
9 had anything to do with the PDO scorecard?

10 A Through the board of PDO where there  
11 would be Shell representatives, the decision would  
12 be made on the content of the scorecards.

13 Q And do you know in particular what it  
14 was in the scorecard that Dr. Al Rumhy was  
15 referring to?

16 A No, but maybe I need to read the letter.  
17 One of the items on the scorecard was production.

18 Q Okay. Now, when you made the  
19 \$30 million payment to the Omani government, did  
20 you report the payment to the ExCom in a Note For  
21 Information or a Note For Discussion?

22 A I do not know.

23 Q Do you recall if you advised the CMD of  
24 the payment through a Note For Information or a  
25 Note For Discussion?  
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1 WALTER VAN DE VIJVER, January 31, 2007

2 A I do not recollect.

3 Q You could put this aside.

4 I'd like you to go back to Exhibit 1 for  
5 a moment, your letter of March 22, 2004, if you  
6 could just take a look at it, and in particular  
7 under the heading "Efforts to Examine the Reserves  
8 Issue," it's on Page 1. You wrote, "Soon after  
9 coming to office as head of E&P in June 2001, I  
10 observed that the health of the E&P business was  
11 not as robust as the Company-determined

12 performance targets set under the former E&P CEO."

13 What did you mean by that?

14 A What I meant earlier, explained earlier,  
15 that I found a lot of things in E&P that, that  
16 concerned me, and one of those areas that  
17 concerned me was the production growth target that  
18 was out there, and after studying that in detail  
19 and reviewing it, we went out to the markets I  
20 think in August 2001 and lowered our production  
21 target.

22 Q And I think I asked you earlier: What  
23 was the externally communicated production target?

24 A Five percent growth.

25 Q Do you know how long that five percent

0160

1 WALTER VAN DE VIJVER, January 31, 2007  
2 growth had been the external promise?

3 MR. TUTTLE: Objection to form;  
4 characterization.

5 THE WITNESS: I don't know.

6 BY MR. HABER:

7 Q Over what time frame does that growth,  
8 that five percent, cover?

9 A Typically it is a planning period of  
10 four to five years.

11 Q Is there a reason why four or five years  
12 is used as a planning period?

13 A Normally within the Shell Company the  
14 basic horizon for making business plans is five  
15 years out.

16 Q Okay. Did there come a time when you  
17 determined that this five percent target was no  
18 longer achievable?

19 A Yes, that was during the planning stage  
20 for next year's business plan, which starts in  
21 June and it's all the way in December. During  
22 that process of looking at a draft business plan  
23 for the following year, I discovered that there  
24 was a problem with the five percent.

25 Q What were some of the factors that

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 caused you to conclude there was a problem with

3 the five percent target?

4 A It was a reflection of, of places like  
5 the United Kingdom, Oman, and some of the timing  
6 of new projects that would get on stream.

7 Q What new projects are you referring to?

8 A New business-related activity around  
9 when some of the, the new fields would get on  
10 stream, or there was also, I recall, an  
11 expectation that very early on in the process,  
12 based on assumptions at the time, that we would  
13 commence major gas activities in Saudi Arabia,  
14 which didn't materialize in the end.

15 Q Were there any other opportunities other  
16 than the gas activities in Saudi Arabia?

17 A I mentioned the United Kingdom. The  
18 production forecast turned out to have been too  
19 optimistic. There was the situation of Oman. I  
20 don't know at that stage what the situation of  
21 Nigeria is. We have to look at information.

22 Q Had you visited Nigeria at the time that  
23 you reached the conclusion that the five percent  
24 target was no longer achievable?

25 A Yeah. Yes, I visited Nigeria. It was

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 the first visit I did in May 2001.

3 Q So you went to Nigeria before you were  
4 formally in the position as head of EP?

5 A Yes, I took the opportunity to find  
6 space to, as I recollect Phil Watts saying Nigeria  
7 is one of the first countries you need to visit,  
8 that I went already in May to visit Nigeria.

9 Q When did Phil Watts say to you that  
10 Nigeria is one of the places you ought to visit?

11 A That was during the first handover  
12 meeting we had.

13 Q Did he communicate any concerns about  
14 Nigeria that you should address your attention to?

15 MR. TUTTLE: Objection; asked and  
16 answered.

17 BY MR. HABER:

18 Q You can answer.

19 A No, only in the general sense that

20 Nigeria was very important, and given the fact  
21 that I never worked there, it would be good to  
22 familiarize myself with Nigeria.

23 Q Did he say why Nigeria was very  
24 important?

25 A Nigeria was very important for the  
0163

1 WALTER VAN DE VIJVER, January 31, 2007  
2 group. It is one of our larger operations in the  
3 group.

4 Q Now, when you say "larger operations,"  
5 are you referring to people? Are you talking  
6 about production? What do you mean?

7 A Basically all of that. I think there  
8 were -- overall there were 6,000 staff in Nigeria.  
9 It was one of the, the big producing areas for the  
10 country, one of the areas with big reserves, and a  
11 lot of expenditure because of the, the LNG  
12 projects and everything that needed to be done to  
13 get gas on stream and get deep water on stream.

14 Q When you went to Nigeria, did anyone  
15 accompany you?

16 A Yes. I went together with Frits  
17 Eulderink, someone I later sent to Oman to be  
18 Technical Director. He was the Regional Business  
19 Advisor for Nigeria.

20 Q Did anyone else accompany you?

21 A Not that I recollect.

22 Q Do you recall -- do you recall what,  
23 what you had observed with regard to the  
24 operations in Nigeria?

25 A No, not in detail. I was quite  
0164

1 WALTER VAN DE VIJVER, January 31, 2007  
2 overwhelmed by the scale of operations. I  
3 actually visited the camps and I visited some of  
4 the actual fields in the interior, so that was my  
5 first ever time I went there.

6 Q Whether you say "the fields in the  
7 interior," is that in SPDC?

8 A Yes, that's in the swamps in the delta.

9 Q I'm sorry. Did you visit SNEPCO?

10 A Yes, I also visited SNEPCO offices.

11 Q Were the SPDC and SNEPCO offices  
12 geographically separate?

13 A Yes.

14 Q And where was SPDC's offices?

15 A SPDC had an office in Lagos, it had an  
16 office in Abuja, it had an office in Port  
17 Harcourt, and it had an office in Warri. And  
18 SNEPCO had an office in Lagos.

19 Q Did SPDC and SNEPCO share offices in  
20 Lagos?

21 A No. I think they were separate, because  
22 one was a joint venture structure and the other is  
23 a hundred percent Shell entity.

24 Q Well, you testified that there were a  
25 number of things that you learned when you first  
0165

1 WALTER VAN DE VIJVER, January 31, 2007  
2 got into your position that contributed to your  
3 conclusion that the five percent growth production  
4 target wasn't achievable. What was it about  
5 Nigeria that contributed to that conclusion?

6 MR. TUTTLE: Objection; characterization  
7 of testimony.

8 BY MR. HABER:

9 Q You can answer.

10 A I do not recollect whether the change  
11 from five percent to three percent was also  
12 directly linked to, to Nigeria.

13 Q Okay. When you, when you were in  
14 Nigeria, did you look at Nigeria at both --  
15 withdrawn. Let me break it down.

16 When you were in SPDC did you look at  
17 SPDC's business plan?

18 A Well, as far as I recollect, I must have  
19 had a presentation on their business plan.

20 Q Do you recall such a presentation  
21 occurring?

22 A I recall I was getting presentations. I  
23 don't remember the details.

24 Q Do you recall who made the  
25 presentations?  
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1 WALTER VAN DE VIJVER, January 31, 2007

2 A A large part of the presentations were  
3 done by Steve Ratcliffe.

4 Q And who was Mr. Ratcliffe?

5 A He was one of the members in the  
6 management team of Ron van den Berg.

7 Q Do you recall the substance of the  
8 presentation?

9 A Excuse me?

10 Q Do you recall the substance of the  
11 presentation?

12 A No.

13 Q Do you recall forming any opinions about  
14 SPDC's business plan while you were visiting them?

15 A No, not in any detail. I think I, I  
16 left -- I mean I left with a bit overwhelmed about  
17 the enormity of the company and the complexity of  
18 what they had to deal with in a very difficult  
19 operating environment.

20 Q Do you recall looking at any historical  
21 documents -- withdrawn. Do you recall looking at  
22 any historical data concerning SPDC's production  
23 performance?

24 A No.

25 Q When you had concluded that the five

0167

1 WALTER VAN DE VIJVER, January 31, 2007  
2 percent target was no longer achievable, did you  
3 question how that figure was calculated?

4 A Yes, I recall going through many  
5 sessions, wanting to understand what had changed.

6 Q And who did you have those sessions  
7 with?

8 A A lot with the same people we mentioned  
9 before, Lorin Brass and John Bell, the sort of  
10 central planning and strategy group.

11 Q And what did you learn from these  
12 various sessions?

13 A That things had clearly changed.

14 Q Do you recall what had changed?

15 A That some of the, the outlooks in terms  
16 of production were not realistic anymore.

17 Q And do you recall the reasons why they  
18 were no longer realistic?

19 A Because the data we now had on updated  
20 production forecast and updated phasing of  
21 activities was different from those a year  
22 earlier.

23 Q And where were you getting this data  
24 from?

25 A From the Central Group in The Hague of  
0168

1 WALTER VAN DE VIJVER, January 31, 2007  
2 Planning and Strategy that collected their  
3 information from, from operating units.

4 Q And did that include information  
5 obtained from the operating units in connection  
6 with the ARPR?

7 A No. This is part of the planning  
8 process, the business planning process --

9 Q Okay.

10 A -- which starts somewhere in May every  
11 year.

12 Q And that occurs right after the ARPR  
13 process concludes?

14 A Well, I mean it's sort of an ongoing  
15 cycle. The business plan for the next year, given  
16 the complexity of our organization, takes all the  
17 way from May until ultimately December when it  
18 gets approved at, at Conference, the business  
19 plan.

20 Q Do you know when the five percent  
21 production growth target was first externally  
22 made?

23 A Sorry. Can you repeat.

24 Q Sure. Do you know when the five percent  
25 production growth target was first externally  
0169

1 WALTER VAN DE VIJVER, January 31, 2007  
2 made?

3 A No.

4 Q Do you recall having any discussions  
5 with Mr. Watts concerning the five percent  
6 production growth rate and your conclusion that  
7 that rate was no longer achievable?

8 A Several.

9 Q And when do you recall the first time

10 you had this communication with Mr. Watts?

11 A In the month of July.

12 MR. FERRARA: And the year?

13 MR. HABER: 2001.

14 BY MR. HABER:

15 Q Did you approach him?

16 A Yes. There were a variety of, of  
17 discussions at that time, because this was a  
18 sensitive subject if we would go out to the market  
19 to, to lower our production growth target based on  
20 the, the early information we had, but I felt very  
21 strongly that based on the information we had,  
22 that the five percent was not, not achievable  
23 anymore.

24 Q Now, you said in your answer that "this  
25 was a sensitive subject if we would go out to the  
0170

1 WALTER VAN DE VIJVER, January 31, 2007  
2 market." Why was this a sensitive issue for the  
3 market?

4 A A five percent growth target was amongst  
5 the external messages that were given by the  
6 company to the market about expected production  
7 growth, production performance.

8 Q And is it your understanding that the  
9 market would react negatively to a reduction in  
10 that growth target?

11 A Yes.

12 Q Now, in this conversation with  
13 Mr. Watts, do you recall what he had said to you  
14 in response?

15 A He was surprised about the reduction,  
16 and he asked many questions to justify the  
17 reduction in the, in the growth percentage.

18 Q Do you recall the questions that he  
19 asked?

20 A He wanted to see many comparisons with  
21 what it was now versus in the previous business  
22 plan for him to fully understand what had changed  
23 and thereby be able to come to a conclusion.

24 Q When you approached him with your  
25 conclusion, how did he react?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A I mean all of us would like to have the  
3 answer that the production growth number was still  
4 valid, and having to go to your boss and say I  
5 don't see that production growth as realistic  
6 anymore, that raises a lot of questions. And we  
7 went through several cycles and also not only went  
8 to CMD but also went to, to the Conference to get  
9 to the final conclusion, and then the external  
10 message was, was given, coinciding with the  
11 announcement of our second quarter results in  
12 early August 2001.

13 Q Now, you said that this was the first  
14 discussion you had with him. Was this a  
15 face-to-face meeting?

16 A We had a few face-to-face meetings on  
17 that as well, yeah.

18 Q And so the one that you just testified  
19 to, was that a face-to-face meeting, the very  
20 first time that you approached Mr. Watts?

21 A I recall that we -- on the production  
22 growth target, I remember having a face-to-face  
23 meeting with Watts in London on that subject.

24 Q Was Mr. Watts' office in London?

25 A Yes.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Was this a scheduled meeting?

3 A No. It was specifically on the subject  
4 of production growth.

5 Q Now, subsequent to that meeting, did you  
6 have further conversations with Mr. Watts about  
7 the production growth target?

8 A I, I do not recollect the detail, but it  
9 did come up, as you said, several times at CMD and  
10 ultimately at Conference as well.

11 Q Now, when you say it came up several  
12 times in the CMD, can you be a little more  
13 specific what you're referring to.

14 A To the production growth targets about  
15 what we had found and where the updated  
16 perspective was.

17 Q Was this a discussion at the CMD?

18 A Yes.

19 Q Do you recall any particular meeting  
20 where the production target was discussed?

21 A That must have been in the July time  
22 frame, right before the announcement of our, of  
23 our second quarter results in early August.

24 Q And again so July time frame, you're  
25 referring to July 2001?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q When you first raised the production  
4 target issue with Mr. Watts, did you recommend  
5 reducing the target?

6 A Yes.

7 Q And what percentage did you initially  
8 recommend?

9 A I do not recollect. Maybe two to three  
10 percent.

11 Q Was Mr. Watts, throughout the  
12 discussions, an advocate of keeping the five  
13 percent target?

14 A Initially, but thereafter he, he  
15 accepted the new facts.

16 (Exhibit No. 7 was marked for  
17 identification and attached to the deposition  
18 transcript.)

19 BY MR. HABER:

20 Q For the record, I've just handed the  
21 witness a document that we've just marked as van  
22 de Vijver Exhibit 7. It's a string of e-mails,  
23 the last of which is from Pauline Ewart on behalf  
24 of Phil Watts. It's dated August 22, 2001. It's  
25 to Mr. Van de Vijver. The subject reads

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 "Production." The Bates number -- and there's two  
3 of them -- is V00020050 through V00020051, and the  
4 other one is DB00815 to DB00816.

5 Mr. Van de Vijver, have you seen this  
6 e-mail correspondence before today?

7 A Yes, and I think I have to make a little  
8 recollection in terms of my memory, because I did

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

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

24 A Because that there was the, the judgment  
25 made at that time that we clearly had to flag to  
0175

1 WALTER VAN DE VIJVER, January 31, 2007  
2 the market that the five percent was not  
3 achievable anymore, but work was ongoing to land  
4 on what the new number should be, and that  
5 opportunity would then be taken in, in September  
6 when there was a planned analyst presentation.

7 Q Now, if you --

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

12 Q If you look at the e-mail from -- the  
13 top e-mail from Mr. Watts to you, dated August 22,  
14 2001, he writes, "You will have to put your Group  
15 hat on and ask whether the hard two percent is  
16 better than saying two to three percent (which  
17 includes two) for the sake of not having to  
18 precipitate a change that could be very damaging  
19 for the Group."

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

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

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

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1 WALTER VAN DE VIJVER, January 31, 2007

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

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

7 A Yes.

8 Q Did you respond to this e-mail?

9 A I do not recall.

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

14 A Uh-huh.

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

17 A Damaging for the Group's reputation.

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

20 A Yes.

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

23 MR. HABER: He answered.

24 BY MR. HABER:

25 Q Now I'd like to direct your attention to

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1 WALTER VAN DE VIJVER, January 31, 2007

2 your e-mail to Mr. Watts, which comes right  
3 underneath it, and that's dated also August 22,  
4 2001, and I'd like you to focus on the bottom  
5 middle of the paragraph, the sentence that begins  
6 "we can obviously," and then in quotes,  
7 "over-engineer."

8 A Uh-huh.

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

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

17 of these new projects which would come to a  
18 maturation and on stream.

19 MR. TUTTLE: I think, Jeff, in reading  
20 the text from the document, although it speaks for  
21 itself, you left out the word "business" before  
22 "environment."

23 MR. HABER: I apologize. Thank you.

24 BY MR. HABER:

25 Q Why did you need -- why did you need to  
0178

1 WALTER VAN DE VIJVER, January 31, 2007  
2 find an "external story"?

3 A Well, in the end of the day, if we could  
4 go out with the story that our production growth  
5 target would be reduced, based on the  
6 understanding we had at that point in time, we  
7 obviously would have to give an explanation why  
8 the production growth target was being reduced.

9 Q Was there someone that you would have to  
10 work with in order to formulate that story?

11 A That's the IR Department under -- at  
12 that time reporting to Steve Hodge.

13 Q And who was Steve Hodge?

14 A He was the Group CFO at that time.

15 Q Now, if you go to the next sentence,  
16 hopefully I don't leave anything out -- it says,  
17 "Interesting to note is also that I believe that  
18 we are experiencing 'pay-back time' for our past  
19 successes."

20 What did you mean by that?

21 A Well, that it is -- apologies for  
22 getting a little bit technical, but it has to do  
23 with, with our advance in technologies and  
24 capabilities on mature fields. New technologies  
25 were being implemented, and I named a few that I  
0179

1 WALTER VAN DE VIJVER, January 31, 2007  
2 recall: Drill The Limit, Realize The Limit,  
3 different completions under Valencia, Nubia. All  
4 of these things were very successful, but what  
5 they often may have actually led to, and rather  
6 than sort of increase the ultimate recovery for a  
7 field, they sometimes may merely just increase

8 production and then are rapidly thereafter

9 accelerate a decline.

10 So economically they are extremely  
11 valuable, because you will get your revenue  
12 earlier, but it may mean in terms of -- you may  
13 get a false impression if you don't study it  
14 carefully, that it's all leading to incremental  
15 recovery where sometimes it may just be  
16 accelerated recovery.

17 Q Were you -- other than what you  
18 testified to, had you been learning about whether  
19 production had been accelerated in prior years to  
20 reach growth targets?

21 A No, I think generally the whole  
22 organization for many years went through a whole  
23 variety of initiatives, was doing everything  
24 possible to what we call "sweat the assets," to  
25 develop your assets in the most economic manner,  
0180

1 WALTER VAN DE VIJVER, January 31, 2007  
2 and what we were, were learning in places like the  
3 North Sea, which is one of our mature areas, for  
4 instance, that yes, that led to early successes,  
5 but later we learned it also led to more  
6 accelerated declines.

7 Q And then therefore that was having a  
8 negative impact on production growth?

9 A Yeah, yeah.

10 Q Now, if you go down and look at the next  
11 e-mail, there is correspondence between Phil Watts  
12 and you, also dated on the 22nd, and there is a  
13 reference to a discussion that Phil Watts had with  
14 Steve Hodge. Did Mr. Watts ever tell you what he  
15 and Mr. Hodge had discussed?

16 A Well, I don't know more than what's in  
17 the e-mail.

18 Q Did you have any discussions with Steve  
19 Hodge about your conclusion that the production  
20 target ought to be reduced?

21 A I remember during that time there were  
22 lots of discussions about this issue. I also  
23 remember that during that time I also received a  
24 phone call from Steve Hodge during the weekend,

25 because it was all very -- quite a tense period of  
0181

1 WALTER VAN DE VIJVER, January 31, 2007  
2 activity.

3 Q Do you recall what the sum and substance  
4 of that phone discussion was?

5 A It was at that time still hoping that  
6 the answer was, was going to be a minimal  
7 reduction in our production growth target.

8 Q Do you recall Mr. Hodge saying to you  
9 during that conversation that "heads will roll"  
10 when the growth production target hits the market?

11 MR. TUTTLE: Objection; foundation.

12 THE WITNESS: I vaguely recall something  
13 like that, but not exactly. Maybe . . .

14 BY MR. HABER:

15 Q Does your recollection -- withdrawn. Do  
16 you recall that during that telephone conversation  
17 or at another time?

18 A I wouldn't know exactly anymore.

19 Q But you have a vague recollection  
20 that there was such a discussion?

21 A In that period somewhere there.

22 Q And just so --

23 A There was a lot of tension, yeah, a lot  
24 of pressure.

25 Q Do you believe Mr. Hodge was putting

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1 WALTER VAN DE VIJVER, January 31, 2007  
2 pressure on you to reach a certain production  
3 targeted figure?

4 A I believe that, uh, that Hodge was, was  
5 hoping that the reduction could be minimized.

6 Q Did you believe that he was trying to  
7 steer you to a particular figure?

8 A Yes, to as high as possible figure.

9 Q But not the two to three percent that  
10 you were talking about; is that correct?

11 A I, I think we had a lot of discussion  
12 around whether it was going to two or three  
13 percent or three percent in that whole period.

14 Q What did you conclude the number should  
15 be?

16 A I think the final conclusion was three  
17 percent over a certain time window.

18 Q I'm asking what, what number you  
19 believed, with all the data that you had reviewed,  
20 was the correct number?

21 A It was a -- at that time the judgment  
22 call -- because I did a little bit of judgment  
23 because of uncertainty around numbers. I think at  
24 that time we were -- the judgment was very much in  
25 the two to three percent range.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q But it wasn't at three percent?

3 A Well, two to three percent. Then you  
4 have to go to the final discussion at CMD and  
5 Conference on the subject.

6 Q I'm just trying to get an understanding  
7 of what you -- what your judgment was based upon  
8 the data that you were provided by your staff.

9 A At this time it was still, still in  
10 that, in that range, two to three percent,  
11 so . . .

12 Q Was the three percent figure a  
13 compromise figure for you?

14 MR. TUTTLE: Objection; foundation.

15 THE WITNESS: Yes.

16 BY MR. HABER:

17 Q Now, if you look at Exhibit 7 for a  
18 moment, there's a reference in the e-mail from  
19 Mr. Watts to you -- and it's at the bottom -- to a  
20 CMD meeting on August 28, 2001. Do you recall  
21 attending the meeting in August, August 28, 2001,  
22 where the production growth target was discussed?

23 A Not directly, but as it was a CMD  
24 meeting, I would be there.

25 Q Do you recall at that point, by the end

0184

1 WALTER VAN DE VIJVER, January 31, 2007  
2 of August, if the three percent number had been  
3 the number that was presented for external  
4 promise?

5 A No, no. Not yet. I said my  
6 presentation to analysts was somewhere around the

7 middle of September 2001, so a little bit later.

8 Q I think earlier you said that the  
9 Conference had to approve the reduction; is that  
10 correct?

11 A Yeah.

12 Q Did you make a presentation to the  
13 Conference concerning the reduction?

14 A Yes, yes.

15 Q And when, when was this meeting held?

16 A Somewhere in the period between the 28th  
17 of August and 17th of September when I did the,  
18 did the presentation.

19 Q Was there any reaction to the  
20 presentation that you made?

21 A Yes, yes, there was a discussion at  
22 Conference about ultimately what, what the  
23 external promise would be.

24 Q And what do you recall about that  
25 discussion?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A I did the presentation around that,  
3 moving away from the five percent and shared where  
4 we were and our best possible projections around  
5 production growth and the way that was normally  
6 presented to the market, and as the outcome of  
7 that debate, that Conference, the conclusion was  
8 to externally portray three percent.

9 Q Was there any resistance to the  
10 reduction by any member of the Conference?

11 A Resistance to the reduction in growth?

12 Q Yeah, in effect, did anyone oppose it?

13 A No, but there was a healthy debate on  
14 what the number should be.

15 Q Do you recall anyone in particular who  
16 was most vocal?

17 A No.

18 Q Did Mr. Watts attend that meeting?

19 A He chaired the meeting.

20 Q Do you recall if Mr. Watts had anything  
21 to say after your presentation?

22 A I, I do not know.

23 Q Let me take it during the discussion.

24 When was this discussion occurring in the meeting  
25 where you made the presentation?

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2 A Well, as part of the normal agenda --  
3 sorry.

4 Q I'm sorry. Let me ask -- I'm sorry. I  
5 asked a bad question. I'm sorry. Let me rephrase  
6 it.

7 Was there a discussion during the  
8 presentation or after the presentation?

9 A After the presentation.

10 Q And you say Mr. Watts chaired the  
11 meeting?

12 A That he chaired every meeting of  
13 Conference.

14 MR. HOTZ: Mr. Haber, when you get to a  
15 convenient point, if you wouldn't mind, could we  
16 take a break? We're just getting toward 4:00.

17 MR. HABER: Absolutely.

18 MR. HOTZ: Great. Thank you.

19 MR. HABER: You're welcome.

20 BY MR. HABER:

21 Q Do you recall what Mr. Watts' position  
22 was at the time of this Conference meeting?

23 A No.

24 Q You under -- do you understand that he  
25 was supporting three percent at that point?

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2 A Yes, he supported three percent.

3 Q And when you made the presentation that  
4 you made, did you include a discussion of some of  
5 the production issues that we talked about in  
6 Oman, for instance?

7 A Yes, I would have given, had the reasons  
8 for why it was not anymore five percent, so I will  
9 have given, as part of the presentation, some  
10 insights in what had changed.

11 Q And some of those insights included a  
12 discussion about Oman?

13 A Oman was one of the countries where  
14 production had reduced.

15 Q Were there any countries that you  
16 remember discussing?

17 A The United Kingdom, because it was quite  
18 a big one. The United Kingdom was a hundred  
19 thousand barrels a day in gross production, so  
20 that was quite a big number in that, in that  
21 overall number.

22 Q Were there any other countries?

23 A Not that I can recollect.

24 MR. HABER: This is probably a good time  
25 to break.

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2 THE VIDEOGRAPHER: We are going off the  
3 record. The time is 3:55 p.m.

4 (Whereupon, a short recess was taken.)

5 THE VIDEOGRAPHER: We are back on the  
6 record. The time is 4:12 p.m.

7 BY MR. HABER:

8 Q Mr. Van de Vijver, I'm going to put you  
9 back into that meeting at the Conference where you  
10 made the presentation about the three percent or  
11 the reduction of the five percent target. Did you  
12 prepare any materials for distribution to the  
13 Conference in connection with your presentation?

14 A I do not recollect, no.

15 Q When you went to the Conference to make  
16 the presentation, did you -- withdrawn. Were you  
17 concerned, at the time you made the presentation  
18 to the Conference, that the Conference would not  
19 support the reduction in growth target, the  
20 production growth target?

21 A No.

22 Q Did anyone else make a presentation to  
23 the Conference with regard to reducing the  
24 production growth target?

25 A I do not recollect, no.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Did anyone accompany you?

3 A I do not recollect. It should be  
4 visible in the minutes of the Conference.

5 Q Do you recall if all the members of the

6 Conference were present at the time you gave this  
7 presentation?

8 A Yes.

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

11 A Yes.

12 Q Was Malcolm Brinded a member of the  
13 Conference?

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

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

20 A Yes.

21 Q Was Aad Jakob a member of the  
22 Conference?

23 A Yes.

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

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q Was a gentleman by the name of Henny de  
4 Ruitter a member of the Conference?

5 A Yes.

6 Q Who is Henny de Ruitter?

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

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

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

16 Q Are there any others?

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

22 Q What is ROACE?

23 A Return On Average Capital Employed.

24 Q And what is it in layman's terms?

25 A That's an indication of the efficiency

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1 WALTER VAN DE VIJVER, January 31, 2007

2 of the business, in terms of the investments you

3 made, what sort of return you get on your

4 investment, but given all the depreciation factors

5 around the business, it's based on net income

6 after tax, but it is in the capital employed,

7 which incorporate the accounting basis for

8 calculating your capital employed at that

9 particular point in time.

10 Q In simple terms, it's a measure of the

11 performance of the company?

12 MR. TUTTLE: Objection to form.

13 THE WITNESS: It's one of the indicators

14 on the efficiency of the business; that is, the

15 capital efficiency measure of the business

16 overall.

17 BY MR. HABER:

18 Q Okay. Now, you said you met with

19 analysts in September of 2001; is that correct?

20 A Yes.

21 Q And it was during this, this conference

22 with analysts that you gave the actual production

23 growth target?

24 A Yes.

25 Q Was this during a Conference call with

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1 WALTER VAN DE VIJVER, January 31, 2007

2 analysts?

3 A No. This was actually a presentation, a

4 live presentation first in, in Europe. I wouldn't

5 be able to directly recollect whether The Hague or

6 London, and then the day thereafter it would be a

7 repeated in New York.

8 Q Did you go to New York to do the repeat

9 of the presentation?

10 A Yeah, exactly the same presentation.

11 Q Did anyone from Investor Relations

12 accompany you?

13 A Oh, yes.

14 Q Who?

15 A Several people.

16 Q Do you recall having any discussions  
17 with people from Investor Relations on your trip  
18 over to New York about what the U.S. market was  
19 expecting?

20 A No, not that I recollect. The  
21 presentations in itself were the same.

22 Q Now, the presentation that was conducted  
23 in Europe; was that broadcast over the Internet?

24 A Yes.

25 Q And therefore there would be worldwide

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2 access, correct?

3 A Yes.

4 Q Do you recall what the reaction of the  
5 analysts were to the reduction in the growth -- in  
6 the production growth target?

7 A The market was disappointed by the  
8 lowering of the production growth target and the  
9 new number.

10 Q And when you say "the market," are you  
11 referring to analysts?

12 A Yes.

13 Q Do you know if there was any impact on  
14 the price of the stock after the presentation?

15 A I, I do not recollect.

16 (Exhibit No. 8 was marked for  
17 identification and attached to the deposition  
18 transcript.)

19 BY MR. HABER:

20 Q I've just handed the witness what we've  
21 marked as van de Vijver Exhibit 8. It's a  
22 one-page e-mail from Mr. Van de Vijver to Philip  
23 Watts, dated September 11, 2001. The subject line  
24 is "Presentation." The second page is handwritten  
25 notes. The Bates number for this exhibit is

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2 HAG00020430 through HAG00020431.

3 Mr. Van de Vijver, I'd just ask you to

4 take a look at this.

5 A Yeah.

6 Q Mr. Van de Vijver, have you seen this  
7 e-mail before today?

8 A Yes.

9 Q And if you look at the second page --

10 MR. DOWD: Give him a chance to read it.

11 MR. HABER: Oh, sure. I'm sorry. I  
12 thought he was done. My apologies.

13 BY MR. HABER:

14 Q Are you through?

15 A Yes.

16 Q Okay. Can I ask you, have you seen the  
17 e-mail today -- before today?

18 A Yes.

19 Q And the second page, which is  
20 handwritten notes, do you recognize the  
21 handwriting?

22 A This is my handwriting.

23 Q This appears to be part of a larger  
24 handwritten note. Looking at this document now,  
25 do you have any recollection as to what this was a  
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1 WALTER VAN DE VIJVER, January 31, 2007  
2 part of?

3 A It looks to be the basis of a  
4 presentation, but I don't recollect.

5 Q If you look at the e-mail now, the  
6 second paragraph and the sentence that begins "I  
7 have been struggling" -- are you with me?

8 A Yes.

9 Q It says, "I have been struggling with my  
10 principles and integrity over the last couple of  
11 months whilst going through the due diligence of  
12 EP and the new business plan as it came together."

13 What was causing you to struggle with  
14 your principles and integrity?

15 A This also is ongoing discussion around  
16 what the best perspective of the business was at  
17 this point in time. Still learning about why  
18 certain things had happened and why certain things  
19 were what they were.

20 Q There's a reference here to "due  
21 diligence." What due diligence were you referring

22 to?

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

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2 Q Now --

3 MR. DOWD: Excuse me. Is this the way  
4 this document was produced?

5 MR. HABER: I can only tell you that, as  
6 you see, it's Bates numbered sequentially, and  
7 that's the way we have it.

8 MR. DOWD: Okay.

9 MR. HOTZ: It looks like a second page  
10 begins with Number 6. That's why we're asking.

11 MR. HABER: I can only tell you the  
12 Bates numbers. This is the way we have it.

13 MR. HOTZ: And it was produced stapled  
14 like this together?

15 MR. HABER: Electronically that's the  
16 way it comes, so I can't tell you any more than  
17 that.

18 BY MR. HABER:

19 Q Again looking at this sentence, the  
20 sentence -- the part of the sentence saying that  
21 you're struggling with your principles and  
22 integrity, did you feel, when you wrote this, that  
23 you were under pressure from Phil Watts or Steve  
24 Hodge?

25 A I was under pressure, yes.

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2 Q And how were you under pressure?

3 A Under pressure to deliver the highest  
4 growth target for the business.

5 Q Do you have an understanding as to why  
6 they were exerting this pressure to achieve the  
7 highest growth target for the business?

8 MR. TUTTLE: Objection to form; calls  
9 for speculation.

10 BY MR. HABER:

11 Q You can answer.

12 MR. DOWD: If you know.

13 THE WITNESS: No, not directly.

14 BY MR. HABER:

15 Q Now, the next part of the sentence -- of  
16 the paragraph, rather, the next sentence reads,  
17 "There are several things that should really worry  
18 us," and again there are a number of items. I'll  
19 call them bullet points. They're marked off by  
20 dashes.

21 A Uh-huh.

22 Q The first one is "core business issues  
23 in places such as Exploration, PDO, ExPro and  
24 Australia." What were the issues that you're  
25 referring to?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Exploration, I was not happy with the  
3 way it was structured, and that is one of the  
4 first things I changed to globalize the  
5 Exploration business. PDO we talked about. ExPro  
6 we talked about.

7 Q Okay.

8 A And also during the time I actually  
9 visited ExPro to get a hands-on feeling for the  
10 performance in ExPro. And Australia, because  
11 there we, we had some disappointing performance on  
12 a new field there.

13 Q Does this reference to Australia have  
14 anything to do with Gorgon?

15 A No, no, no, no.

16 Q Now, the third bullet point says "lack  
17 of ownership and accountability topdown in EP."

18 A Yeah.

19 Q What did you mean by that?

20 A I felt that, that the structure in E&P  
21 was not the best it could be in getting direct  
22 hierarchy, hard-wiring of accountability in the  
23 organization, and this had to do with having a  
24 very strong operating units with very powerful  
25 CEOs at that level and not the ability to bring

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2 that sort of seamlessly together as it's reported  
3 up to the EP ExCom. You see as part of that

4 follow-up that's one of the things that changed  
5 during my tenure in E&P to improve that, uh, that  
6 organization and hard-wiring the accountability  
7 and the ownership.

8 Q Okay. The next bullet point I would  
9 like to direct your attention to says, "Increased  
10 competition also w-r-t," which is "with respect to  
11 growth targets and with respect to earning a P/E  
12 premium." What were you referring to there?

13 A That's external competition to Shell, so  
14 that's other companies who are delivering and  
15 succeeding. So Shell was not as strong as maybe  
16 internally the company perceived themselves to be,  
17 relative to the competition.

18 Q Now, the handwriting underneath the one  
19 I just read to you, is that your handwriting?

20 A Yeah.

21 Q Can you make out what that says.

22 A "No oil to gas shift."

23 Q What did you mean by that?

24 A That it was the aspiration of the Group,  
25 over time, to make its portfolio more gassy, so in  
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1 WALTER VAN DE VIJVER, January 31, 2007  
2 terms of the split between oil and gas production,  
3 to gradually get more gas production in there in  
4 the company.

5 Q By the way, when you sent this e-mail,  
6 had you already made a presentation to the  
7 analysts?

8 A No.

9 Q Did Shell issue a press release in  
10 connection with the reduction of the growth  
11 target?

12 A Yes.

13 Q Did you review the press release before  
14 it was disseminated?

15 A Yes, but final control is within the  
16 London organization.

17 THE REPORTER: Within the what  
18 organization?

19 THE WITNESS: London organization.

20 BY MR. HABER:

21 Q And who are you referring to?

22 A That's investor relationship, investor  
23 relations that report to the CFO that ultimately  
24 reports in to the chairman.

25 Q So do you know if the press release was  
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2 approved by Philip Watts?

3 A Oh, definitely it will have been  
4 approved by Phil Watts.

5 Q And underneath Philip Watts, Judy  
6 Boynton?

7 A Yes.

8 Q And underneath that --

9 A Well, sorry. That's probably still  
10 Steve Hodge during the transition period.

11 Q You're correct. I'm sorry. Steve  
12 Hodge? It was approved by Steve Hodge?

13 A Well, it was during the handover. I  
14 don't recall exactly when that happened.

15 Q And was Simon Henry the head of Investor  
16 Relations at this time?

17 A Yes.

18 Q And so he would have been part of that  
19 approval process?

20 A Yes.

21 Q If you look at the bottom of the page,  
22 the paragraph that begins, "We will tell a  
23 confident story to the analysts," then it says,  
24 "At EP ExCom today there was significant  
25 discomfort with the three percent growth target  
0202

1 WALTER VAN DE VIJVER, January 31, 2007  
2 and with the 15 percent ROACE promise."

3 Do you recall attending the ExCom  
4 meeting that's referred to in this e-mail?

5 A Yes, but I don't recollect the type of  
6 discussion that took place.

7 Q Do you recall who at ExCom voiced  
8 discomfort with the three percent growth target?

9 A No.

10 Q What was the issue with regard to  
11 "15 percent ROACE promise"?

12 A As I said earlier, one of the targets  
13 that the business has was a ROACE target. ROACE  
14 target was always as a certain reference oil price  
15 to take out the sensitivity to oil price, because  
16 at that time it was \$14 a barrel in terms of the  
17 reference price.

18 Q If you look at the next sentence, it  
19 says, "This is, as you know, because our current  
20 plan does not achieve these targets whilst you  
21 normally want to have some 'headroom' between  
22 internal plans and external promises."

23 Was this statement meant to ascribe a  
24 reason for the discomfort that was voiced during  
25 the ExCom meeting?

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2 MR. TUTTLE: Objection to form; calls  
3 for speculation.

4 THE WITNESS: If I read my own sentence  
5 correctly, it is linked to the sentence above.

6 BY MR. HABER:

7 Q Okay, you can put this document away.

8 A little bit earlier this morning you  
9 had mentioned the Technical & Operations  
10 Excellence, the T&OE, I believe.

11 A Yes.

12 Q What is the T&OE?

13 A This was a recreation of a group of, we  
14 call them "gurus," we call them "senior  
15 professionals" in their particular area of  
16 expertise, that would help in the oversight and  
17 support of technical work across the group in the  
18 various operating units, and that is something  
19 that I initiated, because I felt it was very  
20 important to the core of the business as doing  
21 good technical work, to make sure that the profile  
22 and visibility of the technical work and the  
23 senior specialists were well recognized within  
24 E&P.

25 Q Why did you initiate the T&OE?

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2 A It, it was partly because of the

3 concerns that I found in my visits in the various  
4 places I visited, but also partly linked to my own  
5 historical recollection of E&P about the roles and  
6 positions that existed many years before when I, I  
7 worked in, in the head office in The Hague as a  
8 young engineer.

9 Q Did you need approval for the creation  
10 of the T&OE?

11 A No, I don't think so. I did need  
12 approval for some of the organizational changes  
13 that I made to the EP ExCom around the  
14 September/October time in that year.

15 Q And why did you make organizational  
16 changes to the ExCom?

17 A As I just explained from the previous  
18 e-mail, one of the things I felt uncomfortable  
19 with was the way Exploration was structured in the  
20 Group, where it was very fragmented, and I wanted  
21 to create one central core of excellence and  
22 accountability for Exploration in the Group. So  
23 that was one of the first changes I made, together  
24 with establishing a formal department on project  
25 execution where we would create a project

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2 organization within the Center of the Hague that  
3 would have global responsibility for quality of  
4 project execution across the globe. And there may  
5 have been a few other things. I can't recollect  
6 them all.

7 Q Did the organizational change in the  
8 ExCom include personnel change?

9 A Yes. As part of that, I appointed  
10 Matthias Bichsel as head of Exploration, and I  
11 appointed Brian Ward to be my Regional Director  
12 for Africa as well as leading the Technical &  
13 Operations Excellence, Excellent process, and I  
14 think those were the initial stages. Briefly  
15 thereafter -- okay, that was a bit later when I  
16 appointed -- no, that was in 2002 when I appointed  
17 Frank Coopman to be CFO of E&P and moved Dominique  
18 Gardy to the Far East and then Tim Warren to  
19 Australia. That was a bit later in the process.

20 Q Why did you select Brian Ward to be a  
21 Regional Director for Africa?

22 A I had worked with him before. He used  
23 to be my boss in Aberdeen, so I knew him very  
24 well. I had a lot of respect for him, and he was  
25 a very sort of goal-getting type of individual,  
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2 and I felt he was the right person to, to appoint  
3 for those particular activities, and that -- I  
4 remember it took me a lot of convincing for him to  
5 take the job, because he didn't particularly want  
6 to come to the head office, but I did, I did get  
7 him to take those jobs.

8 Q Now, was this position considered a  
9 promotion?

10 A Yes.

11 Q Now, you also mentioned Frank Coopman to  
12 be the CFO of E&P. Why did you, why did you ask  
13 Mr. Coopman to join E&P in that position?

14 A I had known Frank Coopman from, also  
15 from Aberdeen where he was CFO of, of ExPro, and  
16 he had a strong reputation when it comes to  
17 control of, of the business. Reasonably soon  
18 after I got my job in, in EP in The Hague, he came  
19 to me basically volunteering himself to come and  
20 work for me, and then as part of sort of the  
21 normal process, he then came on board in EP.

22 Q Was there a reason or reasons why you  
23 wanted Mr. Coopman to replace Mr. Gardy?

24 A I wanted to improve the overall effort  
25 on business controls in E&P.

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2 Q And had you concluded, by the time you  
3 asked Mr. Coopman to join E&P, that the business  
4 controls were weak at E&P?

5 A I felt as part of my overall concerns in  
6 terms of hard-wiring the E&P business and getting  
7 everyone better collected and getting more better  
8 disciplined information and making sure we get  
9 better quality monthly reports, et cetera, that  
10 Frank would be a great addition to the team.

11 Q Now, with regard to the business  
12 controls, do you know if Mr. Coopman also -- if  
13 you envisioned Mr. Coopman to be implementing  
14 controls with regard to reserves reporting?

15 A Yes, everything that's related to  
16 results of E&P, so that included reserves  
17 reporting.

18 Q And so you asked Mr. Coopman to join in  
19 or about 2002?

20 A Yeah. I can't recollect exactly what  
21 month, but it was somewhere April/May time in  
22 2002, or we can check. I don't know the exact  
23 date.

24 Q So this is roughly about eight or nine  
25 months or so after you took over the job?

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2 A Yes.

3 Q So by that time you were able to get a  
4 good handle on the business controls of E&P?

5 A Well, by the time I had a pretty good  
6 feeling about what all needs to be done, huh? And  
7 these things don't happen overnight. This is a  
8 huge complex organization with many entities, and  
9 there was a lot, a lot to be done.

10 Q And you felt that Mr. Coopman would be  
11 able to strengthen the business controls?

12 A Yes.

13 Q You mentioned Tim Warren, that you sent  
14 Mr. Warren to Australia?

15 A Yes.

16 Q Why did you send him to Australia?

17 A I felt that, that for running the EP  
18 ExCom and the team that we had, I felt more  
19 comfortable putting Dominique Gardy in that  
20 position than maintaining Tim Warren in that  
21 position.

22 Q I'm sorry. I think I might be a little  
23 confused. You said after Mr. Coopman came --

24 A Yeah.

25 Q -- Dominique Gardy then went

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2 to Australia?

3 A No, no. Dominique Gardy moved, as he  
4 evolved, from E&P to the Far East region on EP  
5 that until the time had been occupied by Tim  
6 Warren, who then became Country Chair in  
7 Australia.

8 Q And the move with Tim Warren, was that  
9 in connection with the initial changes that you  
10 talked about in 2001?

11 A I don't recollect. I think it was sort  
12 of a two-stage rocket to some of the early  
13 change -- sorry. Two-stage rocket. I think some  
14 of the early changes that were creating the  
15 Exploration Department and creating a Technical  
16 Operational Excellence and getting Brian Ward in,  
17 that was the first move, and then the second move  
18 was the move with the chain of Coopman, Gardy and  
19 Warren.

20 Q When you created the T&OE, did you form  
21 an opinion that Shell's "technical excellence,"  
22 for lack of a better word, was waning, was no  
23 longer what it was?

24 A Yes.

25 Q And how did you reach that opinion?

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2 A From my, my gut feel going through the  
3 various areas and seeing the quality of work that  
4 was being done, and being concerned that with all  
5 changes in the company, that trying to become more  
6 entrepreneurial, et cetera, that the pure  
7 recognition of technical skills and technical  
8 professionalism had sort of taken a back seat in  
9 the overall profile of E&P business.

10 Q Do you know if any of your predecessors  
11 had implemented any programs such as the T&OE to  
12 address the technical competence issue?

13 A No. There were a lot of initiatives  
14 coming out of the Technology Group, the Service  
15 Group in the, in the EPT and then the SepTAR bit  
16 of that, but it was very much done from a service  
17 perspective rather than getting sort of up front  
18 the technical professionalism more owned and

19 upgraded.

20 Linked to that is just the whole issue  
21 with -- a lot of it has to do with people. There  
22 was a system in the organization in place at that  
23 time when I arrived what was called "open  
24 resourcing," which essentially meant that people  
25 themselves within the Shell system had to look for  
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2 the next assignments and the next job, which in  
3 itself is encouraging, because they could find  
4 their own market value and so on, but what it  
5 stopped doing was that there were some of the  
6 professional gurus who actually had a direct input  
7 and a direct responsibility for their technical  
8 professionalism as their career progressed and  
9 also being able to assess where some of these  
10 people were most needed in the organization.

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

19 Sorry for the lengthy answer.

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

25 A One of the things that was -- the answer

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

10 Q And when did --

11 A That was done before my time.

12 Q Okay. Do you know when the Value  
13 Assurance Review was implemented?

14 A I don't know the exact time, but  
15 somewhere around the year 2000, '99/2000.

16 Q Okay. Do you know if the Value  
17 Assurance Review was incorporated into Shell's  
18 guidelines?

19 A I remember that in April 2002 we  
20 included the VAR 3 milestone in the Shell reserve  
21 guidelines.

22 Q And was that the first time that the VAR  
23 3 milestone had been disseminated to the Shell  
24 reserves people company-wide?

25 A Yes.

0213

1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. HABER: I'm told we have five  
3 minutes left on the videotape, and since we're  
4 approaching the 5:00 hour, we might as well  
5 conclude for the day.

6 THE VIDEOGRAPHER: This marks the end of  
7 Volume 1 in the deposition of Mr. Van de Vijver.  
8 The total number of tapes used today is three. We  
9 are going off the record. The time is 4:52 p.m.

10 (Signature having not been waived,  
11 Volume I of the video deposition of WALTER VAN DE  
12 VIJVER was concluded at 4:52 p.m.)

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0214

1 WALTER VAN DE VIJVER, January 31, 2007

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0215

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)

WALTER VAN DE VIJVER, January 31, 2007

ERRATA SHEET

IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

RETURN BY:

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25 (DATE) (SIGNATURE)

0216

1 WALTER VAN DE VIJVER, January 31, 2007  
 2 E R R A T A S H E E T  
 3 IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

4 RETURN BY:

5 PAGE LINE CORRECTION AND REASON

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25 (DATE) (SIGNATURE)

0217

1 WALTER VAN DE VIJVER, January 31, 2007

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4 CERTIFICATE OF SHORTHAND REPORTER -- NOTARY PUBLIC

5 I, Laurie Bangart-Smith, Registered  
 Professional Reporter, the officer before whom the  
 6 foregoing deposition was taken, do hereby certify  
 that the foregoing transcript is a true and

7 correct record of the testimony given; that said  
8 testimony was taken by me stenographically and  
9 thereafter reduced to typewriting under my  
10 supervision; and that I am neither counsel for,  
11 related to, nor employed by any of the parties to  
12 this case and have no interest, financial or  
13 otherwise, in its outcome.

14  
15 IN WITNESS WHEREOF, I have hereunto set  
16 my hand and affixed my notarial seal this 31st day  
17 of January, 2007.

18  
19 My commission expires: March 14th, 2011

20 \_\_\_\_\_  
21 LAURIE BANGART-SMITH  
22 NOTARY PUBLIC IN AND FOR  
23 THE DISTRICT OF COLUMBIA  
24  
25

0218

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

6  
7 ----- +  
8 IN RE ROYAL DUTCH/SHELL  
9 TRANSPORT SECURITIES  
10 LITIGATION

11 ----- +

12  
13 Volume II  
14 Videotaped Deposition of Walter Van De Vijver  
15 Washington, D.C.  
16 Thursday, February 1st, 2007  
17 9:37 a.m.

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20  
21  
22  
23 Job No. 22-94163  
24 Pages 218 - 454, Volume II  
25 Reported by: Paula G. Satkin

0219

1 Videotaped Deposition of  
2 Walter Van De Vijver  
3  
4 Held at the offices of:  
5 LEBOEUF, LAMB, GREENE & MACRAE, LLP  
6 1875 Connecticut Avenue, Northwest  
7 Suite 1200  
8 Washington, D.C. 20009  
9 (202)986-8000

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21 Taken pursuant to notice, before Paula  
22 G. Satkin, Registered Professional Reporter  
23 And Notary Public in and for the District of  
24 Columbia.

25  
0220

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8 Also present:  
9 Cali Day, Videographer

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1 EXAMINATION INDEX

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0226

1 WALTER VAN DE VIJVER

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

3  
4 THE VIDEOGRAPHER: Here begins

5 Tape Number 1, Volume II, in the deposition of

6 Walter Van De Vijver, in the matter of Royal

7 Dutch/Shell Transport Securities Litigation.

8 Today's date is February 1, 2007.

9 The time is 9:37 a.m.

10 I would like to remind the witness

11 he is still sworn in from yesterday.

12 Whereupon--

13

14 Walter Van De Vijver

15 a witness, called for examination, having been

16 previously first duly sworn, was examined and

17 testified as follows:

18

19 EXAMINATION BY COUNSEL FOR LEAD PLAINTIFF

20

21 BY MR. HABER:

22 Q. Good morning, Mr. Van De Vijver.

23 A. Good morning.

24 Q. I would like to start off this

25 morning by looking at your letter which we've

0227

1 WALTER VAN DE VIJVER

2 marked as Exhibit 1.

3 MR. DOWD: Get the exhibits back.

4 BY MR. HABER:

5 Q. If you would please turn to page

6 2. The first full paragraph of that page that

7 begins with "closeout of 2001." Do you see

8 that?

9 A. Yes.

10 Q. Okay. For the record, it says,

11 "by closeout of 2001 reserves in February 2002,

12 we had identified a number of exposures

13 regarding the company's proved reserves (both

14 outlook and historical exposures) and we advised

15 CMD."

16 What do you recall about that time

17 period, the closeout of the reserves and what

18 was advised?

19 A. I received the annual audit report

20 from the group reserves auditor, Anton

21 Barendregt, so that was a completed report that

22 was distributed to me.

23 I don't have any involvement in

24 that process itself. I mean clearly people from  
25 my organization are involved, external auditors

0228

1 WALTER VAN DE VIJVER

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

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

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

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

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

15 The first exhibit is Exhibit 9,  
16 which is EP ExCom meeting note dated February 4,  
17 2002.

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

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

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

0229

1 WALTER VAN DE VIJVER

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

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

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

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

14 MR. HABER: And I will just now

15 give the Bates numbers while Mr. Van De Vijver  
16 has a chance to look at these documents. For  
17 the record I will just identify the Bates  
18 numbers.

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

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

0230

1 WALTER VAN DE VIJVER

2 The Bates number is V00010188  
3 through V00010211.

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

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

12 BY MR. HABER:

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

16 A. Yes.

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

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

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

0231

1 WALTER VAN DE VIJVER

2 and gas reserves summary preparation.

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

5 A. Yes.

6 Q. And if you notice on the note  
7 there's handwriting. Do you recognize that  
8 handwriting?

9 A. I'm not sure. If I see the word  
10 appraisal it sort of looks like my handwriting,  
11 but I don't think I ever write note that is  
12 there, so I can't be sure.

13 Q. If you look at the paragraph  
14 Mr. Barendregt is referring to the use of  
15 scorecards. Do you see that? It says the  
16 widespread use of reserves targets scorecards?

17 MR. DOWD: Hang on a second. Let  
18 him read the paragraph.

19 THE WITNESS: Yes. I've read it.

20 BY MR. HABER:

21 Q. You see at the end it says,  
22 however, the shift -- I'm in that same  
23 paragraph. However, a shift in scorecard  
24 emphasis from reserves booking to successfully  
25 meeting project milestones is recommended.

0232

1 WALTER VAN DE VIJVER

2 In the right margin there's a  
3 handwritten note from you saying no.

4 Why did you say that?

5 A. Well, I think, as I mentioned  
6 before, I'm not sure whether this is my  
7 handwriting.

8 I'm happy to comment on it, but I  
9 cannot be sure that this is my handwriting.

10 Q. What was your reaction to that  
11 recommendation?

12 A. The scorecards for EP had a  
13 mixture of a variety of targets for the business  
14 and I did feel it appropriate that reserve  
15 replacement was one of the items on that  
16 scorecard.

17 I also believed that items like  
18 milestones on project or what I call strategic  
19 activities were important, as well, and they  
20 were incorporated in the scorecard, so it's  
21 ultimately about the balance you get on things

22 that reflect the overall health of the business.

23 This is, by the way, a discussion  
24 that ended up every year at conference where the  
25 scorecards for the business was agreed.

0233

1 WALTER VAN DE VIJVER

2 Q. Do you recall attending a meeting  
3 of the conference where discussion of the  
4 scorecards was conducted?

5 A. Oh, yes, several. Yes.

6 Q. Was there such a discussion in  
7 2001?

8 A. I don't recollect. I know for  
9 certain there was a discussion on that in 2002  
10 and I think also in 2003, because at those times  
11 there was not only a discussion about what the  
12 target should be, but also a discussion about  
13 what percentage of the scorecard should be  
14 linked to reserve replacement.

15 Q. And with regard to 2002, what is  
16 your recollection of the conclusion reached by  
17 the conference?

18 A. We would have to look. I don't  
19 particularly recollect all the details, but I  
20 think there were two occasions during my tenure  
21 that the actual weighting on the scorecards on  
22 reserve replacements were actually increased as  
23 a result of the meetings with conference.

24 Q. When you're saying the actual  
25 weighting on scorecards you're referring now to

0234

1 WALTER VAN DE VIJVER

2 reserves additions?

3 A. Reserves replacements, yes.  
4 Sorry.

5 Q. And in 2002 the chair of the  
6 conference was Phil Watts?

7 A. The chairman of conference was  
8 Phil Watts, but of course that's with all the  
9 nonexecutives being there as well.

10 Q. Do you recall what Phil Watts'  
11 position was on scorecards at that time, 2002?

12 A. No.

13 Q. Do you recall what his position  
14 was in 2003?

15 A. I only know what the end result  
16 was. I don't recollect any particular details  
17 how that process went.

18 Q. Do you recall any discussion at  
19 the conference about Barendregt's --  
20 Mr. Barendregt's criticism of the scorecard  
21 system?

22 A. No.

23 Q. Did you ever talk to  
24 Mr. Barendregt about his criticism of the  
25 scorecards?

0235

1 WALTER VAN DE VIJVER

2 A. I had nothing personally to do  
3 with Barendregt.

4 The first time I met  
5 Mr. Barendregt was in December '03.

6 The answer is no. Sorry. The  
7 answer is no and clarification I did not meet  
8 Barendregt until the first time December 2003.

9 Q. What was the reason you met  
10 Mr. Barendregt in December 2003?

11 A. Because then I personally attended  
12 a few meetings where we were going through the  
13 detail about the numbers of Oman and Nigeria and  
14 how they should be restated and I wanted to get  
15 at that stage a hands-on feeling about how these  
16 discussions were also happening.

17 That was also at the time I had  
18 called in Rod Sidle, who I remembered working  
19 and being involved with reserve reporting in the  
20 United States to help us in that process.

21 Q. Do you recall at the conference  
22 any discussion about the impact reserves  
23 additions had on the scorecard, like a  
24 percentage?

25 A. I don't understand your question.

0236

1 WALTER VAN DE VIJVER

2 Q. Did anyone try to attach a  
3 percentage of importance, if you will, to

4 reserves additions in the scorecard?

5 A. Yes. That's what I answered  
6 earlier, yes. That's when I think twice the  
7 weighting on the reserve replacement on the  
8 scorecard for E&P got increased.

9 Q. When I say percentage you're  
10 talking about the weighting?

11 A. Yes.

12 MR. DOWD: W-E-I-G-H.

13 MR. HABER: Right.

14 BY MR. HABER:

15 Q. Do you recall -- bringing it two  
16 levels down to the ExCom level, do you recall if  
17 the ExCom took any action on Mr. Barendregt's  
18 recommendation concerning scorecards?

19 A. I do not recollect. I can only  
20 recollect that this then triggered getting a  
21 note to the CMD.

22 Q. If you look at the note, the first  
23 page of Exhibit 9, you'll see on the chart on  
24 the very top under achievements there's a chart  
25 concerning the RRR. And I would like you to

0237

1 WALTER VAN DE VIJVER  
2 take a look at the number under the total BOE, 8  
3 CCC-RRR, and then underneath it it says  
4 excluding A&D, which I understand is  
5 acquisitions and divestments. You see the  
6 number is 52 percent. Do you recall any  
7 discussion at the ExCom about the RRR?

8 A. No. I do not recollect. The  
9 number is what it is.

10 Q. Do you know who prepared this  
11 note?

12 A. At the time in my organization  
13 Dominique Gardy and Lorin Brass were responsible  
14 persons in the ExCom for reserve reporting, so  
15 in between the two of them that note must have  
16 been prepared.

17 Q. Now, if you look under issues.  
18 You see under the first bullet point, and this  
19 time it truly is a bullet, it says SPD PDO in  
20 Abudhabi representing 18 percent of EP's

21 production. Cannot book reserves for the  
22 foreseeable future as it is doubtful that the  
23 already booked reserves can be produced within  
24 the remaining license period. The reserves  
25 exposure in these OUs is over 1 billion barrels  
0238

1 WALTER VAN DE VIJVER

2 and sensitive to OPEC constraints.

3 Do you recall discussion about  
4 this issue?

5 A. No. I don't recollect that.

6 Q. With your trips to PDO did it  
7 surprise you that PDO was identified as an issue  
8 on this note?

9 A. No.

10 Q. With your trip to SPDC did it  
11 surprise you that SPDC was on this note?

12 A. No. Those were two very important  
13 areas where clearly by this stage I had  
14 identified that there were operational issues.

15 Q. Now, looking at Mr. Barendregt's  
16 note again. If you can turn the page I would  
17 like you to take a look at the last full  
18 paragraph of the first page, the paragraph  
19 beginning, "the overall finding from the audit  
20 visits." Are you with me?

21 A. Yes.

22 Q. Okay. And in particular I would  
23 like you to focus on the second sentence that  
24 says, "there's a possibility of a minor  
25 overstatement of group proved reserves in some  
0239

1 WALTER VAN DE VIJVER

2 fields where historically booked reserves are  
3 not in line with recent SEC guidance."

4 What was your reaction when you  
5 read that?

6 A. Well, I didn't have a reaction to  
7 that. I mean I accepted that the experts had  
8 come to the conclusion that they came on the  
9 overall state of the reserves. They were the  
10 experts, they were giving the numbers.

11 Q. Your take from the note -- the

12 note to ExCom and the note from Mr. Barendregt  
13 was that there were flags being raised about  
14 certain operating units within the portfolio?

15 MR. TUTTLE: Objection to form,  
16 characterization of the testimony.

17 Q. You can answer.

18 A. Yes. In the context of what I  
19 then submitted to the CMD and the overall  
20 actions that were in place to improve the  
21 technical rigor and quality in the overall  
22 health of the business.

23 That has been my ongoing drive  
24 from the time I was in the business to do  
25 everything possible to make those improvements.

0240

1 WALTER VAN DE VIJVER

2 At the end of the day this was not  
3 an issue about noncompliance or not, this was an  
4 issue about believing the experts about their  
5 opinions and taking it from my side to improve  
6 the business.

7 Q. Do you recall any discussion about  
8 the SEC's guidance in the ExCom?

9 A. No.

10 Q. I would just like to now have you  
11 look at Exhibit 10. That's the presentation  
12 materials.

13 Do you recall seeing this  
14 presentation during the ExCom meeting?

15 A. I do not recollect that particular  
16 time when the presentation was made. I've seen  
17 this presentation over the last couple of years.

18 Q. Okay. I would like you to take a  
19 look for a moment. It's in the backup portion  
20 of this presentation. I would like you to take  
21 a look at page V00010208.

22 MR. DOWD: 208?

23 MR. HABER: Yes.

24 BY MR. HABER:

25 Q. Before I ask you a question about

0241

1 WALTER VAN DE VIJVER

2 this slide, do you know if a PowerPoint slide

3 presentation such as this exhibit were included  
4 as prereading for ExCom meetings and CMD  
5 meetings?

6 A. Generally not. If there was a  
7 note that was it and if there was a general slot  
8 for a particular item obviously people would  
9 come in with presentation material.

10 Q. And the presentation material  
11 would then be handed out at the meeting?

12 A. Not necessarily.

13 Q. Do you recall if this was handed  
14 out, this being this exhibit?

15 A. No.

16 Q. I would like you now to focus on  
17 page 208. You'll see there's a bullet points of  
18 five operating units and it's under the heading  
19 new fields - reserves at risk. The first one  
20 identified is Australia (SDA-Gorgon). Then it  
21 says 550 million BOE.

22 Do you recall a discussion at this  
23 ExCom meeting about Gorgon being at risk?

24 A. No.

25 Q. When was the first time that you

0242

1 WALTER VAN DE VIJVER

2 learned that the reserves that had been booked  
3 at Gorgon were at risk?

4 A. When we started making the  
5 exposure list in E&P.

6 Q. And do you recall when the  
7 exposure list was first circulated?

8 A. It matured over time. Obviously,  
9 we had some reference in that CMD note in  
10 February. Then we had the July note in that  
11 same year, 2002 to CMD. And I think then with  
12 the ongoing activities what I asked Frank  
13 Coopman to do, I think, I formalized a standard  
14 format around October 2002, so it's sort of  
15 evolving over 2002, but you may want to look at  
16 documents. That's my best recollection.

17 Q. That's okay. Why don't we take a  
18 look at Exhibit 11. And if you could identify  
19 where -- where the exposures or the beginnings

20 of the exposure list are?

21 A. On the first time mentioning is on  
22 the bottom of page 2 of that note; right?

23 Q. So that would be on page 474?

24 A. Yes.

25 Q. Did you prepare this note?

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1 WALTER VAN DE VIJVER

2 A. Not personally.

3 Q. Did you instruct someone on your  
4 staff to prepare it?

5 A. Yeah, Lorin Brass.

6 Q. Did you review it before it was  
7 sponsored?

8 A. I do not recollect.

9 Q. Did you sponsor the note?

10 A. Yes. That's the standard  
11 procedure at CMD, that a business that submits a  
12 note to CMD is the sponsor.

13 Q. Do you recall any discussion at --  
14 withdrawn.

15 Was there a meeting at the CMD on  
16 February 11th, if you recall?

17 A. I have to assume that there was a  
18 meeting at the CMD, all right. The answer is,  
19 yes, there was a meeting.

20 Q. Do you recall discussing the  
21 exposures that are identified on page 474?

22 A. No.

23 Q. So it's your understanding that  
24 this note was distributed to every member in  
25 attendance at the CMD meeting?

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1 WALTER VAN DE VIJVER

2 MR. TUTTLE: Objection to form and  
3 characterization of the testimony.

4 THE WITNESS: Any note that is  
5 issued to the CMD people get it in their  
6 prereading material the Thursday or Friday  
7 before the meeting the next Tuesday and/or  
8 Wednesday.

9 BY MR. HABER:

10 Q. That would mean they would get it

11 in prereading material even if they were not in  
12 physical attendance at the meeting?

13 A. Yes.

14 Q. Was that a standard practice?

15 A. Throughout, yes.

16 Q. When you say throughout,  
17 throughout your tenure at EP?

18 A. At CMD, yeah.

19 Q. At CMD. Okay.

20 Do you recall in just looking --  
21 you can go back if you will to flip to Exhibit 9  
22 for a moment, looking at Mr. Barendregt's  
23 report. And if you can turn to page 827?

24 A. Yes.

25 Q. Do you recall any discussion at

0245

1 WALTER VAN DE VIJVER  
2 the ExCom about Angola block 18?

3 A. No.

4 Q. Do you recall having any reaction  
5 when you read item 4, which is about Angola  
6 block 18?

7 A. No. And I have to admit there I'm  
8 not sure whether I read the total note. I mean  
9 I was getting a lot of material. I normally  
10 stick to reading the summary.

11 Q. In terms of the production license  
12 constraints. After you had received  
13 Mr. Barendregt's note did you initiate any  
14 action to try to resolve the license constraint  
15 issue?

16 A. I think that that issue on license  
17 extension came later that year.

18 Q. That year being 2002?

19 A. Yes.

20 Q. And what is your recollection of  
21 how it came about?

22 A. For me for both areas the license  
23 extension came about because in both areas we  
24 were planning massive investments in terms of  
25 activities in the countries and we wanted to get

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1 WALTER VAN DE VIJVER

2 comfort that ultimately we would be able to get  
3 the rewards of that beyond what was then seen as  
4 the end of license.

5 Q. When you say both areas?

6 A. I'm talking Oman and Nigeria,  
7 sorry.

8 Q. Okay. Let's take Nigeria.

9 In particular what steps did you  
10 take to address the license expiry or constraint  
11 issue?

12 A. In terms of my personal action I  
13 remember raising it with the President of  
14 Nigeria.

15 Q. And when was that?

16 A. Somewhere in 2002. You would have  
17 to look at minutes of meetings to be able to see  
18 it.

19 Q. Do you recall if that trip was  
20 taken in March of 2002?

21 A. I cannot be sure.

22 Q. Did anyone accompany you on that  
23 trip?

24 A. If I would go on a trip there  
25 would always be someone accompanying me. We

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1 WALTER VAN DE VIJVER

2 would have to look at the records.

3 Q. Do you recall if Lord Oxburgh came  
4 with you?

5 A. I had one trip indeed I do  
6 recollect there was one trip where Lord Oxburgh  
7 indeed joined me as part of his role in  
8 conference, I think it's called social  
9 responsibilities committees or something  
10 similar, and he wanted to get a firsthand feel  
11 about the relationships with local communities.

12 Q. When he went to Nigeria with you  
13 do you recall if he also visited SPDC?

14 A. Yes. Yes.

15 Q. Do you recall if he was provided  
16 with any data about SPDC's production?

17 A. I don't know. I was not with him  
18 the whole time. I mean we had separate

19 programs.

20 Q. Do you recall when the two of you  
21 were together if you were provided information  
22 about SPDC's production?

23 A. I really -- I really don't  
24 remember.

25 Q. Going back to what started all of  
0248

1 WALTER VAN DE VIJVER

2 this, you said you met with the President of  
3 Nigeria?

4 A. I met with the President of  
5 Nigeria on a frequent basis as part of my  
6 regional job. As I explained yesterday as  
7 managing director I tried to maintain  
8 relationships with people like the President of  
9 Nigeria.

10 Q. On the issue of license  
11 constraints do you recall what you had discussed  
12 with the President?

13 A. I recall raising that once given  
14 the massive investments that were ongoing in the  
15 gas infrastructure in SPDC.

16 Q. Do you recall what he said to you?

17 A. I think it was a typical set of  
18 nonconclusive meeting.

19 Q. What was the relationship like  
20 between Shell and Nigeria?

21 A. I think the relationship between  
22 Shell and Nigeria was, I think, generally seemed  
23 to be pretty good. Of course, the major person  
24 who was looking after that relationship was the  
25 country chairman in Nigeria.

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1 WALTER VAN DE VIJVER

2 Of course, relationships in  
3 Nigeria are always relative given the complexity  
4 of the country. You may have a good  
5 relationship with the president. It doesn't  
6 mean you don't have a lot of other enemies in  
7 the countries and local communities because  
8 there are about a hundred different tribes in  
9 Nigeria, particularly where there are

10 operations. There are always a lot of community  
11 issues. I think my assessment that the  
12 relationship with the President was pretty good.

13 Q. On a level below the President  
14 what was Shell's relationship like with the  
15 local communities?

16 A. Always mixed.

17 Q. How so?

18 A. Well, there was in Nigeria, given  
19 the different states that were out in the delta  
20 and the local leaderships in the delta there was  
21 -- on a frequent basis there were disagreements.  
22 A lot related to the central government in terms  
23 of how revenue from the oil and gas industry was  
24 distributed to the local states and therefore  
25 the local communities.

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1 WALTER VAN DE VIJVER

2 Q. Do you recall Shell encountering  
3 civil unrest during your tenure at EP?

4 A. I think civil unrest is a big  
5 word, but there certainly were on a frequent  
6 basis there were -- there was sabotage  
7 facilities.

8 Q. And as a consequence that would  
9 delay production?

10 A. That obviously had an impact on  
11 production levels, yes.

12 Q. Other than civil unrest, sabotage  
13 and the like, were there any other factors that  
14 was -- that were affecting production levels at  
15 SPDC?

16 A. I mean there were always a variety  
17 of factors in Nigeria. One of the things in  
18 Nigeria was that we worked there in joint  
19 venture with the government being a partner in  
20 the joint venture. So there was on a yearly  
21 basis a lot of discussion on what would be  
22 allocated and funds that would be available to  
23 not only pay for the cost that had taken place  
24 over the past period, but also in terms of  
25 taking their share of future investments.

0251

1 WALTER VAN DE VIJVER

2 Q. Do you recall there being a  
3 problem with maintaining technically competent  
4 senior people?

5 A. Yes. I think as I mentioned to  
6 you yesterday, Nigeria became one of my  
7 resourcing priorities and, as you can imagine,  
8 Nigeria was not always a very nice place to  
9 work. And, therefore, getting ex-patriots to  
10 accept to go to Nigeria was never easy,  
11 particularly as I mentioned in the constraints  
12 of an open resourcing system people would not  
13 really readily volunteer to go to Nigeria. So I  
14 implemented a dedicated drive to bring more  
15 competent experts into the organization.

16 All these things take time, but  
17 that was part of my initiative.

18 Q. Other than through a formal note  
19 like the ones we just looked at in Exhibits 9  
20 and 11 did you communicate these issues that you  
21 were finding in Nigeria to your colleagues on  
22 the CMD?

23 MR. TUTTLE: Objection to  
24 characterization of the documents.

25 MR. MORSE: Same objection.

0252

1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. Who did you communicate these  
4 issues to?

5 A. I had the normal habit of visits  
6 that I would have to operating areas to provide  
7 a brief summary to my colleagues at CMD, aside  
8 from to my own staff.

9 Q. Do you recall communicating these  
10 various issues affecting production with Phil  
11 Watts?

12 MR. MORSE: Objection to form,  
13 characterization.

14 THE WITNESS: These notes would go  
15 to the CMD and that includes Phil Watts.

16 BY MR. HABER:

17 Q. When you say "notes" are you

18 referring to formal notes?

19 A. No, no. Both.

20 On a regular update there would be  
21 formal CMD notes on Nigeria and on Oman to the  
22 CMD, but in between activities if I would travel  
23 and make visits and would have visit reports  
24 they would separately, out of the formal route  
25 would be copied to my CMD colleagues as well.

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1 WALTER VAN DE VIJVER

2 Q. Going back again to the issue of  
3 license constraints, after meeting with the  
4 President of Nigeria were there other steps that  
5 you initiated or took yourself to address the  
6 issue?

7 A. I did not personally, but my staff  
8 did.

9 Q. And what did your staff do?

10 A. I think we're jumping a little bit  
11 forward in time, but I do recall that we did get  
12 a formal opinion from outside law firm, Cravath,  
13 I think it was.

14 Q. Cravath?

15 A. Cravath, which basically sort of  
16 shorthand said that Shell would have a right for  
17 extension on the license of SPDC.

18 Q. And do you know from within Shell  
19 who was principally responsible for spearheading  
20 the communications between Shell and Cravath?

21 A. I know that Frank Coopman, my CFO,  
22 was involved in that, but I don't know the rest  
23 around him.

24 Q. Do you know a Guus Klusener? A  
25 Guus, G-U-U-S Klusener?

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1 WALTER VAN DE VIJVER

2 A. Guus? That sounds Dutch.

3 Q. Yes. Pardon my Dutch  
4 pronunciation.

5 A. No. That name doesn't immediately  
6 ring a bell.

7 Q. How about a Peter Folmer?

8 A. Yes. Peter Folmer, that's a

9 well-known name. He was the group head of the  
10 legal department or whatever you call it, the  
11 top legal guy within Shell.

12 Q. Do you know if Mr. Folmer had any  
13 involvement in liaisoning between Cravath and  
14 Shell?

15 A. I don't know.

16 Q. Do you know who at Cravath was  
17 principally responsible for doing the work on  
18 Shell's behalf?

19 A. No. I did not have any  
20 involvement in that.

21 Q. Have you heard of a person by the  
22 name of Rory Millson?

23 A. No. Sorry, I can't help you on  
24 that.

25 Q. Do you know a person by the name  
0255

1 WALTER VAN DE VIJVER

2 of William Rogers? He also goes by the name Bud  
3 Rogers?

4 A. Bud. That name I recall because I  
5 met him during project Rockford.

6 Q. Okay.

7 A. I met the other one, but it's only  
8 the Bud that recollects.

9 Q. When you were in Nigeria did you  
10 ever take a look at SPDC's business plans?

11 A. I don't really know how to answer  
12 that question. I've been given overviews of the  
13 state of the business and lots of presentations,  
14 but I don't recollect the real detail and  
15 whether there was a formal business plan or not,  
16 but I certainly had a lot of presentations.

17 Q. Do you recall presentations on  
18 SPDC's growth and production targets?

19 A. No, but I do recollect that both  
20 in 2002 and in 2003 Nigeria was actually  
21 achieving some production records.

22 Q. Do you know if they were meeting  
23 production targets?

24 A. That, I wouldn't be able to  
25 answer.

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1 WALTER VAN DE VIJVER

2 I only know both 2002 and 2003

3 were pretty good performances of Nigeria. Part  
4 of that was because they started their first  
5 offshore fields EA and I guess part of it in  
6 terms of the activity that was taking place.

7 Q. Is EA a gas or an oil field?

8 A. An oil field. It is a Shell  
9 offshore oil field.

10 Q. Yesterday you mentioned there were  
11 approximately 6,000 employees in Nigeria?

12 A. Yeah. Yeah.

13 Q. Do you know if there was a  
14 secondment program where these employees also  
15 worked in the United States?

16 A. Broader than that there was a  
17 program where these Nigerians, as part of their  
18 training would move to all different operating  
19 units in the world. They often -- they had some  
20 favorite locations. They would like to go in  
21 the Far East and so on because it was a bit more  
22 Muslim environment but, no, generally there was  
23 an active program to ensure Nigerians would get  
24 their development and training in other areas of  
25 the world, including the United States.

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1 WALTER VAN DE VIJVER

2 Q. Do you know if any of the  
3 employees at SPDC or SNEPCO maintained offices  
4 in the United States?

5 MR. TUTTLE: Objection to form.

6 THE WITNESS: I would not know.

7 BY MR. HABER:

8 Q. You say you don't know for both  
9 SPDC and SNEPCO? I just want to make sure the  
10 record is clear?

11 A. Why I'm hesitating to answer is  
12 that in the SDS organization in Houston and New  
13 Orleans where they provided support for projects  
14 for Nigeria, that there were Nigerians in those  
15 teams, as well, but I don't know whether they  
16 worked on their label I'm SNEPCO or whether they

17 were temporarily assigned to SDS. I wouldn't be  
18 able to answer that.

19 Q. But they worked in the United  
20 States; correct?

21 A. Yes. There were certainly people  
22 that were in those teams.

23 (Van De Vijver Exhibit Number 12  
24 was marked for identification.)

25 MR. HABER: We're marking as  
0258

1 WALTER VAN DE VIJVER  
2 Exhibit 12 --

3 MR. DOWD: Are you through with 9,  
4 10, 11?

5 MR. HABER: Yes.

6 THE WITNESS: Let's keep them in  
7 sequence.

8 MR. DOWD: I will. That's what  
9 I'm here for.

10 MR. HABER: We are marking as  
11 Exhibit 12 a trip report.

12 And while I identify it for the  
13 record, Mr. Van De Vijver, if you could just  
14 take a look at it.

15 The document says Oman visit 8-11  
16 May 2002. Its Bates number is HAG 00110562  
17 through HAG 00110567.

18 BY MR. HABER:

19 Q. Have you had an opportunity to  
20 look at it?

21 A. Yes.

22 Q. Do you recognize this document?

23 A. Yes.

24 Q. What is this document?

25 A. This is a -- I must admit,  
0259

1 WALTER VAN DE VIJVER  
2 chauffeur driven visit report from my visit to  
3 Oman.

4 Q. For what reason did you visit Oman  
5 in May of 2002?

6 A. As I said, this was, as it said,  
7 my continuous strong passion about Oman and

8 wanted to make sure that we were making progress  
9 on the concerns that I identified during  
10 previous visits.

11 Q. Do you recall distributing this  
12 trip report to your colleagues on the CMD?

13 A. I wish you had the distribution  
14 list attached. I don't exactly recall who it  
15 went to.

16 Q. Other than any particular person  
17 do you recall distributing it to any member of  
18 the CMD?

19 MR. MORSE: Objection, asked and  
20 answered.

21 BY MR. HABER:

22 Q. You can answer.

23 A. I would prefer to see it. As I  
24 said, the normal practice for me was to  
25 distribute it to all CMD members and the people

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1 WALTER VAN DE VIJVER

2 in my organization but I cannot be sure,  
3 particularly because this time I guess I had my  
4 secretary to prepare this report.

5 Q. But as a matter of normal practice  
6 you would distribute trip reports?

7 A. Sure.

8 Q. In the second paragraph under  
9 introduction there's a reference to sessions  
10 with Omani officials, the Minister of Oil and  
11 Gas, the Minister of National Economy, the  
12 chairman of PDO/Undersecretary of MOG.

13 Did you meet with each one of  
14 these ministers separately?

15 A. We have to look further in the  
16 minutes. The way it is written it looks like I  
17 had separate meetings with the three ministers,  
18 but I would always be accompanied by John  
19 Crocker.

20 MR. DOWD: I think the witness is  
21 looking at page HAG001110565; correct?

22 THE WITNESS: Yeah.

23 BY MR. HABER:

24 Q. Thank you.

25 After meeting with the various

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1 WALTER VAN DE VIJVER

2 officials from the Omani government how would  
3 you at that time describe Shell's relationship  
4 with the Omani government?

5 MR. TUTTLE: Objection to form.

6 THE WITNESS: Still difficult.

7 BY MR. HABER:

8 Q. Still difficult?

9 A. Yes.

10 Q. Why is that?

11 A. Because we hadn't quite delivered  
12 the improvements in overall performance. I  
13 think that's what the whole tenure of the note  
14 is about what was happening and what was not  
15 happening at that stage.

16 Q. I just would like to direct your  
17 attention under the summary. Again, these are  
18 dashes and plus signs. By the way, is there a  
19 distinction between the dash and the plus?

20 A. Yes. That's my shorthand for low  
21 light is a negative and a highlight is a  
22 positive.

23 Q. Okay. So under the second low  
24 light, "production continues to slide (now some  
25 770 thousand barrels per day)." It goes on to

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1 WALTER VAN DE VIJVER

2 say the totally unreliable monthly short-term  
3 forecasts.

4 What do you recall about that?

5 A. What I recall about that was  
6 production was still sliding and the  
7 organization didn't really have a good grip on  
8 their overall production because they would  
9 forecast a month that they would produce X but  
10 then they would produce something different so  
11 the quality of the whole operation and the  
12 ability to forecast our production was at that  
13 point in time not there.

14 Q. Now, going down to the last  
15 negative before you get to the first positive it

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

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

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1 WALTER VAN DE VIJVER

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

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

17 What did you mean by that?

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

20 Q. I get the part that your patience?

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

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1 WALTER VAN DE VIJVER

2 not a Shell company, it's a company with a  
3 majority shareholder, the government. It has  
4 its own Board structure and that's normally it's  
5 through the Board that a company like that gets  
6 governed. Here I'm coming in from the side all

7 the time saying you guys get your act together,  
8 go and do things and it is -- it was very  
9 frustrating there was a long period of denial in  
10 the management of PDO in terms of getting to  
11 grips what was really happening. They were  
12 doing things but it was not really getting the  
13 tracks I wanted and I was starting to lose my  
14 patience and it all meant that I was  
15 accelerating through whatever mechanism I had to  
16 bring in better people and to get tracks on the  
17 things that needed to be done to get a grip on  
18 their portfolio. And ultimately, of course, the  
19 key thing I decided is I think there is -- isn't  
20 there -- sorry this may be -- there's an  
21 appraisal in the back what I think about some of  
22 the people.

23 Q. Right.

24 A. It's part of my sort of analysis

25 where I basically say things will have to change  
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1 WALTER VAN DE VIJVER

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

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

6 BY MR. HABER:

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

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

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

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

23 (A brief recess was taken.)

24 THE VIDEOGRAPHER: We are back on  
25 the record. The time is 10:55 a.m.

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1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. Mr. Van De Vijver I want to mark  
4 another document as Van De Vijver Exhibit 13?

5 (Van De Vijver Exhibit Number 13  
6 was marked for identification.)

7 BY MR. HABER:

8 Q. And while I identify it for the  
9 record if you could just take a look at it.

10 It's a one-page document with two e-mails on it  
11 is last of which is from Mr. Van De Vijver it's  
12 dated May 29, 2002. It's to Philip Watts  
13 subject line reads reserve replacements.

14 The Bates numbers and there's two  
15 is V 00110934. The other one is NI 000933.

16 Have you looked at both e-mails?

17 A. Yes.

18 Q. Do you recall seeing these e-mails  
19 before today?

20 A. Yes.

21 Q. Before we start talking about the  
22 specifics of the e-mails do you recall the  
23 context in which these e-mails were written?

24 A. Only as far as I know I was going  
25 to bring the issue of our reserve position back

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1 WALTER VAN DE VIJVER

2 to CMD in the middle of the year and I get a  
3 question from Phil on reserve replacement.

4 Q. When you say reserve position are  
5 you referring to the entire portfolio?

6 A. Yeah.

7 Q. Were you also intending to include  
8 a discussion of the reserves exposures?

9 A. An overall update with where we  
10 were with all our actions and plans on getting a  
11 better understanding of our portfolio.

12 Q. Prior to the e-mail Mr. Watts had  
13 sent to you had you spoken with Mr. Watts about  
14 this presentation to the CMD?

15 A. Not as I recollect.

16 Q. Now, if you look at his e-mail to

17 you he says -- before I get into that -- it

18 refers as you said presentation to the CMD. Do

19 you recall when this meeting was to occur?

20 A. Middle of the year. I think it

21 was July.

22 Q. July of 2002?

23 A. Yes.

24 Q. Now in Mr. Watts' e-mail to you he

25 says in the second line I do hope that this

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1 WALTER VAN DE VIJVER

2 review will include consideration of all ways

3 and means of achieving more than 100 percent in

4 2002 -- the mix metaphors . . . considering the

5 whole spectrum of possibilities and leaving no

6 stone unturned.

7 Do you see that?

8 A. Yes.

9 Q. When he says achieving more than

10 100 percent in 2002 is he referring to the

11 reserves replacement ratio?

12 A. Yes.

13 Q. Do you know if he was referring to

14 organic reserves replacement?

15 MR. TUTTLE: Objection, calls for  
16 speculation.

17 MR. MORSE: Same objection.

18 BY MR. HABER:

19 Q. Do you have an understanding

20 whether he was referring to organic reserves

21 replacement?

22 MR. TUTTLE: Same objection.

23 THE WITNESS: I don't know. I

24 cannot be sure.

25 BY MR. HABER:

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1 WALTER VAN DE VIJVER

2 Q. The rest of the sentence, to mix

3 metaphors considering the whole spectrum of

4 possibilities and leaving no stone unturned.

5 How did you react to that

6 statement?

7 A. He was clearly putting his  
8 expectation forward that he hoped he would get a  
9 high reserve replacement for 2002 and that I  
10 would consider all possibilities to do so.

11 Q. Did you feel that he was placing  
12 pressure on you to do so?

13 A. Yes.

14 Q. Have you -- at that time had you  
15 spoken with your staff about where Shell's  
16 reserves replacement ratio stood?

17 A. Not that I recollect, but I don't  
18 think our business plan for that year indicated  
19 that we would achieve 100 percent.

20 Q. If you look at the last sentence  
21 Mr. Watts says I am -- also I am -- let me start  
22 over again.

23 Also, I'm wondering what  
24 Enterprise does to reserves life replacement  
25 ratio and finding development cost. What is

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2 Enterprise?

3 A. Enterprise was an acquisition of  
4 an oil company that we were just in the middle  
5 of or just had completed requiring.

6 Q. At this time had any analysis been  
7 done with regard to the impact Enterprise would  
8 have on Shell's reserves replacement ratio?

9 A. Well, as part of the acquisition  
10 we would have known what -- as part of the  
11 write-up and justification we would have known  
12 what reserves associated with that acquisition  
13 were.

14 Q. Were you involved in the  
15 Enterprise acquisition?

16 A. Yes.

17 Q. By involvement can you explain  
18 what your involvement was?

19 A. It was an acquisition by my  
20 business, E&P business. Phil Watts was closely  
21 involved in terms of the relationship of the  
22 chairman of the company. I was dealing with the

23 CEO of the company and I had Lorin Brass was the  
24 focal point in my organization on the whole  
25 acquisition because as part of his organization

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2 new business development that fitted in his  
3 portfolio.

4 Q. Was a due diligence performed  
5 prior to the Enterprise acquisition?

6 A. As good as you can because you  
7 should not forget this was not a friendly  
8 acquisition, this was a hostile acquisition, so  
9 all the information we could gather from  
10 Enterprise was based on publicly available data,  
11 filings, et cetera. When we went into the  
12 company and made our offer it -- they were in  
13 principle not for sale so it took some  
14 convincing to get them to agree to sell to us.

15 Q. So after the deal had been agreed  
16 upon did Shell perform a due diligence?

17 A. Yes. Part of the overall  
18 integration effort clearly we didn't get a much  
19 fuller perspective on the business.

20 Q. Did you learn during that due  
21 diligence there were certain reserves fields  
22 that were not compliant with Shells guidelines?

23 MR. TUTTLE: Objection to form,  
24 foundation.

25 THE WITNESS: I do recollect

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2 particularly in portfolio we acquired from them  
3 in Russia called KMOC that we didn't like the  
4 portfolio and I think there was also an issue  
5 with their estimated reserves this was one of  
6 these assets we quickly decided it didn't fit  
7 our portfolio, anyway.

8 BY MR. HABER:

9 Q. Were there any other fields that  
10 you recall that were not compliant with Shell's  
11 guidelines?

12 MR. TUTTLE: Objection to form.

13 THE WITNESS: Not that I

14 recollect.

15 BY MR. HABER:

16 Q. Have you heard of a field Tempa  
17 Rossa, in Italy?

18 A. Yes, I do know about Tempa Rossa.  
19 I actually visited the field somewhere after  
20 acquisition because they had quite an  
21 interesting portfolio in Italy so I actually  
22 paid the field a visit after acquisition.

23 Q. Did you -- during that visit did  
24 you receive any presentations about the reserves  
25 at Tempa Rossa?

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2 A. No it was more on the development  
3 plan. It was still clearly with the Enterprise  
4 people we had taken over at that place. We  
5 didn't have any Shell staff in the organization  
6 at that time.

7 Q. Do you know if reserves had  
8 already been booked in Tempa Rossa?

9 A. I would not know.

10 Q. At the time you were there the  
11 field development plan was still being worked  
12 on; is that correct?

13 MR. TUTTLE: Object to form.

14 THE WITNESS: There were a couple  
15 of fields there. I remember a field called Val  
16 D'Algri something like that. There were a  
17 cluster of fields there I wouldn't be able to  
18 recollect the details but some of those wells  
19 were being drilled and fields were being  
20 planned.

21 BY MR. HABER:

22 Q. Do you know if any of the reserves  
23 from Tempa Rossa were restated Bichsel?

24 A. Could possibly be. I'm not  
25 involved in that process so what it is it will

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2 be; right.

3 Q. Do you recall during Rockford any  
4 review of the Tempa Rossa fields?

5 A. I think I took time off Rockford  
6 apart from the US where I had been I think it  
7 was globally so I don't think any country at  
8 that time apart from the US escaped in terms of  
9 the recategorization process.

10 Q. Okay.

11 Mr. Watts also refers to reserves

12 life. What is that?

13 A. Well, if you increase your reserve  
14 base then assume you keep the same production  
15 you then increase your reserve life. Am I clear  
16 or not?

17 Q. Is it -- is reserve life measured  
18 in years?

19 A. Yes.

20 Q. Is there a certain threshold  
21 number that Shell looks at to gauge whether its  
22 reserve life is healthy or not?

23 MR. MORSE: Objection to form.

24 THE WITNESS: No. I wouldn't know  
25 an exact number. Of course, the higher the

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2 number is the better it is.

3 BY MR. HABER:

4 Q. Okay. Now, you responded to  
5 Mr. Watts the following day and you put a number  
6 of items that you say have your high yes, sir  
7 attention and I would like to discuss on him of  
8 them?

9 A. Sure.

10 Q. The first one you say is remaining  
11 legacy proved reserves parentheses debooking  
12 risks. What were you referring to with regard  
13 to legacy improved reserves?

14 A. These are exactly the same items  
15 that were in the February 2002 note to the CMD,  
16 so projects like Angola and Ormen Lange and  
17 maybe a few others.

18 Q. Did it include Gorgon, as well?

19 A. As you just saw, Gorgon was on  
20 that list.

21 Q. And you say debooking risks. Why

22 did you say that?

23 A. Well, because they were exposures  
24 even though they were considered compliant and  
25 the whole idea of that was that there were  
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2 exposures so it implied there could be a risk  
3 that later on they could have to be debooked if  
4 that's what the experts considered the right  
5 thing to do.

6 Q. The next one, constraints on  
7 further appreciation. What are you referring to  
8 there?

9 A. Constraints in terms of looking at  
10 ongoing business in the portfolio we had about  
11 what based on the business plan what additional  
12 reserves were expected to be booked.

13 Q. Do you recall anyone in your staff  
14 advising you if Shell -- if EP was planning to  
15 book additional reserves for the coming year?

16 A. In the business plan there is a  
17 number, right, what the expectation is for  
18 reserve replacement for that year.

19 Q. Do you recall if that -- if there  
20 was a comparison with prior years, sort of a  
21 forward looking against historical to gauge  
22 where Shell was?

23 MR. TUTTLE: Object to form.

24 THE WITNESS: I don't recollect  
25 that specific reference in you.

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2 BY MR. HABER:

3 Q. By the way, just going back to the  
4 first one, remaining legacy proved reserves?

5 A. Yes.

6 Q. The reserves that you just  
7 identified, Ormen Lange, Gorgon, let's say Ormen  
8 Lange for the moment, was that booked under  
9 Mr. Watts' tenure as head of EP?

10 A. Yes.

11 Q. And to you know if Gorgon was  
12 booked during Mr. Watts' tenure as head of EP?

13 A. '97. Yes.

14 Q. And do you know if Angola block 18  
15 was booked under Mr. Watts' tenure?

16 A. Yes.

17 Q. So by this reference here you're  
18 specifically referring to legacy bookings under  
19 his stewardship; correct?

20 MR. TUTTLE: Objection to form.

21 THE WITNESS: Well, I'll refer to  
22 the list that we have.

23 BY MR. HABER:

24 Q. But you were intending to identify  
25 bookings under his leadership?

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2 MR. TUTTLE: Objection to form.

3 THE WITNESS: Well, this was just  
4 a factual representation.

5 BY MR. HABER:

6 Q. All I'm trying to get is just to  
7 be clear all of these legacy bookings were done  
8 under his leadership when he was head of EP?

9 MR. TUTTLE: Objection, asked and  
10 answered, characterization of the testimony.

11 BY MR. HABER:

12 Q. Correct?

13 A. Yes.

14 Q. The third item negative impact of  
15 Oman and Nigeria, growth absence paren losing  
16 volume to post license expiry dates?

17 A. Yes.

18 Q. Are these the issues that we've  
19 been talking about previously?

20 A. Yes.

21 Q. Is there anything else that you  
22 didn't mention previously that you meant to  
23 include here?

24 A. No. It's the same issue.

25 Q. Okay. The next one hit squads to

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2 find other growth opportunities on bookings.

3 What did you mean by --

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

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

15 A. Yes.

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

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

20 Q. What impact were you referring to?

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

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2 reserve replacement.

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

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

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

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

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

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

21 thinking FID is a major milestone in terms of  
22 developing new reserves.

23 Q. I just want to go back to your  
24 last answer on Gorgon just to make sure the  
25 record is clear. Had FID been reached at the  
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2 time the Gorgon booking was made?

3 A. No.

4 Q. Okay. If you could turn to  
5 Exhibit 1 again, still on the second page. At  
6 this time if you could look at the bottom my  
7 communications throughout the process to CMD and  
8 others?

9 A. Yes.

10 Q. The paragraph that begins then in  
11 July 2002, with my approval, E&P submitted to  
12 CMD a catalog of reserves related exposures in  
13 paren the exposures catalog.

14 Does this refer to the CMD meeting  
15 that you just testified a moment ago about?

16 A. Yes.

17 Q. Do you know who was responsible  
18 for formalizing the exposures catalog?

19 A. That came from the Lorin Brass and  
20 at that time Frank Coopman, perhaps arrived.  
21 It's between the new business development  
22 director, Lorin Brass and whoever was the CFO at  
23 that time, but I think Frank Coopman had arrived  
24 at that time.

25 Q. Do you know if John Pay had any  
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2 involvement in the preparation of the catalog?

3 A. Could well be. Those were his  
4 staff that were in that organization.

5 Q. Who is John Pay?

6 A. John Pay was the groups reserve  
7 coordinator he working in Lorin Brass  
8 organization.

9 Q. If you look at the rest of the  
10 paragraph, and I want to direct your attention  
11 for a moment to the last -- second to last

12 sentence that begins, in its July 2002 meeting  
13 the CMD discussed reserves booking in light of  
14 tightening SEC requirements.

15 Do you recall what was discussed?

16 A. What was discussed at the C M D  
17 was the notes, maybe we'll get to that which  
18 will incorporate uncertainties and exposures  
19 that were there at that point in time and was  
20 coupled by a presentation by Lorin Brass.

21 (Van De Vijver Exhibit Number 14  
22 was marked for identification.)

23 MR. HABER: I'm handing you what  
24 we just marked as Exhibit 14 and while I  
25 identify it if you could take a look at it.

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2 The document is titled note to  
3 CMD. Subject: Reserves outlook. It's dated  
4 July 18, 2002. It's from Mr. Van De Vijver to  
5 the CMD and Mrs. J.G. Boynton.

6 The Bates number is LON 01210315  
7 through LON 01210337.

8 MR. DOWD: Jeff, there seems to be  
9 additional pages after the 337.

10 MR. HABER: Okay: Can we go off  
11 the record for one minute.

12 THE VIDEOGRAPHER: We are going  
13 off the record. The time is 11:20 a.m.

14 (Interruption.)

15 THE VIDEOGRAPHER: We are back on  
16 the record. The time is 11:22 a.m.

17 BY MR. HABER:

18 Q. Mr. Van De Vijver have you taken  
19 a look at Exhibit 14?

20 A. Yes. I got page 15 through 37.  
21 Yeah?

22 Q. Uh-huh. Have you seen this  
23 document before today?

24 A. Yes but not with handwriting on  
25 it.

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2 Q. You do not recognize this as your

3 handwriting?

4 A. It's definitely not my  
5 handwriting. That's all I can say.

6 Q. Okay. Do you recall sponsoring  
7 this note?

8 A. Yes.

9 Q. And is this the note that you were  
10 referring to in your prior testimony a few  
11 moments ago?

12 A. Yes.

13 Q. If you look at the first page it  
14 says key objectives of this note are and the  
15 first one says to provide full transparency on  
16 the nature of our resource base.

17 At the time you wrote this did you  
18 feel there was not full transparency on Shell's  
19 resource base?

20 A. I felt that the CMD may not have  
21 seen the full resource base. I'm talking  
22 resource base that goes beyond proved reserves  
23 that's the whole resource base.

24 Q. But in your discussion you  
25 intended to include the entire resources as well

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2 as the proved reserves?

3 A. Yes.

4 Q. And the exposures that you were  
5 seeing?

6 A. Yes.

7 Q. The second thing you say here is,  
8 "to outline the challenges we face in maturing  
9 volumes to proved reserves." I realize there is  
10 a discussion in the note, but generally what  
11 were you intending to convey here?

12 A. That's again the general  
13 projection of where we were in maturing reserves  
14 linked to project activities and whatever in the  
15 business.

16 Q. The signature where it says  
17 supported by and underneath it has your name.  
18 Is that your signature?

19 A. Yes.

20 Q. Okay. I would like you to take a

21 look at the executive summary for a moment and  
22 in particular the second paragraph.

23 The last sentence says, "this  
24 equates to a shortfall of 2 to 3 billion BOE  
25 proved reserves additions."

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2 A. I'm reading it. I didn't write  
3 this document so I just need to read it. Yeah.

4 Q. Before I ask a question about this  
5 paragraph, who did write this note?

6 A. I cannot answer that question.  
7 That's the Shell system somewhere in Lorin Brass  
8 organization but I don't know who contributed to  
9 writing this document. I get it from Lorin  
10 Brass but I don't know who did the staff work  
11 for him.

12 Q. Again when you say in Brass'  
13 organization are you referring to EPB?

14 A. Yes.

15 Q. Now, with regard to this  
16 paragraph, the message in the last sentence, is  
17 the message that's being conveyed that there  
18 will be a shortfall of 2 to 3 billion BOE in new  
19 reserves?

20 MR. TUTTLE: Object to form, calls  
21 for speculation.

22 MR. MORSE: Same objection.

23 BY MR. HABER:

24 Q. What do you understand the message  
25 being conveyed here as?

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2 A. I cannot be totally sure. I would  
3 have to read the total document, but my best  
4 guess is that it implies that there would be a  
5 shortfall over that medium term of two to three  
6 billion proved reserves in order to get to the  
7 full 100 percent replacement.

8 Q. I see. If you look at the next  
9 paragraph there's a reference to cash again  
10 declaration of commerciality. Do you see that?

11 A. Yes.

12 Q. What is cash again?

13 A. Cash again is in the oil and gas  
14 field in the Caspian Sea, Shell is not the  
15 operator but has an equity stake in the project.

16 Q. In July of 2002 do you know if the  
17 cash again project had reached VAR 3?

18 A. I don't know.

19 Q. Do you know if it had reached FID?

20 A. Not yet but somewhere in that  
21 period it was getting very close. I remember we  
22 had quite frequent notes on cash again at that  
23 stage because there was quite a bit of up front  
24 expenditure on the project.

25 Q. Do you know what the declaration

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2 of commerciality is?

3 A. Declaration of commerciality was a  
4 former milestone in the agreement with the  
5 government as part of the contract that the  
6 Kazakhstan government there was a milestone if  
7 you would reach that would provide the formal  
8 commitment to execute the project.

9 Q. What was Shell's relationship with  
10 the government of Kazakhstan?

11 A. I think general okay. I went  
12 there a few times I recollect but the key is to  
13 know that Shell was not the operator of this  
14 project so Shell was not in the lead. EN I was  
15 the operator of this particular project.

16 Q. Do you know if the Kazakhstan  
17 government had issued all of the required  
18 approvals for the project to go forward?

19 A. When?

20 Q. At this time?

21 A. I don't know. I only know I later  
22 got personally involved in some of the  
23 negotiations because there was unhappiness from  
24 the government side that the project didn't  
25 start-up as quickly as they wanted and there

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2 were disputes later around penalties because the  
3 government was originally hoping the project  
4 which is a massive, very complex project would  
5 start-up in 2005. It is a project that would  
6 take years and years to execute.

7 Q. Was there any consequence  
8 attendant to these disputes with the Kazakhstan  
9 government?

10 MR. TUTTLE: Objection to form.

11 THE WITNESS: Well, I think you  
12 have to be careful you don't mix time zones  
13 here. We're talking here about where the  
14 project was at this stage. Of course there were  
15 later subsequent developments that occurred  
16 later.

17 BY MR. HABER:

18 Q. Why don't we take those subsequent  
19 developments while we're on the project?

20 A. I think at this stage and later  
21 during the year the project was proceeding  
22 according to plan and I think before the end of  
23 the year that milestone of declaration of  
24 commerciality was achieved. What happened  
25 thereafter were delays because the government

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2 was then getting upset with the operators  
3 because we then told them the project would not  
4 actually given all the engineering work and  
5 everything the difficulty procurement et cetera  
6 that needed to be done, that the project would  
7 not start-up until 2007, 2008 and the government  
8 essentially wanted to be compensated for that.  
9 So that played all the way to early 2004 where I  
10 actually visited Kazakhstan myself and met with  
11 both the oil minister and the prime minister at  
12 that time, but at this time I had not had any  
13 until later part of 2003 so I didn't have any  
14 personal involvement in this project.

15 Q. Do you know if EN I had booked any  
16 reserves as proved in the project?

17 MR. TUTTLE: Time period?

18 BY MR. HABER:

19 Q. Let's start at 2002?

20 A. I do recollect there were

21 discussions on that in 2003 but I don't

22 recollect the details any more.

23 Q. So in 2002 there was no booking by

24 EN I if you know?

25 MR. TUTTLE: Objection to form.

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2 MR. MORSE: Objection to form

3 mischaracterizes the testimony.

4 BY MR. HABER:

5 Q. The paragraph that follows says,

6 "accelerating the booking of Kashagan to 2002

7 weakens the outlook for 2003 to some 70 percent

8 organic RRR -- some 480 million BOE short of

9 full organic proved reserves replacement with

10 further downside in the event that Sakhalin does

11 not go ahead."

12 Let's just take the first part of

13 that sentence. Do you recall discussions about

14 accelerating the booking of proved reserves in

15 Kashagan at or about the time of this note?

16 A. No.

17 Q. Do you know if -- withdrawn.

18 What is the reference to Sakhalin?

19 A. Well, Sakhalin is a huge project

20 that was at this time was being worked very hard

21 to get the final approvals from government to

22 proceed.

23 Q. Where is the Sakhalin field

24 located?

25 A. Very much at the East Coast of

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2 Russia. Old Sakhalin island.

3 Q. Was Shell the operator of the

4 project?

5 A. Yes.

6 Q. I would like you to look at page

7 331, it's attachment 1 G. What is attachment 1

8 G?

9 A. It's -- I need the context. Lots

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

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

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

22 BY MR. HABER:

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

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2 were referring to in your letter?

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

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

14 A. Yeah.

15 Q. It says Gorgon stranded gas  
16 (560 million BOE proved reserves booked)  
17 possible barriers to commercialization of much  
18 of the SFR portfolio.

19 What does stranded gas mean?

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

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

25 MR. DOWD: Objection to form,

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2 foundation. He already testified he didn't  
3 prepare this document.

4 MR. HABER: He also sponsored it  
5 and signed it.

6 THE WITNESS: This table makes it  
7 clear that 560 million barrels of proved  
8 reserves had been booked on Gorgon.

9 BY MR. HABER:

10 Q. At this time in July of 2002 do  
11 you know if there was any production with the  
12 Gorgon gas?

13 A. No.

14 Q. Do you know July 2002 if there had  
15 been any sales contracts that had been executed  
16 between Shell and any buyer for the gas?

17 A. I would not know for sure but it  
18 certainly was not developed yet. Had not  
19 reached FID yet.

20 Q. Do you know if Shell had received  
21 all the required regulatory approvals from the  
22 Australian government and the time frame I'm  
23 talking about at this time?

24 A. I think the answer is no. My  
25 apologies for the way I answer because there are

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2 things that I learned about Gorgon way back in  
3 January 2004 that I didn't know at that stage.

4 Q. I'll get to that in a moment. I  
5 just want to stay at this time in 2002?

6 A. No, no, sure.

7 Q. Had you heard of something called  
8 Barrow island?

9 A. Yes.

10 Q. And where is Barrow island?

11 A. Somewhere offshore western  
12 Australia.

13 Q. What is the significance of Barrow  
14 island to the Gorgon project?

15 A. I don't know whether I knew it at  
16 that stage but I definitely learned over time  
17 that that was the on shore facility location for

18 the Gorgon development.

19 Q. When you say you learned over time  
20 are you referring to in January 2004 or sometime  
21 prior to that?

22 A. It may have been on that specific  
23 thing on Barrow island it may be earlier as  
24 well.

25 Q. Do you have any recollection of

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2 when?

3 A. No. I cannot be sure.

4 Q. Did you learn that Barrow island  
5 was an environmentally protected island. ^  
6 wear wear objection to form and foundation?

7 A. Yes. The thing I can't answer is  
8 when I learned that.

9 Q. As an environmentally protected  
10 island was Shell required to get approvals from  
11 the Australian government?

12 MR. TUTTLE: Objection to form,  
13 foundation.

14 THE WITNESS: I think I can only  
15 give the general answer that for any type of  
16 development of this nature there would have been  
17 governmental approvals need to be achieved.

18 BY MR. HABER:

19 Q. Now you said that you learned  
20 other facts about Gorgon in January of 2004.  
21 What other facts are you referring to?

22 A. There are a couple. I learned in  
23 January '04 that there actually had been a  
24 request from the operating unit to debook Gorgon  
25 and that subsequently Anton Barendregt did an

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2 audit in Australia and recommended that Gorgon  
3 could still remain on the books.

4 I also learned that Gorgon was  
5 being used as an important element of the  
6 acquisition of Woodside during that time period  
7 2000 I think it was and I learned in  
8 January 2004 originally it was not booked as a

9 new discovery but as a revision.

10 Q. Let's take the last fact that you  
11 learned that Gorgon was not booked as a new  
12 discovery but a revision. How did you learn  
13 that?

14 A. That was actually a bit in an  
15 awkward manner when after Shell made an  
16 announcement on the reserve recategorization one  
17 of the analysts from Lehman Brothers, I can't  
18 particularly remember the name, came to Simon  
19 Henry and said that he had looked at Shell's 20  
20 F for 1997 and couldn't find the Gorgon booking  
21 and clearly that got me panicking a little bit  
22 thinking we had our numbers wrong but then it  
23 turned out that we discovered that it was booked  
24 as a revision rather than as a new discovery.  
25 Normally you would expect a first time booking

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2 it would happen as a discovery rather than as a  
3 revision of something that already was there in  
4 the past.

5 Q. Did you ever try to inquire as to  
6 the reasons why Gorgon was reported as a  
7 revision?

8 A. I think in the context of finding  
9 the information I just mentioned to you it was  
10 actually I was desperate in the project Rockford  
11 to get data ammunition on the original booking  
12 of Gorgon.

13 And I actually, we sent staff out  
14 to Australia to find an audit on the booking,  
15 and they came back with empty ends and the only  
16 thing I got in the end of January was from notes  
17 from John Darley, who was my technical director,  
18 with the information I just mentioned to you  
19 earlier.

20 Q. When you say empty ends, what do  
21 you mean?

22 A. They couldn't find an audit trail,  
23 visiting Australia they couldn't find  
24 documentations referring to the original booking  
25 of Gorgon.

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2 Q. Do you know who was responsible in  
3 the discussion of the 20(F) about Gorgon as a  
4 revision?

5 MR. TUTTLE: Objection. To make  
6 clear, you're talking about in the 1997 20(F).

7 THE WITNESS: I don't know, I'm  
8 not involved in that process. That's down to  
9 the group finance line reporting is done. I  
10 can't give you any more detail than that.

11 BY MR. HABER:

12 Q. Do you recall reviewing any  
13 documents in or about January of 2004 that  
14 explained why Gorgon was reported as a revision?

15 A. I think I got verbal information  
16 that it was probably an error at the time that  
17 it had been booked for the first time as an  
18 expectation reserve Bichsel Australia the year  
19 before. And when they categorized it as a  
20 proved reserve they called it a revision.

21 Q. How did you learn that?

22 A. Through the same -- through the  
23 same information. Through the organization,  
24 whether it was John Darley, but somewhere in the  
25 central organization.

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2 Q. Did you ever inquire as to the  
3 reasons why Shell never corrected the reporting  
4 of Gorgon as a revision in its 20(F)?

5 MR. TUTTLE: Objection to form,  
6 foundation.

7 THE WITNESS: No. I mean clearly  
8 I was -- I was shocked to find out in January  
9 '04 about some of the history, particularly this  
10 sort of recommendation from an operating unit to  
11 debook and then ultimately it didn't debook.  
12 That was a big surprise for me.

13 MR. HABER: I'm told we have to  
14 change the videotape, so why don't we take a  
15 short break.

16 THE VIDEOGRAPHER: This marks the

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

20 (Videotape change.)

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

25 BY MR. HABER:

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

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

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

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

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

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

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

8 A. Yes, a little bit, but I already  
9 had that a month earlier after the report and  
10 his recommendation on Oman, his audit report on  
11 Oman.

12 Q. Why don't you explain that.

13 A. Yes. We're drifting a little bit.

14 But when I received the audit

15 report on Oman, a copy of that, and put it in  
16 the context of I had just visited Oman a couple  
17 days before, I was very surprised at his  
18 conclusion from his audit report was that it was  
19 okay to keep the Oman reserves at least another  
20 year on the books as further studies were taking  
21 place. And not being the expert, I just was  
22 surprised by his judgment and his recommendation  
23 to do so.

24 Q. Do you recall what his report had

25 said about Oman, that is whether it was a

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2 satisfactory report or an unsatisfactory report?

3 A. Unsatisfactory report.

4 Q. Do you recall receiving this note

5 in or about the end of November, early December  
6 of 2003?

7 A. I think it was around the 17th of  
8 November in 2003.

9 Q. Did you ever talk -- going back to

10 Gorgon now, did you ever talk to the people from  
11 SDA who were -- who had requested a debooking of  
12 Gordon?

13 A. No.

14 MR. TUTTLE: Objection to form,  
15 foundation.

16 BY MR. HABER:

17 Q. Do you know who at SDA had been  
18 requesting that Gorgon be debooked?

19 A. Sorry.

20 Q. Do you know who at SDA was  
21 requesting?

22 A. No. I don't recollect the name.

23 There are documents. I don't recollect it at  
24 this point in time.

25 Q. Do you know who Sheila Graham is?

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2 A. No.

3 Q. Do you know who Sarah Bell is?

4 A. No.

5 Q. Do you know a Helge Hammer?

6 A. No.

7 Q. Going back to your prior answer,  
8 the other fact that you identified you had  
9 learned in January '04 about Gorgon, was that  
10 Gorgon was being used as an important element of  
11 the acquisition of Woodside?

12 A. Yes.

13 Q. During the time period of 2000?

14 A. Yes.

15 Q. Can you explain?

16 A. I think it was 2000.

17 Q. Can you explain what you had  
18 learned?

19 A. This was all before my time, but I  
20 had gotten -- as part of my January note I got  
21 an extract from an offering memorandum that was  
22 used during the process of an attempted  
23 acquisition -- acquisition/merger of Woodside  
24 where there had been a reference through the  
25 value of Gorgon as an asset as one of the swaps,

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2 trading chips, to acquire the majority in  
3 Woodside.

4 Q. At the time was Shell trying to  
5 acquire Woodside?

6 A. As I said, there was an attempt.  
7 I don't know the exact date. I think it was  
8 2000 or early 2001, there was an attempt to get  
9 full control of Woodside where Shell already had  
10 a stake of 34 percent in it, but they wanted to  
11 get a full control.

12 Q. Did Shell succeed in its attempt  
13 to acquire all of Woodside?

14 A. No, it didn't. That acquisition  
15 did not succeed.

16 Q. Since we're still on Woodside -- I

17 mean Gorgon, do you recall ever visiting SDA  
18 during your tenure as head of EP?

19 A. I visited Australia once in  
20 September 2002.

21 Q. Did anyone accompany you?

22 A. I was there for part of the visit  
23 together with Malcolm Brinded.

24 Q. Who is Malcolm Brinded?

25 A. He was a colleague of mine at the

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2 CMD and he had regional responsibility for the  
3 Far East and responsibility for the gas and  
4 power business.

5 Q. Do you have an understanding as to  
6 why Mr. Brinded accompanied you?

7 A. I think the timing as such was  
8 sort of coincident. I mean this was one of his  
9 regular visits to that region to maintain  
10 relationships. I think it was just convenient  
11 that we learned that we were sort of both going  
12 at the same time to allow to sort of jointly get  
13 a briefing from the Shell Development Australia  
14 Organization, SDA, on activities in the country  
15 and then we went our own separate ways.

16 Q. Do you recall getting a briefing  
17 from SDA about Gorgon?

18 A. I do recall that we got a briefing  
19 on all particular activities in Australia, so  
20 that would have included Gorgon.

21 Q. Did Mr. Brinded attend that  
22 briefing?

23 A. We were together.

24 MR. HABER: I would like to mark  
25 as Exhibit 15.

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2 MR. DOWD: Are you through with  
3 14?

4 MR. HABER: Not yet.

5 MR. DOWD: Okay.

6 MR. HABER: A document that I will

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

10 (Van De Vijver Exhibit Number 15

11 was marked for identification.)

12 MR. HABER: For the record, what

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

18 The Bates number is HAG 00084944

19 through HAG 00084946.

20 BY MR. HABER:

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

23 A. Yes.

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

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2 A. Yes.

3 Q. Who is Jim Mayer?

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

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

9 A. I don't know.

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

15 Before I do that, Paul Skinner,

16 was he a member of the CMD?

17 A. Yes.

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

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

24 the CMD, was attending every CMD meeting.

25 Q. Were Mr. Van Der Veer, Skinner and

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2 Brinded members of the conference, as well, at  
3 this time?

4 A. Yes.

5 Q. Now, looking at the second page  
6 under some observations. If you look at the  
7 bullet point that begins, internal conflicts on  
8 what stranded gas reserves should be it says,  
9 "out of the block"?

10 A. Yes.

11 Q. Next, "Woodside does not have  
12 equity in Gordon (the next logical choice  
13 partner alignment)."

14 What did you mean by that?

15 A. This is the reference around -- at  
16 that stage there are quite a few stranded gas  
17 reserves off the coast of western Australia that  
18 were all vying for the same market, whether it  
19 was the Far East or the West Coast of the United  
20 States. For Shell the situation was always a  
21 bit complex because on the one hand we had an  
22 equity in Woodside and wanted to make sure  
23 Woodside was successful.

24 On the other hand, we had our own  
25 interest in Shell Development Australia with,

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2 for instance, to Gorgon project and all the  
3 projects had to sort of do their own fighting in  
4 the market and the one that is the best will  
5 ultimately win, but given the size and the  
6 attractiveness of Gorgon, I say here the logical  
7 choice from the Shell perspective would be in  
8 terms of the stranded gas reserves, the next  
9 logical one would be Gorgon.

10 Q. We can put this aside for the  
11 moment.

12 If we could go back to Exhibit 14.

13 Do you recall if a presentation was made to the  
14 CMD about the content that's in this note?

15 A. Yes. This was a presentation, you  
16 can see that on the format of the note. If it  
17 is a note to CMD that means it normally gets  
18 agenda time in the company for a presentation.

19 Q. Do you know who made the  
20 presentation?

21 A. Lorin Brass.

22 Q. Did you discuss the presentation  
23 with Mr. Brass before he made it?

24 A. Not that I recall.

25 Q. Do you recall if there was any

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2 discussion during Mr. Brass' presentation about  
3 the content of his presentation?

4 A. Yes. There was some discussion  
5 and it should be reflected in the minutes.

6 Q. Do you recall the discussion that  
7 took place?

8 A. One of the things that took place  
9 was a question by Phil Watts to Lorin Brass  
10 whether he considered that we had to do any  
11 debooking of reserves at that point in time.

12 Q. And do you recall what Mr. Brass  
13 had said?

14 A. He said no.

15 Q. Were you satisfied with Mr. Brass'  
16 presentation?

17 A. Yes. As far as I can recollect.

18 (Van De Vijver Exhibit Number 16  
19 was marked for identification.)

20 BY MR. HABER:

21 Q. I'm handing you what has just been  
22 marked as Van De Vijver 16. And for the  
23 record, Exhibit 16 are, in the upper left-hand  
24 corner it says draft. The title is Committee of  
25 Managing Directors Minutes of the Meeting Held

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2 in London on Monday 22 and Tuesday 23 July 2002.

3 The Bates number is HAG 00083068  
4 through HAG 00083097.

5 Mr. Van De Vijver, have you seen

6 Exhibit 6 before today?

7 A. Yes.

8 Q. What is Exhibit 16?

9 A. This is a draft of the minutes of  
10 a meeting of the committee of managing directors  
11 and a draft that normally at the follow-up  
12 meeting will get finalized through discussion  
13 and issued.

14 Q. Do you recall reviewing this draft  
15 at some point subsequent to July 22, 23, 2002?

16 A. Yes, because it has my hand  
17 scribbles on it.

18 Q. If you could turn to page 18 of  
19 the document itself with the Bates number 84.  
20 Under number 13, reserves outlook.

21 Are these handwritten notes and  
22 comments yours?

23 A. Yes.

24 Q. Okay. When you read these minutes  
25 were you satisfied with what had been

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2 transcribed and disseminated for review?

3 A. No.

4 Q. Why not?

5 A. Because I felt that, as you can  
6 see from my comment, that the language around  
7 debooking was too strongly worded as there were  
8 still a lot of things as part of the activities  
9 that were ongoing that were being worked. There  
10 were still uncertainties and exposures out there  
11 and then I made a little bit more brutal comment  
12 on the last sentence in that draft.

13 Q. And what does that comment say?

14 A. It says, "smart ass bull shit."

15 Q. Why did you write that?

16 A. Because I was totally clueless  
17 what that sentence was trying to portray.

18 Q. Do you know who is responsible for  
19 writing the minutes?

20 A. The minutes are being taken by a  
21 secretary of CMD that attends the meetings. I  
22 don't know before we get it whether they are

23 being reviewed by anyone. I only know that the  
24 process is during those meetings that the  
25 chairman runs the meeting and he also runs the  
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2 process of finalizing the minutes.

3 Q. And the chairman of CMD at the  
4 time was Phil Watts?

5 A. Yes.

6 Q. Other than what you pointed out  
7 within number 13 as being too strongly worded,  
8 were you satisfied with the remainder of the  
9 content of number 13?

10 A. No, because I wanted that section  
11 that I sort of circled, I wanted the language  
12 changed there, as well.

13 Q. And why did you want that language  
14 changed?

15 A. I wanted it changed because, as I  
16 mentioned, I wanted to have a recognition that  
17 there were still uncertainties out there.

18 Q. What does the handwriting on the  
19 right margin say where that's circled?

20 A. That's why I said true? And then  
21 I have debooking Nigeria, Oman.

22 Q. Why did you say debooking Nigeria,  
23 Oman?

24 A. This is ongoing concerns we had  
25 around the uncertainties in those two countries  
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2 that we discussed quite a few times today, same.

3 Q. So other than -- withdrawn.

4 Do you feel Mr. Brass presented  
5 those issues to the CMD satisfactorily?

6 MR. TUTTLE: Objection, asked and  
7 answered.

8 THE WITNESS: As I said earlier, I  
9 did not have a problem with his presentation.

10 BY MR. HABER:

11 Q. Other than the handwritten insert  
12 at the top of the page, the part where you  
13 circled and then the bottom sentence that you

14 made the comment on, were you satisfied with the  
15 remainder of what's left in number 13?

16 A. Yes.

17 Q. Just for the record, what does the  
18 handwriting say on the top of the page?

19 A. Finding new material investment  
20 opportunities.

21 Q. Why did you insert that, want that  
22 inserted?

23 A. Because that was one of the  
24 challenges of our business. The whole pipeline  
25 of projects.

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2 Q. One more document and then we'll  
3 break.

4 MR. DOWD: That's what you said  
5 ten minutes ago.

6 MR. HABER: I'm sorry.

7 I'm going to mark as Exhibit 17 a  
8 one-page document that says extract from the  
9 minutes of a meeting of the committee of  
10 managing directors. In the upper left-hand  
11 corner of it it says CMD number 2526 22/23 July  
12 2002.

13 The Bates number is V 00030240.

14 (Van De Vijver Exhibit Number 17  
15 was marked for identification.)

16 BY MR. HABER:

17 Q. Have you seen this document  
18 before?

19 A. Yes.

20 Q. And what is this?

21 A. Every time there is a CMD meeting  
22 minutes get produced of the final minutes of the  
23 meeting, but on top of that extracts are being  
24 sent out to the people that attended the  
25 particular sessions on a subject and that's what

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2 the one you see on this agenda item. So this  
3 particular thing would then be sent again to  
4 myself and, in this case, to Lorin Brass who

5 attended the meeting.

6 Q. Do you know if this represents the  
7 final version of the minutes on this particular  
8 point?

9 A. The way it looks it's the final,  
10 yeah. It has a number, yeah.

11 Q. Do you know if the final version  
12 reflected your comments that we talked about on  
13 Exhibit 16?

14 A. Well, we have to go back at the  
15 worst; right? But I'm sure I made sure that  
16 things got changed. Yeah. It did.

17 Q. When you say yeah, you're  
18 referring to what?

19 A. Sorry. I refer to the sentence to  
20 flag there are still uncertainties out there on  
21 booking and the last sentence got changed, as  
22 well.

23 Q. Do you know if this change was  
24 made -- withdrawn.

25 Did you have to negotiate for this

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2 change?

3 A. Yes.

4 Q. And who did you have to negotiate  
5 with?

6 A. The chairman.

7 Q. And why is that?

8 A. Because he controls the process.

9 Q. What did Mr. Watts want?

10 A. Mr. Watts was initially happy with  
11 the way it was written and I can't remember the  
12 exact discussion, but this is the final outcome  
13 of the minutes.

14 Q. Do you recall why he wasn't  
15 satisfied?

16 MR. MORSE: Objection to form,  
17 mischaracterizes his prior testimony.

18 BY MR. HABER:

19 Q. Did you say he was happy?

20 A. Yeah.

21 Q. Okay. I withdraw the question.

22 MR. DOWD: I did not object. I

23 don't want his objection.

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

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2 BY MR. HABER:

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

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

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

12 A. Yes.

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

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

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

19

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2 AFTERNOON SESSION

3 (1:18 p.m.)

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

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

8 It was brought to our attention  
9 Exhibit 8 is not one document. Yesterday there  
10 was a question about whether the second page of  
11 the document was part of the document and after  
12 further review Bichsel and the lead plaintiff we

13 concluded that the handwritten note portion of  
14 the exhibit is not, in fact, a part of  
15 Exhibit 8.

16  
17 EXAMINATION BY COUNSEL FOR  
18 LEAD PLAINTIFF -- RESUMED  
19

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

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

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2

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

10 The Bates number is HAG 00208193  
11 through HAG 00208199.

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

16 THE WITNESS: Yeah. Okay.

17 BY MR. HABER:

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

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

4 Jeroen Van Der Veer.

5 Q. Do you have any recollection why  
6 it went to Carol Dubnicki?

7 A. No, but I can assure my secretary  
8 carried that on the basis of the attachment  
9 which was my assessment of the management team,  
10 so as an H.R. director to share it with her.

11 Q. And you directed Ms. Van Der Laan  
12 to send this e-mail and the trip report?

13 A. I do not recollect why it had this  
14 distribution.

15 MR. DOWD: Listen to the question.

16 BY MR. HABER:

17 Q. The question was did you ask her  
18 to send this trip report to the people  
19 identified on the e-mail?

20 A. Yes.

21 Q. Okay. You can put this aside now.

22 (Van De Vijver Exhibit Number 19  
23 was marked for identification.)

24 MR. HABER: I'm going to mark as  
25 Exhibit 19 a two page document. It's a series

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2 of e-mails, the last of which is from Judith  
3 Boynton, dated August 22, 2002, to Mr. Van Der  
4 Vijver. The subject line reads: IR-US field  
5 trip.

6 The Bates range and there are two  
7 Bates ranges, the first is V 00020564. The  
8 second is -- through V 00020565 and the other  
9 range is DB 01327 through DB 01328. Do you  
10 recall seeing this e-mail string before today?

11 THE WITNESS: Yes.

12 BY MR. HABER:

13 Q. I would like you to take a look at  
14 the e-mail that you sent to Mr. -- I'm sorry,  
15 that you sent to Mr. Watts with a cc to  
16 Ms. Boynton. That's the middle e-mail dated  
17 August 22, 2002.

18 First of all, in looking at the  
19 e-mail do you recall why you sent this e-mail?

20 A. As a response to an e-mail that I

21 got from Phil Watts.

22 Q. Did you understand in the e-mail  
23 Mr. Watts asking you for information?

24 A. His e-mail is indicating about a  
25 US fuel trip, something at that stage I didn't  
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2 know anything about and seeing then the e-mail  
3 from Phil and given my early reactions to his  
4 comments about the EPP looks very light.

5 Q. Do you know what EPPs he was  
6 referring to?

7 A. I don't know the details, but this  
8 fuel trip must have been one of those trips to  
9 the US operations where a variety of  
10 presentations would be given on old businesses  
11 including E&Ps and I would be a piece of E&P in  
12 that total material.

13 Q. Was this part of the business week  
14 that you testified about yesterday?

15 A. No, no, no.

16 Q. This is separate?

17 A. This is separate.

18 Q. Do you recall if there were  
19 external auditors who -- I'm sorry. Let me --  
20 withdrawn.

21 Do you recall if there were any  
22 external analysts, market analysts, who attended  
23 in the US?

24 A. This is about an IR so investor  
25 relations US field trip, so that would be  
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2 involving a trip that involved analysts and the  
3 likes. External presentation.

4 Q. So it would be an external  
5 presentation to market analysts?

6 A. Yes.

7 Q. Do you know if any institutional  
8 investors were also invited?

9 A. I don't have that type of detail.

10 Q. Were field trips to the United  
11 States scheduled -- regularly scheduled during

12 your tenure?

13 MR. TUTTLE: Object to form.

14 THE WITNESS: I'm not sure. I

15 know about this particular one and this is --

16 it's called a field trip because there would

17 sometimes would be the initiative that investor

18 relations people would invite analysts and the

19 financial community to actually go and visit

20 specific locations where we had operations. I

21 recall that there was once one in Egypt, for

22 instance, a couple years earlier. So this was

23 just a way where the analysts would be able to

24 get a more direct exposure to the people in

25 operations in a particular area.

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2 BY MR. HABER:

3 Q. Do you recall any discussions in  
4 the CMD about investor relations activities in  
5 the United States?

6 A. There was a regular program that  
7 was controlled by investors in London that would  
8 coffer whatever would happen in terms of global  
9 activities on the IR scale.

10 Q. That would include activities  
11 within the United States?

12 A. Yes.

13 Q. How would you describe the  
14 investor relation activities within the United  
15 States?

16 MR. TUTTLE: Object to form.

17 THE WITNESS: I don't quite  
18 understand your question.

19 BY MR. HABER:

20 Q. You say there was a regular  
21 program. Did part of this program include  
22 scheduled conferences with US based analysts?

23 MR. WEED: Objection,  
24 mischaracterization.

25 THE WITNESS: There was a program

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2 that was a global program that included what we

3 called one to one sessions and formal  
4 presentations, conferences and in this  
5 particular case, a field contribute to the  
6 United States.

7 BY MR. HABER:

8 Q. My focus of my questions are --  
9 have to do with the program as it related to  
10 activities in the United States.

11 Do you recall the program  
12 including one on one sessions with analysts in  
13 the United States?

14 A. Yes. If the program included  
15 conferences, larger conferences, not one on one,  
16 but larger conferences with market analysts in  
17 the United States. Yes, because I did a few of  
18 those sessions, as well.

19 Q. Were there certain cities that  
20 Shell had focused on to make presentations?

21 MR. TUTTLE: Objection to form,  
22 calls for speculation.

23 THE WITNESS: Not directly. I  
24 know that personally I've been involved in New  
25 York, Boston and Houston, if I recollect

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2 correctly, but there were more of those type  
3 activities by my colleagues.

4 BY MR. HABER:

5 Q. In what year do you recall going  
6 to New York and Boston and Houston?

7 A. I think in 2002 and 2003. I  
8 wouldn't recollect the exact dates.

9 Q. As a general matter, was there a  
10 purpose behind meeting with market analysts in  
11 the United States?

12 MR. TUTTLE: Object to form.

13 THE WITNESS: Clearly, I was not  
14 in control of the process. That was run by IR  
15 and thereby the organization in London, but it  
16 was generally to give an update to the relevant  
17 financial people in the financial market about  
18 the state of the business.

19 BY MR. HABER:

20 Q. In terms of the state of the

21 business, would that also include discussion of

22 Shell's reserves position?

23 A. Whatever was relevant on the

24 overall state of the business. It would have

25 included numerous in achieved reserves replace.

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2 Ratio, for instance.

3 Q. Would it have also included

4 discussion of particular operating units?

5 A. Yes, and projects as such.

6 Q. In the trips that you attended

7 within the United States do you recall any

8 discussion about Oman?

9 A. No, I don't have any specific

10 recollection of that.

11 Q. Do you recall any discussion about

12 Nigeria?

13 A. Yes. I think we did talk about

14 the whole project for the on shore gas gathering

15 in Nigeria and related activities and the

16 deepwater projects.

17 Q. Do you recall any specifics of

18 what was discussed?

19 A. No, not the detail anymore, no.

20 Q. A moment ago you mentioned an

21 investor relations program. Was this program

22 something that needed to be approved by the CMD?

23 A. I don't exactly know how to answer

24 that question. I know it was discussed by Judy

25 and Phil -- Judy Boynton and Phil Watts at CMD.

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2 Q. Do you recall any discussion -- at

3 these times when Ms. Boynton or Mr. Watts spoke

4 about investor relations, about the importance

5 of the United States market for investor

6 relations?

7 MR. TUTTLE: Objection,

8 foundation.

9 MS. SENNETT: Objection to the

10 form of the question.

11 THE WITNESS: No.

12 BY MR. HABER:

13 Q. If you can look at Exhibit 19.

14 A. Yes.

15 Q. One more thing. When you came to  
16 the United States to make these presentations  
17 did anyone accompany you?

18 A. There would always would be a  
19 representative from the IR department with me.

20 Q. And do you recall who that  
21 representative was?

22 A. No. There were a couple. I  
23 wouldn't know particularly which ones. I mean  
24 there would be Simon Henry himself, who was head  
25 of IR, or would be his US representative that

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2 would be part of it or someone else in his  
3 organization if it was in Europe.

4 Q. Do you know who his US  
5 representative was?

6 A. I think it changed during my  
7 tenure. Initially it was David Sexton, Sexton.

8 Q. Do you know who replaced  
9 Mr. Sexton?

10 A. No. I cannot recollect the name.  
11 If you give me a name I say yes or no. I don't  
12 know the exact name.

13 Q. Okay. David Sexton is the only  
14 one I know of.

15 Looking at the exhibit now, 19.  
16 In your response and, again, I'm talking about  
17 the e-mail that you sent a day later on  
18 August 22nd. The second sentence -- third  
19 sentence you say, "I feel strongly that we  
20 should stop talking to analysts about things we  
21 have not delivered yet/or still low POS in terms  
22 of implementation. We should learn from  
23 FLNG/FONG/sunrise/coup do examples and be  
24 cautious about Sakhalin Brazil, et cetera."

25 Why did you feel that you

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

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

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

12 BY MR. HABER:

13 Q. What things had not been delivered  
14 yet?

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

18 Q. And to what does that refer?

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

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

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

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

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

18 A. Shell.

19 Q. Is there any person in particular?

20 A. I wouldn't know.

21 Q. The next sentence says, "I'm

22 worried that we are going to talk prematurely

23 about SURE, as well." What is SURE?

24 A. SURE was an acronym again, Shell

25 Unconventional Resources, which was related to

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2 some pilots and studies that were ongoing on

3 extraction of oil from oil shale. And this was

4 for me still very much in the very early, early,

5 early stage. We also tried to keep it

6 confidential and my perception was we shouldn't

7 be talking about it.

8 Q. The last item that you write you

9 say, "with aggressive historical proved reserves

10 booking, massive investment in Nigeria with

11 increasing risks, few material discoveries ROACE

12 pressures. We just need to be very careful."

13 Why did you identify all of these

14 items for Mr. Watts?

15 A. I just wanted to flag, again, that

16 there were a lot of issues that I was concerned

17 about and was working and in the same context

18 that we had to ensure that we gave out realistic

19 stories to the market.

20 Q. And when you say aggressive

21 historical proved reserves bookings, what are

22 you referring to?

23 A. All the same things we have talked

24 about.

25 Q. And were you referring to bookings

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2 primarily made under Mr. Watts' tenure?

3 A. I talked about the reserves we

4 talked about before which coincided with mostly

5 with his tenure, yes.

6 Q. Did you receive any response to

7 this e-mail from Mr. Watts?

8 A. I do not recollect.

9 Q. You'll notice in the top of the

10 e-mail -- the top of the document is an e-mail  
11 from Ms. Boynton to you and in the e-mail the  
12 second sentence she says, "could you give me a  
13 ring when you have a chance." Do you recall  
14 having a discussion with Ms. Boynton on or about  
15 October 22, 2002?

16 A. No, I don't.

17 Q. Do you recall having a discussion  
18 with Ms. Boynton about any of the content of  
19 your e-mail you sent to Mr. Watts in which she  
20 was cc'd?

21 A. No.

22 Q. You can put this aside.  
23 Do you know who Harold Hatchett  
24 is?

25 A. That's the man.

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2 Q. When you say that's the man?

3 A. That's the man that replaced David  
4 Sexton.

5 Q. Okay. Before I mark this next  
6 document, do you recall having any discussions  
7 with Ms. Boynton prior to August of 2002 about  
8 aggressive bookings?

9 A. No.

10 Q. And, again, my question refers to  
11 other than formal CMD meetings?

12 A. No. That's what I understood.  
13 (Van De Vijver Exhibit Number 20  
14 was marked for identification.)

15 BY MR. HABER:

16 Q. I'm handing you what we just  
17 marked as Van De Vijver Exhibit 20.

18 For the record, this is an e-mail  
19 with some attachments. The e-mail is from  
20 Mr. Van De Vijver. It's dated September 2,  
21 2002. It's to Philip Watts, Jeroen Van Der  
22 Veer, Paul Skinner, Malcolm Brinded, and Judith  
23 Boynton. The subject line reads EP delivery.

24 The Bates number for this document  
25 is V 00030266 through V 00030272.

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2 Have you seen this document before  
3 today?

4 A. Yes.

5 Q. I don't think we've mentioned this  
6 person's name before. Who is Paul Skinner?

7 A. We did mention him earlier. He  
8 was one of the group managing directors.

9 Q. So was Ms. Boynton on the CMD at  
10 this time?

11 A. If I look at the reference  
12 indicator it sounds to be childish, no.  
13 Otherwise, she would have one of these MGD  
14 managing group director indicators. At this  
15 time she was still in attendance of all the CMD  
16 meetings, but not a group managing director.

17 Q. So other than Ms. Boynton, the  
18 other people on the -- the other recipients of  
19 this document were members of the CMD; correct?

20 A. Yes.

21 Q. What is -- if you turn to the  
22 second page it says EP delivery. What is this  
23 document?

24 A. This is a sort of snapshot  
25 perspective of the overall health of the E&P

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2 business as I saw it at that time when we were  
3 in E&P, at least we were already engaged in the  
4 development of the business plan for 2003.

5 Q. Did anyone ask you for this  
6 information?

7 A. No.

8 Q. You sent this on your initiative?

9 A. Yes.

10 Q. Did anyone assist you in preparing  
11 this document?

12 A. No.

13 Q. You prepared it yourself?

14 A. Yes.

15 Q. Now, if you look at the intro you  
16 say, "for some time now we have tried to adhere  
17 to a bunch of criteria that can only be managed

18 successfully for so long." And then you

19 identify one, two, three, four items?

20 A. Yeah.

21 Q. What are these items?

22 A. Well, these are four key sort of  
23 elements that sort of reflect on the overall  
24 health of the business for E&P.

25 Q. And are these the four elements

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2 that make up the box?

3 A. Yes.

4 Q. And?

5 A. That's the attachment, right,  
6 pictogram where ultimately what you're trying to  
7 achieve as your business is create value and  
8 that's sort of the center of it. Obviously you  
9 have a bunch of metrics around your business  
10 that sometimes can actually conflict with each  
11 other because if you -- if you want to maximize  
12 your ROACE your return efforts, capital  
13 employed, you should stop spending money and you  
14 can very easily get a very high ROACE, but of  
15 course, they are not growing. So it's those  
16 type of dilemmas that I was trying to portray in  
17 that picture.

18 Q. Do each of the four metrics sort  
19 of conflict with each other or does it work on a  
20 north/south plane against a --

21 MR. TUTTLE: Object to form.

22 THE WITNESS: They all conflict.

23 I don't know if I explain it well. Optimally if  
24 you want to increase your production you spend  
25 more money, you increase your capital

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

9 BY MR. HABER:

10 Q. Is this the first time that you  
11 put the box in a pictorial format?

12 A. I think so, yes.

13 Q. Prior to this exhibit had you at  
14 least discussed the caught in the box dilemma  
15 with anyone?

16 A. I think this was the first  
17 introduction, but I cannot be sure within E&P  
18 that we had some discussions over it within the  
19 preceding months, as well.

20 Q. Who do you recall having  
21 discussions with at E&P?

22 A. Central planning and finance  
23 group, the people that are intimately involved  
24 in developing the business plans.

25 Q. Is there anyone in particular?

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2 A. Frank Coopman and Lorin Brass were  
3 sort of the key coordinators of the business  
4 plan.

5 Q. If you can look at the second  
6 pictogram. What are you trying to convey by  
7 this document?

8 A. Well, this is trying to show a  
9 little bit the sensitivities that I mentioned to  
10 you before in terms of some of the action you  
11 can take like cutting OPEC's, operating costs,  
12 -- the unit cost reduction and your ROACE, but  
13 it will have a negative impact on production  
14 growth and reserve replacement.

15 Q. I see. If you can turn back to  
16 page 267.

17 A. Yeah.

18 Q. You write underneath those items  
19 that we just talked about you say, "given the  
20 external visibility of our issues (lean organic  
21 development portfolio funnel RRR low, F&D unit  
22 cost rising) the market can only be 'fooled' if  
23 one credibility of the company is high. Two,  
24 medium and long-term portfolio refreshment is  
25 real and/or, three, positive trends can be shown

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2 on key indicators."

3 What were you trying to convey  
4 there?

5 A. What I was trying to convey there  
6 is that whatever the business performance is,  
7 those are reported and people can see it in the  
8 market, right, so they saw things like our  
9 reserve replacement ratio was low. They saw  
10 that our F&D, which means finding and  
11 development costs, were creeping up. So those  
12 are the hard realities so important was that in  
13 order to change that -- the reality out in the  
14 market, you had to improve your business which  
15 means that you have to improve the overall  
16 credibility of the company, make sure that there  
17 are medium and long-term things happening to  
18 your portfolio and that you can show positive  
19 trends rather than the downward trends we were  
20 seeing.

21 Q. Why did you put the word fooled in  
22 quotes?

23 A. I'm still amazed that this thing  
24 came up in February 2000 and before that no one  
25 ever talked about it. Fooled is nothing about

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2 fooling. It's between brackets, first of all.  
3 It was the reflection of a discussion I had with  
4 Simon Henry, the head of IR, who in sort of a  
5 typical British sarcastic fashion said if you  
6 want to fool the market you have to actually  
7 show the things that can change the perception  
8 based on the facts in the market. That's what  
9 it was. This is my use of English. I think you  
10 will see in a later document that sort of  
11 formally came back from my department a few  
12 weeks later that that sentence was perfectly  
13 constructed and, I mean, what else can I say  
14 about it?

15 Q. Did you ever tell anybody before  
16 Rockford that what was -- what your intent was

17 when you wrote this word?

18 A. I never had anyone responding to  
19 it whatsoever. I think everyone who reads the  
20 document and sees it in the flow of the story  
21 and what we're trying to say would understand it  
22 has nothing to do with fooling or misleading the  
23 market. It is about the reality of where you  
24 are with the business.

25 Q. Now, the next part says medium --

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2 underneath what I read says, "medium term  
3 development portfolio is indeed rather weak."  
4 What were you referring to?

5 A. Those are as is mentioned in the  
6 text here, those are sort of the projects, the  
7 new projects that are on the horizon.  
8 Discoveries that have been made or new business  
9 development that was happening and where we  
10 think in terms of our funnel, these things would  
11 get realized in the future.

12 Q. Now, under the next section  
13 involving facts you have false optimism on U.K.  
14 and Oman field declines and apparent inability  
15 to accurately predict those declines.

16 What do you mean there?

17 A. I think the Oman thing we already  
18 covered in my previous notes, that Oman came to  
19 a stage that couldn't actually really accurately  
20 predict on a month to month basis what they were  
21 going to produce. So they didn't quite have a  
22 handle on their business and I had the same  
23 understanding. As you recall, I visited in very  
24 early on in my tenure, I think July 2001, I  
25 visited Shell Expro and also there were major

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2 issues and we had to down grade the production  
3 forecast from the U.K. because of optimistic  
4 assumptions before that.

5 Q. If you can turn the page. Under  
6 early 2/3/2001?

7 A. Yes.

8 Q. It says, "it was realized a  
9 combination of 5 percent production growth with  
10 15 percent ROACE at \$14 per barrel was not  
11 achievable nor sustainable, but it was concluded  
12 that:" The first item says, "3 percent  
13 production growth was the minimum acceptable by  
14 the market (firm plan had 1.5 percent growth  
15 mostly from Nigeria, but none of the major  
16 competitors had projected growth less than  
17 3 percent projected)."

18 The 1.5 percent growth, is that  
19 group wide or are you specifically referring  
20 only to growth in Nigeria?

21 A. The way I read this sentence it's  
22 group wide.

23 Q. So at the time the 3 percent  
24 growth was conveyed to the market the group was  
25 planning on 1.5 percent, is that how that reads?

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2 MR. TUTTLE: Objection to form, it  
3 mischaracterizes the document.

4 THE WITNESS: I'm not sure. I  
5 remember I wrote this and didn't have my staff  
6 to double-check the numbers. I may not have the  
7 math totally correct, but that's how I currently  
8 read it.

9 BY MR. HABER:

10 Q. If you turn to page 269 under  
11 people.

12 A. Yes.

13 Q. The second item says,  
14 "study/support activity for Oman in Nigeria  
15 which will result in near field activity and  
16 bottom line deliverables."

17 What are you referring to there?

18 A. I referred here to the massive  
19 effort that was ongoing that I initiated by  
20 bringing extra people into those organizations  
21 and providing support from SEPTAR and other  
22 organizations to do the quality work on their  
23 assets, which ultimately if we get an  
24 understanding of these assets allows you to

25 implement additional activity.

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2 Q. At this time had any bottoms up  
3 review of the Oman fields commenced?

4 A. No.

5 Q. And at this time had a bottoms up  
6 review of the fields in Nigeria commenced?

7 A. No.

8 Q. I think I might have asked this  
9 question. Did you receive any response to this  
10 e-mail?

11 A. Not that I recall, but as I  
12 mentioned before, very quickly thereafter there  
13 was actually an update, a formal submission to  
14 the CMD with the presentation.

15 Q. Do you recall any discussion at  
16 the CMD about the caught in the box dilemma?

17 A. Not directly, but that discussion  
18 would go all the way through December '02 when  
19 the business plan was finalized.

20 Q. Do you recall reserves exposures  
21 being discussed at this meeting?

22 A. No.

23 Q. We just marked as Exhibit 21 a  
24 series of e-mails, the last of which is from  
25 Mr. Van De Vijver, it's dated October 22, 2002

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2 to Philip Watts. Subject line reads weekend  
3 reflections.

4 The Bates range and there are two  
5 is V 00020620 and DB 01383. If you would take a  
6 moment to look at it.

7 (Van De Vijver Exhibit Number 21  
8 was marked for identification.)

9 BY MR. HABER:

10 Q. Mr. Van De Vijver, have you seen  
11 this document before today?

12 A. Yes.

13 Q. Do you recall the context in which  
14 these e-mails were written?

15 A. This was in the context of the

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

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

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2 A. I offered the idea of having a  
3 dinner.

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

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

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

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

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

15 A. Yes.

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

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

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

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

5 Q. Why did you get that feeling?

6 A. Because I didn't have the feeling

7 that in terms of the dilemmas I had in terms of  
8 caught in the box and some of the numbers he was  
9 offering any concrete solutions.

10 Q. Did you get the sense he was  
11 sensitive to the dilemmas you were talking  
12 about?

13 A. He certainly understood them.

14 Q. Do you recall anything else you  
15 discussed at this dinner meeting?

16 A. No. The only thing I recollect is  
17 that the meeting started more on a social basis.  
18 This was, I think, very briefly after my father  
19 had died, so a little bit of that type of  
20 discussion.

21 Q. How would you, if you had to split  
22 up the discussion over the dinner between social  
23 and business, how much of the dinner was  
24 business related?

25 A. About two-thirds.

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2 Q. Do you recall expressing any  
3 frustration to Mr. Watts about -- in light of  
4 the box dilemma the difficulties in doing  
5 acquisitions?

6 MR. TUTTLE: Objection to form.

7 THE WITNESS: No.

8 BY MR. HABER:

9 Q. Now, if you could take a look at  
10 your e-mail to Mr. Watts. You say in the second  
11 paragraph, "I must admit that I've become sick  
12 and tired about arguing about the hard facts and  
13 also cannot perform miracles given where we are  
14 today."

15 What were you arguing about? What  
16 hard facts?

17 A. Well, what -- I mean this is  
18 clearly a bit of an outlet of frustration.

19 MR. DOWD: Just answer the  
20 question.

21 THE WITNESS: Sorry.

22 MR. DOWD: Answer the question.

23 We don't need the characterization, just answer

24 the question.

25 THE WITNESS: Can you repeat the

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2 question, please.

3 BY MR. HABER:

4 Q. What hard facts were you arguing  
5 about?

6 A. The hard facts about the state and  
7 the health of the business.

8 Q. Was he taking a contrary position  
9 with regard to the health and state of the  
10 business than what you were seeing?

11 A. Well, it all reflected to his  
12 e-mail on the items on the box.

13 Q. I guess what I'm asking is, other  
14 than the items in his e-mail, did this extend  
15 beyond just these issues?

16 A. No. No.

17 Q. The next sentence says, "if I was  
18 interpreting the disclosure requirements  
19 literally (Sarbanes-Oxley Act, et cetera) we  
20 would have a real problem." Why did you  
21 identify the Sarbanes-Oxley Act to him?

22 A. I was just concerned -- I mean I'm  
23 not a Sarbanes-Oxley expert or anything like  
24 that. I just was concerned that on a forward  
25 going basis that we would give out promises to

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1 WALTER VAN DE VIJVER

2 the market that would not reflect the reality of  
3 the health of the business and just to sort of  
4 let out my frustration that the numbers are what  
5 they are and that that's the only thing that in  
6 the end of the day is what we have to deal with.

7 Q. Had you been given any briefing  
8 about the Sarbanes-Oxley Act?

9 A. I recollect that at that time we  
10 had had one presentation at CMD on the  
11 Sarbanes-Oxley Act and it was during that time  
12 it was regularly in the newspapers and just  
13 clearly an important reminder that the  
14 disclosures to the market should be accurate.

15 Q. When you say was regularly in the

16 newspapers, what is it that you recall?

17 A. Just about introduction of it all

18 was -- things happened in Europe, as well, but

19 it was in the Financial Times and all the major

20 newspapers there were quite a few articles about

21 it.

22 Q. During the CMD meeting when the

23 presentation was made did you get the sense your

24 colleagues took the Sarbanes-Oxley Act

25 seriously?

0354

1 WALTER VAN DE VIJVER

2 MR. TUTTLE: Objection to form.

3 THE WITNESS: Oh, yes.

4 BY MR. HABER:

5 Q. The end of your e-mail you say,

6 "happy to have that debate at CMD." What debate

7 are you referring to now?

8 A. Still the issue about what

9 ultimately had the targets for the business

10 should be relative to these parameters as the

11 business plan, as I think I mentioned to you

12 earlier, was still evolving and would not be

13 completed all the way to December.

14 Q. Did you have that debate at the

15 CMD?

16 A. Quite a few further meetings took

17 place, yes.

18 Q. Just if you can turn the page

19 going to Mr. Watts' e-mail to you.

20 A. Yes.

21 Q. At the end of his e-mail he says,

22 "if you are in Shell Center this week, I would

23 appreciate a brief chat."

24 Do you recall having such a brief

25 discussion with Mr. Watts?

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1 WALTER VAN DE VIJVER

2 A. No, I don't. The only thing I see

3 in the message when I was sending this I was in

4 Oman.

5 Q. Why were you in Oman?

6 A. In my ongoing drive to prove the  
7 state and the health of the business there.

8 Q. Now, in your e-mail, if you can  
9 look at the top of Exhibit 21, you say, "I am  
10 currently in Oman dealing with another legacy  
11 problem." What was this problem to which you're  
12 referring?

13 A. The problem I was dealing with in  
14 Oman, that happened before my time.

15 Q. Under whose leadership did these  
16 problems occur -- originate?

17 A. Phil Watts was my predecessor as  
18 CEO.

19 Q. Okay.

20 A. John, do you want to take a five,  
21 ten minute break.

22 MR. DOWD: Sure.

23 THE VIDEOGRAPHER: This marks the  
24 end of tape two, Volume II, in the deposition of  
25 Mr. Van De Vijver. We are going off the

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1 WALTER VAN DE VIJVER  
2 record. The time is 2:13 p.m.

3 (A brief recess was taken.)

4 THE VIDEOGRAPHER: This marks the  
5 beginning of tape three, Volume II, in the  
6 deposition of Mr. Van De Vijver. We are back  
7 on the record. The time is 2:30 p.m.

8 (Van De Vijver Exhibit Number 22  
9 was marked for identification.)

10 BY MR. HABER:

11 Q. Mr. Van De Vijver, we marked as  
12 Exhibit 22 a note for discussion. The subject  
13 reads review of 2002 and 2003 reserves  
14 replacement. It's dated November 7, 2002. It's  
15 from EPB to EPG -- I'm sorry, it's from EPB, EPG  
16 and it's to the ExCom.

17 The document its Bates range is  
18 HAG 00161385 to HAG 00161392. Have you seen  
19 this document before today?

20 A. Yes.

21 Q. Do you know who prepared this  
22 document?

23 A. It says EPB and EPG. That's Lorin

24 Brass, EPB. And Brian Ward is EPG.

25 Q. Do you have an understanding as to

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1 WALTER VAN DE VIJVER

2 why this note for discussion was prepared?

3 A. I think this followed out of the  
4 process that was started a couple months earlier  
5 on a regular basis to bring this to EP ExCom as  
6 part of the improved process on transparency and  
7 clarity.

8 Q. When you say bring this to the EP  
9 ExCom, that's what you're referring to, the  
10 transparency and clarity?

11 A. Yes.

12 Q. Do you recall if this note was  
13 presented at an ExCom meeting?

14 A. Yes.

15 Q. Do you know who made the  
16 presentation?

17 A. No.

18 Q. If you look at page 390.

19 THE VIDEOGRAPHER: I'm sorry, the  
20 papers are blocking your mic.

21 BY MR. HABER:

22 Q. Page 390.

23 A. Yes.

24 Q. Which is identified as appendix C,  
25 what is appendix C?

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1 WALTER VAN DE VIJVER

2 A. That's the well-known exposure  
3 catalog in its standard form now.

4 Q. Do you recall any discussion at  
5 the meeting about Oman?

6 A. No.

7 Q. Do you recall any discussion about  
8 SPDC?

9 A. No.

10 Q. Do you recall any discussion about  
11 Australia and Gorgon, in particular?

12 A. No.

13 Q. Was this note distributed as

14 prereading?

15 A. Yes.

16 Q. Therefore, it's your understanding  
17 it would be distributed to each member of the  
18 ExCom in advance of the meeting?

19 A. Yes.

20 Q. And you received a copy of this as  
21 prereading?

22 A. Yes.

23 Q. When I say this, I mean  
24 Exhibit 22?

25 A. Yeah.

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1 WALTER VAN DE VIJVER

2 Q. Do you recall any discussion at  
3 the ExCom meeting around the exposure catalog?

4 A. No. I do not have a recollection.

5 I do recollect that we  
6 specifically talked about SNEPCO.

7 Q. What do you recall in particular?

8 A. That there was a recommendation  
9 for debooking in SNEPCO, which then if I'm  
10 correct also happened at the end of 2002. A  
11 debooking was actually done for SNEPCO.

12 Q. Do you recall what fields in  
13 SNEPCO were debooked?

14 A. This was related to Bonga and I  
15 think Erha, but also here I see Abo. Look at  
16 page 391 it refers to three fields Abo, Bonga  
17 and Erha.

18 Q. Do you recognize the handwriting  
19 on this document?

20 A. Yes, it's mine.

21 Q. Do you recall what was the mood at  
22 the ExCom concerning the discussion about  
23 debooking these reserves?

24 MR. WEED: Objection.

25 THE WITNESS: Fine. I do not

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1 WALTER VAN DE VIJVER

2 recollect anything specific.

3 BY MR. HABER:

4 Q. Do you recall any opposition to

5 debooking?

6 A. No.

7 Q. At Shell when reserves have to be  
8 debooked do they need to be approved by the  
9 ExCom?

10 A. No. That was not the formal  
11 process. As I mentioned to you earlier, I had  
12 two directors on my ExCom that were responsible  
13 for that product and they worked with their  
14 staff and then through the finance, group  
15 finance line to conclude the annual results for  
16 reserves. But at the same time as part of Frank  
17 Coopman coming on board it was part of, as I  
18 mentioned earlier, to make sure there was the  
19 transparency and understanding at ExCom level  
20 for important things like this particular item,  
21 reserve replacement.

22 Q. Does the CMD have to approve  
23 debookings?

24 A. No. This was, as I said, not  
25 being involved with the actual process of

0361

1 WALTER VAN DE VIJVER

2 closeout I. Don't know who all got involved in  
3 the process as part of the annual reserve report  
4 that finally was issued by Anton Barendregt.  
5 But I know it involved external odd fors and  
6 people in group finance.

7 Q. My question was does the CMD have  
8 to approve debookings?

9 MR. TUTTLE: Objection, asked and  
10 answered.

11 THE WITNESS: No, not that I was  
12 aware.

13 BY MR. HABER:

14 Q. During this meeting do you recall  
15 any discussions about set offs to the debookings  
16 that Enterprise could provide?

17 A. No.

18 Q. Do you recall, again during this  
19 meeting, any discussions of set offs that an  
20 acceleration of the cash again booking could  
21 provide?

22 A. No.

23 MR. TUTTLE: Objection,

24 foundation.

25 BY MR. HABER:

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1 WALTER VAN DE VIJVER

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

4 A. Yeah.

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

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

8 Q. Does 11/11 refer to the date?

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

14 Q. What did you mean by too many  
15 uncertainties?

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

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

24 A. Yes.

25 Q. What did you mean by that?

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1 WALTER VAN DE VIJVER

2 A. I don't know.

3 Q. Now, if you turn to page 389.

4 A. Yes.

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

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

10 Q. Okay. Why did you write  
11 debookings?

12 A. Because, as you know, at that

13 point in time there was still a lot of  
14 uncertainties left in terms of our reserve  
15 numbers. We still had these exposures and  
16 Gorgon was one of those.

17 Q. And these exposures such as Gorgon  
18 could result in debookings?

19 A. Potential debookings, yes.

20 Q. If you could turn to page 391.

21 A. Yes.

22 Q. I'm not even going to try to read  
23 these. If you can read the handwritten note in  
24 the circle at the bottom of the page.

25 A. "Total Nigeria reserves quality?!"

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1 WALTER VAN DE VIJVER

2 Q. What did you mean by that?

3 A. The same old story about the  
4 quality of the data from Nigeria. And, of  
5 course, this was the time that we decided to  
6 start the bottoms up review in Nigeria as one of  
7 the big five initiatives.

8 Q. I just want the record to be  
9 clear. When you say the same old story about  
10 the quality of the data, what are you referring  
11 to?

12 A. This was the exposure issue around  
13 Nigeria, reserve exposure.

14 Q. And when we say Nigeria, are you  
15 referring to SPDC?

16 A. SPDC.

17 Q. The handwriting to the right of  
18 what you just read into the record, what does  
19 that say?

20 A. 50 million barrels, debooking  
21 shift to 2003 between brackets [drilling].

22 Q. What did you mean by that?

23 A. I do not recollect. It must have  
24 been something that came up during the  
25 discussion on this particular subject.

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1 WALTER VAN DE VIJVER

2 Q. In your prior answer?

3 A. Yes.

4 Q. When you mentioned that you  
5 decided to start the bottoms up review in  
6 Nigeria, you said as one of the big five  
7 initiatives. What were the other four  
8 initiatives?

9 A. They were all linked to Nigeria.  
10 This was the drive that Brian Ward started at  
11 that time. One was about -- I can't recollect  
12 them all. One was about community relationship,  
13 relationship with external parties. One was  
14 around project execution to make sure there was  
15 quality in product execution. I -- I can't  
16 recollect. I only know there were five big  
17 issues. That's the only thing I recollect.

18 Q. The initiative about community?

19 A. One was around reserves and one  
20 involved doing the bottoms up review.

21 Q. Was there someone appointed to  
22 lead the bottoms up review in SPDC?

23 A. Yeah. This was under the control  
24 of Brian Ward, so I don't know the particular  
25 name. It doesn't come to my head who was the

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1 WALTER VAN DE VIJVER

2 man leading that effort.

3 Q. Do you know a gentleman by the  
4 name of David Klusener?

5 A. Yes. He was indeed a person I  
6 remember talking to several times in  
7 December 2003 when we were trying to finalize  
8 the numbers on Nigeria. He was clearly deeply  
9 involved in that exercise.

10 Q. Do you know if Mr. Klusener was  
11 involved in a bottoms up review of SPDC?

12 A. Yes. That's what I mentioned.

13 Q. Mr. Klusener is the one who you  
14 understood was leading this review?

15 A. I don't know whether he was  
16 leading it. There may have been other people  
17 involved, but he was clearly involved.

18 Q. Do you know if there were multiple  
19 phases in this review?

20 A. I don't know the exact details of

21 how they would geographically or otherwise would  
22 go through the exercise.

23 Q. Do you recall the review had  
24 concluded?

25 A. Well, the full review didn't  
0367

1 WALTER VAN DE VIJVER  
2 conclude until well into December.

3 Q. Of what year?

4 A. 2003.

5 Q. Do you recall what the findings of  
6 the review were?

7 A. Well, this is the review that led  
8 to me receiving in middle of November a report  
9 and I also found out there was an unsatisfactory  
10 audit on Nigeria that then subsequently  
11 triggered the decision to look at our whole  
12 portfolio and subsequently the debookings.

13 Q. Do you recall if one of the  
14 findings in that review was a gap of  
15 approximately 900 million BOE?

16 MR. TUTTLE: Objection, form,  
17 foundation.

18 THE WITNESS: I don't know the  
19 exact number anymore, but I know it was a very  
20 big number.

21 BY MR. HABER:

22 Q. Do you know if a report was issued  
23 by the review team?

24 A. The only thing I saw was the audit  
25 report from Anton Barendregt. I did not see any  
0368

1 WALTER VAN DE VIJVER  
2 other report on Nigeria.

3 Q. Do you recall attending a briefing  
4 where the results of the review team were  
5 presented?

6 A. No. As I mentioned, I recall  
7 sitting with Brian Ward, the 14th of November,  
8 2003, I do recall that when the first numbers  
9 came out.

10 Q. And what do you recall about that  
11 meeting with Mr. Ward?

12 A. That basically we now, that we  
13 then had confirmed that there was a big problem  
14 in Nigeria with respect to proved reserves.

15 Q. What was your reaction when you  
16 had learned all this information during that  
17 meeting?

18 A. I was in shock. I mean this was  
19 taken a long time to go through that whole  
20 process, but when you then discover with those  
21 type of numbers you're off, that clearly is a  
22 very material issue.

23 (Van De Vijver Exhibit Number 23  
24 was marked for identification.)

25 MR. HABER: We've just marked as

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1 WALTER VAN DE VIJVER

2 Van De Vijver Exhibit 23 an e-mail from Marian  
3 Van der Laan on behalf of Mr. Van De Vijver.  
4 It's dated November 15, 2002, it is to Frank  
5 Coopman and Lorin Brass. The subject line  
6 reads: Urgent 2003 plan in Q1 IR and there's an  
7 attachment that says the same thing, 2003 plan  
8 in Q1 IR.

9 It's two Bates ranges. The first  
10 is V 00020743 through V 00020745. The other  
11 Bates range is DB 01506 through DB 01508.  
12 Mr. Van De Vijver, have you had an opportunity  
13 to look at Exhibit 23.

14 THE WITNESS: Yes.

15 BY MR. HABER:

16 Q. Have you seen this document before  
17 today?

18 A. Yes.

19 Q. And this e-mail reflects that you  
20 had instructed your secretary to send this to  
21 Mr. Coopman and Mr. Brass?

22 A. Yes.

23 Q. Tell me the context in which you  
24 wrote this e-mail?

25 A. This was still in the overall

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1 WALTER VAN DE VIJVER

2 process of finalizing the business plan for

3 2003, which I explained earlier, to finally get  
4 finalized a month later at conference and I  
5 wanted to give my staff feedback from the last  
6 CMD meeting that I attended on that subject.

7 Q. Do you recall when that meeting  
8 was?

9 A. It must be around the time of  
10 writing this e-mail.

11 Q. Okay. Now, under -- if you turn  
12 to page 2 of the document, which is 7440507,  
13 under 1, are these items items that are metrics  
14 in the box that we talked about?

15 A. Yes.

16 Q. Now, underneath those you write,  
17 "the reality is, however, that we would not have  
18 submitted this plan if we, one, were not trying  
19 to protect the group reputation externally  
20 (promises made)." What were you trying to  
21 convey there?

22 A. I was trying to portray to my  
23 staff that, of course, we were still working a  
24 plan that I still was not feeling comfortable  
25 about and it still needed further work and in my

0371  
1 WALTER VAN DE VIJVER

2 mind the plan was not a 50/50 plan, but was a  
3 stretch plan.

4 Q. What is a stretch plan?

5 A. A stretch plan is a plan that has  
6 less than 50 percent probability to succeed.

7 Q. That was the plan that you were  
8 intending to present to the conference?

9 A. Yes. Well, the plan was still  
10 subject to change during the last month before  
11 it would go to conference.

12 Q. The plan that went to conference,  
13 was it a less than 50/50 plan?

14 A. If I recollect correctly, I  
15 specifically when presenting a plan to  
16 conference I talked about 50/50 and stretch. I  
17 covered them both.

18 Q. What was the reaction of the  
19 conference when you covered those issues?

20 A. I do not recollect.

21 Q. Do you recall any -- any  
22 discussion over the plan including stretch?

23 A. No. No. I wouldn't recollect the  
24 detail. The minutes should reflect that.

25 Q. Do you get an opportunity to

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1 WALTER VAN DE VIJVER

2 review the minutes of the conference?

3 A. Review the minutes?

4 Q. Do you get an opportunity to  
5 review the minutes of the conference?

6 MR. DOWD: When?

7 BY MR. HABER:

8 Q. As a general matter?

9 A. Sorry, I'm not answering because  
10 I'm thinking. I'm not so sure whether the  
11 answer is yes or no. We talked about the CMD  
12 before. I don't know whether at conference --  
13 I'm not sure. I don't know.

14 Q. In particular, this meeting that  
15 you just testified about, do you recall  
16 reviewing minutes of the conference meeting?

17 A. No.

18 Q. Going back to the Exhibit 1,  
19 again, you put in parentheses, promises made.  
20 What external promises were made that you  
21 believe that you were trying to protect?

22 MR. TUTTLE: Objection to form,  
23 characterization of the document.

24 THE WITNESS: Well, every year at  
25 the beginning of the year, call it promises were

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1 WALTER VAN DE VIJVER

2 made to the market, and had an early February  
3 meeting of the year which related to sort of  
4 forward performance of the company. So whatever  
5 at this point in time was out already in the  
6 market.

7 BY MR. HABER:

8 Q. Would that include ROACE?

9 A. Yes.

10 Q. Would that include production

11 growth?

12 A. Yes.

13 Q. Would that include unit finding  
14 costs?

15 A. I don't think we gave specific  
16 targets out on the market of unit finding cost.

17 Q. Okay. What targets -- what cost  
18 targets did you convey to the market?

19 MR. TUTTLE: Time period.

20 THE WITNESS: Unit operating cost  
21 target.

22 BY MR. HABER:

23 Q. And would this be in February of  
24 2002?

25 A. It would happen on an annual

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1 WALTER VAN DE VIJVER  
2 basis, so I don't know all the direct details of  
3 what targets we would be giving out, but on that  
4 annual presentation the targets and outlooks for  
5 the business would be presented.

6 Q. Do you recall bringing the draft  
7 plan to the CMD for its consideration?

8 A. In terms of details? I mean I  
9 brought it to CMD, of course, frequent basis,  
10 but I do not recollect the details of the type  
11 of discussion.

12 Q. Do you recall there being support  
13 for the plan as it was finalized for approval by  
14 the conference?

15 A. There was a lot of discussion on  
16 the plan and a lot of discussion on the 50/50  
17 versus stretch.

18 Q. What do you recall about that  
19 discussion?

20 A. Well, I felt it very important  
21 that the stretch element of the plan was both  
22 portrayed at CMD, but also at conference.

23 Q. What was the reaction of CMD to  
24 the stretch element of the plan? I mean were  
25 they supportive?

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1 WALTER VAN DE VIJVER

2 A. In the end the plan that gets  
3 presented ultimately to conference, yes, is  
4 first supported by CMD.

5 Q. Until you get to that point were  
6 there people who expressed little sympathy for  
7 the dilemma that you were in?

8 MR. TUTTLE: Objection to form.

9 MR. MORSE: Same objection.

10 MR. DOWD: If you recall.

11 THE WITNESS: I do not recall the  
12 details.

13 BY MR. HABER:

14 Q. Okay. Just going back to among  
15 the performance indicators that are externally  
16 made to the market, is RRR another one?

17 A. RRR is never portrayed as a yearly  
18 target to the market and the reason for that is  
19 that obviously reserve replacement is very much  
20 related to timing of projects and given  
21 uncertainty and the spikiness of this, we would  
22 never give yearly reserve replacement targets to  
23 the market.

24 Q. So the market only receives  
25 historical information about the reserves

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1 WALTER VAN DE VIJVER  
2 replacement; correct?

3 A. Historical and perhaps also  
4 projected sort of medium term replacement  
5 targets, but never annual.

6 Q. Is the RRR reported in the 20(F)?

7 A. Yes.

8 Q. And what's reported in the 20(F),  
9 that is historical information?

10 A. Is all historical information.

11 Q. Looking at the exhibit again,  
12 under number 2 you say, "could have been honest  
13 about past failures (business focus W.R.T.,"  
14 which I understand to be with respect to,  
15 "aspired portfolio disconnects with reality,  
16 poor performance management, preserves  
17 manipulation."

18 What were you trying to convey

19 there?

20 A. All the things I was dealing with  
21 to improve the overall health from the business  
22 relative to I started with the bit.

23 Q. Did you have any examples in mind  
24 with regard to disconnects with reality?

25 A. Well, I mean some of that maybe --

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1 WALTER VAN DE VIJVER

2 the answer is yes. Some of that may be a little  
3 bit of benefit from hindsight. I mentioned to  
4 you these things, some of the new technologies,  
5 floating LNG in terms of how quickly we would be  
6 able to do these things and how clearly some of  
7 the work and the quality in terms of grounding  
8 in terms of production forecast or whatever, the  
9 quality of the work that was -- that had been  
10 done as a basis for the plans.

11 Q. Did you have any examples in mind  
12 with regard to reserves manipulation?

13 A. That's, of course, a typical  
14 shorthand. All this is is actually the same  
15 subject that we've been dealing with exposure  
16 lists in terms of the exposures we had and  
17 uncertainties that we had that we were working.

18 Q. Again, these are the exposures  
19 that primarily originated under your  
20 predecessor?

21 A. Yes.

22 Q. And that would be Phil Watts?

23 A. Yes.

24 Q. Now, in the middle you say, "on  
25 19th November EP plan presentation, I want a

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1 WALTER VAN DE VIJVER

2 simple chart of 50/50 versus stretch parameters  
3 which shows in the second one is watch list  
4 items on production, Oman, Nigeria, US."

5 Why did you want the watch list  
6 items included?

7 A. Watch list items was a new  
8 terminology that was included in the group under  
9 initiative from Phil Watts to identify items

10 that were sort of group wide concern in terms of  
11 some of the issues in the overall business and  
12 Oman was one of them. Nigeria was one and the  
13 other was US in terms of exploration  
14 performance.

15 Q. This watch list, was this to be  
16 the equivalent the exposure catalog?

17 A. No. Sorry. This is a separate  
18 thing that was sort of thing that was done under  
19 the initiative of group planning where on a  
20 quarterly basis every business would show the  
21 progress that they've had on the sort of key  
22 things that were on the radar screen for the  
23 group. It was called the watch list item.  
24 There was some traffic lighting system around it  
25 on a quarterly basis. Separate from the

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1 WALTER VAN DE VIJVER

2 exposure list that we talked about just on  
3 reserves.

4 Q. The reference to November 19th  
5 plan presentation, to whom was that to be made?

6 A. I cannot be sure. This may be the  
7 next presentation at either EP ExCom or at CMD.

8 Q. Okay. You can put the exhibit  
9 aside.

10 I'm going to mark as Exhibit 24 a  
11 series of e-mails that I will identify for the  
12 record as the witness takes a look at it.

13 The last of the e-mails is from  
14 Mr. Van De Vijver, it's dated November 29,  
15 2002. It's to John Pay with a cc to Lorin Brass  
16 and Malcolm Harper. The subject line reads  
17 group plan questions reserves.

18 It has two Bates numbers. The  
19 first one is V 00082175 through V 00082177 and  
20 the other one is BRU 002201 through BRU 002203.

21 (Van De Vijver Exhibit Number 24  
22 was marked for identification.)

23 BY MR. HABER:

24 Q. Have you seen these e-mails before  
25 today?

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1 WALTER VAN DE VIJVER

2 A. Yes.

3 Q. I would like you to look at the  
4 e-mail that you sent to John Pay, it's on the  
5 last page. It's dated November 21, 2002. The  
6 cc is to Lorin Brass and Malcolm Harper. Who is  
7 Malcolm Harper?

8 A. An engineer that worked in Lorin  
9 Brass's organization.

10 Looking at this reference  
11 indicator, he was at that stage head of  
12 planning.

13 Q. Now, in your e-mail you write in  
14 the second sentence, "how much of the historic  
15 bookings year end (both aggressive/early) that  
16 constrain our proved reserves booking in  
17 2001-2005 are related to 'leadership behavior'  
18 and how much are they related to new SEC  
19 rules/scrutiny introduced in early 2001?!"

20 Why were you asking this question?

21 A. This is I guess sort of the  
22 continuing drive of mine to better understand  
23 the history with respect to reserves booking and  
24 trying to get an understanding what happened in  
25 the past.

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1 WALTER VAN DE VIJVER

2 Q. And is that why you asked for the  
3 distinction between leadership behavior and SEC  
4 rules/scrutiny?

5 A. Yes.

6 Q. And by leadership behavior, are  
7 you referring to anyone in particular?

8 A. Leadership behavior was the  
9 leadership before my time in E&P.

10 Q. Would that include Philip Watts?

11 A. Yes.

12 Q. Did you mean to go beyond Philip  
13 Watts to anyone else?

14 A. Not specifically.

15 Q. You see that Mr. Pay responds with  
16 a lengthy note. Did you do anything with the  
17 information that is included in his e-mail to

18 you of November 22, 2002?

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

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1 WALTER VAN DE VIJVER

2 found it very important to get transparency on  
3 our reserve base.

4 Q. When you say you left messages to  
5 the organization, what do you mean by that?

6 A. Leave messages to people like John  
7 Pay and Lorin Brass and Coopman that I was  
8 really interested to make sure that we improved  
9 the quality, transparency, integrity of our  
10 reserve base.

11 Q. Was there any particular event  
12 that caused you to ask Mr. Pay to do this work?

13 A. It may have -- the answer is, no,  
14 I don't know directly, but I think it must have  
15 been as part of the process of finalizing our  
16 business plan and seeing things, how things were  
17 projected forward and try to understand what had  
18 happened in the past when you look at trends.

19 Q. Looking at your e-mail on the  
20 third page, was there a reason why you made  
21 reference to the SEC rules/scrutiny?

22 A. Well, I had learned earlier that  
23 year there had been clarifications on the --  
24 issued by the SEC on the rules and I was  
25 wondering whether that specific thing had had an

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1 WALTER VAN DE VIJVER

2 effect on Shell's reporting of reserves.

3 Q. Did you have any communication  
4 with Mr. Pay about the conclusions that he  
5 reached in his e-mail?

6 A. Not that I recall apart from the  
7 reaction to his e-mail.

8 Q. What did you mean, if you look at

9 your e-mail to him, when you say we will have to  
10 get a story line together, not only to close our  
11 books, but also for explaining to analysts (6  
12 February and end March) RRRR?

13 A. This was something that I knew  
14 about at that time that the next presentations  
15 to analysts would occur 6 of February and end of  
16 March of the next year and I wanted to make sure  
17 that then we would be able to give a  
18 comprehensive story.

19 Q. Did you show the results of  
20 Mr. Pay's -- withdrawn.

21 Did you show Mr. Pay's e-mail to  
22 anyone?

23 A. Not that I recall.

24 Q. Do you recall discussing it with  
25 Frank Coopman?

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1 WALTER VAN DE VIJVER

2 A. No.

3 Q. Do you recall discussing it with  
4 Lorin Brass?

5 A. No.

6 Q. Did you share this information  
7 that is in Mr. Pay's e-mail dated November 22nd  
8 with anyone on the CMD?

9 A. No.

10 MR. HABER: We'll mark another  
11 document as Van De Vijver Exhibit 25.

12 For the record, Exhibit 25 is  
13 titled Note For File Managing the EP Legacy  
14 Issues.

15 It's Bates number is V 00030273  
16 through V 00030276.

17 (Van De Vijver Exhibit Number 25  
18 was marked for identification.)

19 BY MR. HABER:

20 Q. Have you seen this document  
21 before?

22 A. Yes.

23 Q. What is this document?

24 A. This is a note that I wrote to  
25 myself on sort of -- to get sort of an overall

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1 WALTER VAN DE VIJVER

2 perspective of the E&P business to sort of try  
3 to fully internalize where we were, but also in  
4 terms of appreciating the sort of challenges  
5 there were going forward. This is something I  
6 wrote end of 2002, early 2003, in that time  
7 period where I was launching a major change in  
8 the EP organization, which was called the new EP  
9 operating model. I wanted to make sure for  
10 myself and also being able to communicate to my  
11 staff what it was we were all going to do and  
12 look at it and get the energy to do so.

13 Q. Was this a document that you  
14 prepared in one sitting?

15 A. No.

16 Q. Do you recall how long it took you  
17 to prepare it?

18 A. This may be over a period of a  
19 month or so. This -- clearly I didn't type this  
20 myself, this is my secretary.

21 Q. Did you ever share this document  
22 with anyone?

23 A. No.

24 Q. You'll notice the last page of  
25 this document there is an attachment. Is this

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1 WALTER VAN DE VIJVER

2 attachment part of the note?

3 A. Yes.

4 Q. Why did you include this  
5 attachment?

6 A. I assume that this -- this is sort  
7 of linked, we sort of had the whole internal  
8 neutralization of asking myself the questions  
9 why and why and what are we going to do with it.  
10 Again, just for clarity, I didn't prepare -- I  
11 didn't have the capabilities to do this slide  
12 myself. That was done by my assistant, Geri  
13 Powell, G-E-R-I.

14 Q. This attachment, did you ever show  
15 it to anyone,?

16 A. Yes. I showed it to Jeroen Van

17 Der Veer.

18 Q. When did you show it to Mr. Van

19 Der Veer?

20 A. In December 2002.

21 Q. Had you prepared this PowerPoint  
22 before you drafted the note for the file?

23 A. I think this sort of moved in  
24 tandem. I don't recollect the detail.

25 Q. How did -- how did this -- how did  
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1 WALTER VAN DE VIJVER

2 this meeting with Mr. Van Der Veer get  
3 initiated?

4 A. From my initiative. I just walked  
5 to his office.

6 Q. Is his office on the same floor as  
7 yours?

8 A. Next to my office.

9 Q. Separated by anything?

10 A. A conference room and a secretary.

11 Q. Was it your practice to talk to  
12 Mr. Van Der Veer on a daily basis since you were  
13 so close?

14 A. Well, not really. If you look at  
15 my schedule I was not there that often. I did a  
16 lot of traveling, but we did share a common  
17 conference room and given his regional  
18 responsibilities we sometimes had joint meetings  
19 and things in our region.

20 Q. When you met with Mr. Van Der Veer  
21 did you ever have unscheduled meetings where you  
22 would just get up and say, Jeroen, I just need  
23 to talk to you about something?

24 A. Sometimes that would happen, yes.  
25 This was one of those.

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1 WALTER VAN DE VIJVER

2 Q. Do you recall what the two of you  
3 had discussed?

4 A. This particular meeting I showed  
5 him this picture and I particularly drew the  
6 attention to him on item 2.

7 Q. Why did you draw his attention to

8 item 2?

9 A. Because I was letting off some  
10 frustration based on what I had put down there  
11 as some of the issues that I felt were happening  
12 in the business.

13 Q. Do you recall what he said to you?

14 A. I recall that I showed it to him  
15 and he had very little reaction and then I said  
16 does this surprise you and he said no.

17 Q. Did he explain why?

18 A. No. He quickly thereafter  
19 suggested that I should go and talk with Henny  
20 de Ruiten, H-E-N-N-Y, and De, D-E, Ruiten,  
21 R-U-I-T-E-R. He was a former CMD member and a --  
22 at that stage he was the Chair of the Group  
23 Audit Committee, but he was a former CMD member  
24 and he was also a member of conference.

25 Q. Did he say any reason why you

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1 WALTER VAN DE VIJVER

2 should speak with Mr. De Ruiten?

3 A. Because he thought that that was  
4 the appropriate thing to do and Henny de Ruiten,  
5 as a former Shell director, he still had an  
6 office within The Hague offices.

7 Q. Do you recall anything else that  
8 was said between you and Mr. Van De Vijver  
9 during this meeting?

10 A. Van De Vijver is me.

11 Q. I'm sorry, Van der Veer.

12 A. No.

13 Q. Do you recall how long this  
14 meeting lasted?

15 A. With Jeroen Van der Veer.

16 Q. Yes.

17 A. Very brief, maybe only  
18 five minutes. This was not a scheduled meeting,  
19 I just walked into his office.

20 Q. Did you feel he was receptive to  
21 what you were telling him?

22 A. Well, he was clearly not critical,  
23 but at the same time he did not respond much.

24 Q. Did you meet with Mr. De Ruiten?

25 A. Yes, I did.

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1 WALTER VAN DE VIJVER

2 Q. When did you meet with

3 Mr. De Ruiter?

4 A. Somewhere very soon thereafter.

5 Q. How did that meeting come to pass?

6 A. That was arranged by my secretary,  
7 that meeting, and I just a few days thereafter I  
8 went to his office in the morning and I had a  
9 cup of coffee with him.

10 Q. Do you recall what you and Mr. De  
11 Ruiter had said?

12 A. I talked to him about the issues I  
13 was dealing with and the challenges I was facing  
14 about overall health of the business and he had  
15 a lot of sympathy for that, said I was doing  
16 well and that he would pass it on to Aad Jacobs.

17 Q. Aad Jacobs was a member of the  
18 Group Audit Committee; is that correct?

19 A. As I mentioned, Henny de Ruiter  
20 was the Chair of the Group Audit Committee and I  
21 think a bit later Aad Jacobs talk over for him  
22 as chair of the Group Committee. Never being at  
23 that meeting I don't know if he was already at  
24 that point a member of the Audit Committee, but  
25 he was chairman of the Supervisory Board.

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1 WALTER VAN DE VIJVER

2 Q. That would be the chairman of the  
3 Supervisory Board of Royal Dutch?

4 A. Yes.

5 Q. Do you recall anything else  
6 discussed between you and Mr. De Ruiter?

7 A. No. It was a very friendly chat.  
8 He -- during that discussion he expressed  
9 sympathy for me having to deal with Phil Watts  
10 and that was sort of -- he sort of mentioned a  
11 few stories about some of the encounters he had  
12 had with Phil Watts in the past when he was CEO  
13 of Shell Nigeria and he was regional managing  
14 director for the region and that was about it.

15 Q. Do you recall anything else

16 discussed between you and Mr. De Ruiters?

17 A. No, not in any detail, as I can  
18 recollect.

19 Q. Just going back to your answer.  
20 When you say during the discussion he expressed  
21 sympathy for you having to deal with Phil Watts,  
22 what did you -- what did you say to him that  
23 elicited that sympathy?

24 A. I just said that I was dealing  
25 with a lot of difficult issues in EP and that I  
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1 WALTER VAN DE VIJVER  
2 felt a lot of these issues were things that I  
3 inherited when I took over the business.

4 Q. And it was in response to that  
5 that Mr. De Ruiters said what he did?

6 I'm sorry, you have to verbalize  
7 the answer.

8 A. Yes.

9 Q. Mr. De Ruiters expected you speak  
10 with Aad Jacobs?

11 A. No. I said De Ruiters said he  
12 would mention it to Aad Jacobs.

13 Q. Sorry. Did he ever tell you if he  
14 had, in fact, spoken with Mr. Jacobs?

15 A. No, not from Henny, but I got  
16 feedback from Jeroen Van der Veer a couple days  
17 later that he mentioned that Henny De Ruiters had  
18 talked to Aad Jacobs.

19 Q. And did Mr. Van Der Veer convey  
20 what was discussed between Mr. De Ruiters and  
21 Mr. Jacobs?

22 A. No.

23 Q. Had you ever met with Mr. Jacobs  
24 yourself?

25 A. I met with Aad Jacobs sort of one  
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1 WALTER VAN DE VIJVER  
2 to one, if I recollect, in June 2002 just before  
3 he took over as chairman of the Supervisory  
4 Board.

5 Q. I just want to go back to the  
6 conversation with Mr. De Ruiters for one moment.

7 Did you discuss with Mr. De Ruiter any of the  
8 reserves exposures and issues that you were  
9 observing?

10 A. I am not sure. I'm certain I  
11 talked about Nigeria and Oman as sort of problem  
12 areas, but I cannot right now recollect if I  
13 specifically talked about reserves.

14 Q. Do you recall what problems you  
15 had discussed with him in Oman and Nigeria, do  
16 you recall what you had discussed with him about  
17 the problems?

18 A. Those were at that time rather  
19 well-known problems in terms of getting to grips  
20 with the business and the overall operational  
21 performance in those areas and the issues we  
22 were dealing with.

23 Q. Did he say anything in response to  
24 what you were telling him?

25 A. No.

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1 WALTER VAN DE VIJVER

2 Q. I'm sorry, I keep jumping between  
3 meetings. I apologize.

4 When you met with Mr. Jacobs in  
5 June 2002, where did that meeting take place?

6 A. I don't know whether it happened  
7 in London or The Hague. I can't recollect. One  
8 of the two.

9 Q. Did you initiate that meeting?

10 A. No.

11 Q. He initiated it?

12 A. Yes.

13 Q. Did he say why?

14 A. Well, because it was just prior to  
15 him taking over as chairman of the Royal Dutch  
16 Supervisory Board, starting first of July.

17 Q. And do you recall the sum and  
18 substance of what you discussed?

19 A. No, not in detail, no.

20 Q. Do you recall discussing with him  
21 any of the reserves exposures?

22 A. No.

23 Q. Do you recall if you discussed

24 any -- any reserves issues -- withdrawn.

25 Do you recall if you discussed the

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1 WALTER VAN DE VIJVER

2 state of the EP health and its business?

3 A. I do not recall it, but I'm a  
4 pretty open guy, so I'm sure that whatever I was  
5 thinking about I would have discussed it.

6 Q. Do you recall how long that  
7 meeting lasted?

8 A. No.

9 Q. I would like to come back to  
10 Exhibit 25 for a moment, again, looking at  
11 this -- I guess it's a PowerPoint.

12 A. Yes.

13 Q. And, again, under number 2 you  
14 write, "unchallenged EP CEO campaign to make  
15 everything look good as possible (1999/2001)."  
16 What did you mean by that?

17 A. I felt and recognizing with some  
18 benefit of hindsight there were optimistic  
19 things out there about the true health of E&P  
20 versus what I discovered when I started running  
21 E&P.

22 Q. And what had you discovered?

23 A. Well, I think --

24 MR. DOWD: Listen to his  
25 questions.

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1 WALTER VAN DE VIJVER

2 THE WITNESS: The list that is  
3 mentioned here.

4 MR. DOWD: Answer it. Tell him  
5 what it is.

6 THE WITNESS: All the way from  
7 things we talked about not really being in touch  
8 with operational performance to not feeling  
9 exploration was managed well to technology  
10 things that hadn't delivered and also in a  
11 culture where there was not a challenge in the  
12 EP ExCom. When I arrived at the EP ExCom I had  
13 quite a few difficult discussions when I entered  
14 to try to get people to open up and to

15 participate in the meetings.

16 BY MR. HABER:

17 Q. You used the word fear of  
18 challenge. Why did you use that word?

19 A. I think within the organization  
20 there were a lot of people that were afraid of  
21 Phil Watts.

22 Q. Did you have an understanding why  
23 people were afraid of Phil Watts?

24 A. Well, he was a hard nosed  
25 businessman in terms of his character.

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1 WALTER VAN DE VIJVER

2 Q. Did you have an understanding if  
3 Phil Watts was open to receiving bad news?

4 MR. TUTTLE: Objection to form,  
5 calls for speculation.

6 THE WITNESS: I can only judge my  
7 behavior in terms of bringing up whatever there  
8 was that needed to be brought up.

9 BY MR. HABER:

10 Q. Do you have an understanding of  
11 why people were fearful of Mr. Watts?

12 MR. TUTTLE: Objection to form,  
13 calls for speculation.

14 MR. MORSE: Objection. Same  
15 objection.

16 THE WITNESS: I think there were  
17 people in the organization and one of them was  
18 Roelof Platenkamp, who portrayed to me that he  
19 felt some of the challenge that he provided was  
20 not always appreciated.

21 BY MR. HABER:

22 Q. Was there any one other than  
23 Mr. Platenkamp who shared an experience with  
24 you?

25 A. Lorin Brass.

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1 WALTER VAN DE VIJVER

2 Q. Anyone else?

3 A. Not that I can think of right now.

4 Q. Did Raoul Restucci ever share an  
5 experience with you?

6 A. Yes. Raoul Restucci reflected to  
7 me back in 2003 after I had some arguments about  
8 him and his performance, about the difficulty he  
9 had when he had been regional managing director  
10 for in the Far East for EP on the EP BusCom.

11 Q. What did he say?

12 A. That he had a very hard time at  
13 the time of the acquisition attempt of Woodside.

14 Q. A hard time with whom?

15 A. With Phil Watts and I think that  
16 also there was another occasion where he felt  
17 very unhappy back in 2003 on a particular  
18 business issue in the US where he felt that he  
19 was being put down by Phil Watts.

20 Q. Other than the people we -- you  
21 just identified, was there anyone else?

22 A. Not that I can recollect now.

23 Q. Did Mr. Restucci ever say to you  
24 why he was having a difficult time with the  
25 acquisition attempt with Woodside?

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1 WALTER VAN DE VIJVER

2 A. There was a lot of pressure on him  
3 to be successful.

4 Q. Pressure from where?

5 A. From Phil Watts.

6 Q. And to be successful, are you  
7 referring to being able to acquire Woodside?

8 A. Yes.

9 Q. Now, at or about this time,  
10 December '02, January of '03, did you start  
11 thinking about whether a debooking of all of  
12 these reserves that were exposed was something  
13 that should be seriously considered?

14 MR. TUTTLE: Objection to form.

15 THE WITNESS: During that whole  
16 time period all I could do without being an  
17 expert on the subject was to challenge my staff  
18 to have the transparency and the quantity of our  
19 reserve data.

20 BY MR. HABER:

21 Q. Had you started to form an opinion  
22 about whether a debooking was becoming

23 necessary?

24 A. No.

25 I was trying very hard to get all

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1 WALTER VAN DE VIJVER  
2 the facts to decide one way or the other and as  
3 I mentioned earlier, the critical elements in  
4 that would be to really get the hard facts and  
5 details on Oman and Nigeria.

6 Q. Going back to Mr. Restucci for a  
7 moment, do you recall having any discussions  
8 with him about Gorgon?

9 A. No. Not until after the  
10 announcement.

11 Q. The announcement, the initial  
12 announcement in January 2004?

13 A. Yes.

14 Q. And do you recall what the two of  
15 you discussed?

16 A. It was not a one to one, it was  
17 part of a discussion that ExCom had that we  
18 clearly were still working, had the numbers and  
19 getting -- trying to get information and data on  
20 what had happened in the past.

21 MR. HABER: Do you want to take a  
22 five minute break?

23 MR. DOWD: Sure.

24 THE VIDEOGRAPHER: This marks the  
25 end of tape three, Volume II, in the deposition

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1 WALTER VAN DE VIJVER  
2 of Mr. Van De Vijver. We are going off the  
3 record. The time is 3:42 p.m.

4 (A brief recess was taken.)

5 THE VIDEOGRAPHER: This marks the  
6 beginning of tape four, volume II, in the  
7 deposition of Mr. Van De Vijver. We're back on  
8 the record. The time is 3:59 p.m.

9 BY MR. HABER:

10 Q. Mr. Van De Vijver, I'm going to  
11 hand you a document that we are going to mark as  
12 Van De Vijver Exhibit 26.

13 (Van De Vijver Exhibit Number 26

14 was marked for identification.)

15 BY MR. HABER:

16 Q. This is a string of e-mails and I  
17 will identify it for the record while the  
18 witness has an opportunity to take a look at it.

19 The string of e-mails, the last of  
20 which is from John Pay to Mr. Van De Vijver, is  
21 dated December 4, 2002, with a cc to Lorin  
22 Brass. The subject line reads "reserves".

23 The Bates numbers on the document,  
24 the first one is V 00090634 through V 00090636.  
25 The other one, Bates range is TT 000477 through

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1 WALTER VAN DE VIJVER

2 TT 000479.

3 Mr. Van De Vijver, have you seen  
4 this document before today?

5 A. Yes.

6 MR. MORSE: Can you hold on a  
7 second?

8 MR. HABER: Yes. I'll hold on.

9 BY MR. HABER:

10 Q. Do you recall the context in which  
11 you sent the e-mail to Mr. Pay and with a cc to  
12 Mr. Brass on December 4th of 2002?

13 A. Yes. The context is my continued  
14 drive to make sure that people understand that I  
15 want to get the proper quality and transparency  
16 of our reserve base and make sure they get the  
17 message and then leave it to the expert to make  
18 the decisions, but they at least recognize it is  
19 still on my radar screen as an important item.

20 Q. Now, you write to Mr. Pay, "as a  
21 result, we are taking in 'hits this year' on  
22 Bonga, Erha, et cetera."

23 What do you mean by hits?

24 A. We're doing debookings. Remember  
25 we saw earlier in the note to the EP ExCom.

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1 WALTER VAN DE VIJVER

2 Q. And you go on to say, "based on  
3 what we know today, what will we still have left  
4 in our books by 1/1/2003 that is considered

5 questionable by the auditors or that we should  
6 correct this year."

7           Were you at this point considering  
8 a debooking?

9           A. I knew we were going to do some  
10 debookings, as we just mentioned, but the issue  
11 was we do whatever is needed to get the quality  
12 of our data.

13          Q. Why did you ask Mr. Pay the  
14 question?

15          A. Sorry?

16          Q. Why did you ask Mr. Pay the  
17 question that you wrote here?

18          A. Well, because I wanted to make  
19 sure that I kept up-to-date on what they were  
20 doing, but also just to make sure they  
21 understood, again, from my side that this was  
22 still a very important issue that we needed to  
23 get a handle on.

24          Q. The issues being the reserves  
25 exposures?

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1           WALTER VAN DE VIJVER

2           A. Yes.

3           Q. Mr. Pay responds to you on the  
4 same day and if you take a look the paragraph,  
5 the third one that begins, "removing all items."  
6 Are you with me?

7           A. Yes.

8           Q. For the record it says, "removing  
9 all items from the attached list would reduce  
10 proved reserves additions from 2002 to  
11 CA.750 million BOE (proved RRR equal 50 percent,  
12 including Enterprise and cash again)."

13           It goes on to say, "I am working  
14 on the assumption that this is not something we  
15 want to do, but it would have the advantage of  
16 removing these issues once and for all. The  
17 timing seems opportune."

18           Did you understand Mr. Pay to be  
19 suggesting that a debooking would be an  
20 opportune thing -- withdrawn.

21           Did you understand Mr. Pay to be

22 referring to a debooking of the reserves in the  
23 exposure list that's attached to these e-mails?

24 A. The attached list is the exposure  
25 list.

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1 WALTER VAN DE VIJVER

2 Q. Right.

3 A. Yes.

4 Q. And did you understand Mr. Pay to  
5 be referring to a debooking of reserves on that  
6 list?

7 A. Yes.

8 Q. Do you recall having any  
9 discussions with Mr. Pay about his suggestion?

10 A. No, because as you see in that  
11 e-mail, he was telling me that all is in  
12 progress, it's the experts that would deal with  
13 it and all the people involved in the process  
14 would ultimately make that decision.

15 Q. Had you reached any conclusion at  
16 this time whether it was an opportune time to  
17 debook any of the reserves on this list?

18 A. For me that was not relevant. For  
19 me to get the facts and whatever facts they had,  
20 that was fine with me.

21 (Van De Vijver Exhibit Number 27  
22 was marked for identification.)

23 MR. HABER: I want to mark as  
24 Exhibit 27 -- for the record, Exhibit 27 is a  
25 the note to CMD, it's dated September 24, 2002.

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1 WALTER VAN DE VIJVER

2 Its Bates number is LON 00520467  
3 through LON 00520476.

4 Mr. Van De Vijver, do you  
5 recognize this document?

6 THE WITNESS: Yes.

7 BY MR. HABER:

8 Q. Is this the note to CMD that you  
9 were referring to when you were testifying about  
10 the September 2nd note that you had written,  
11 which was exhibit --

12 A. Yes. No. I can recollect. Yes.

13 Q. Okay. Just for the record, it was

14 Exhibit 20.

15 Is this your signature on the  
16 first page?

17 A. Yes.

18 Q. Do you recall presenting this note  
19 to the CMD?

20 A. Yes.

21 Q. Looking back for one moment on  
22 Exhibit 26.

23 A. Sorry. Yes.

24 Q. Did you have an understanding of  
25 what would happen to the RRR if all of the

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1 WALTER VAN DE VIJVER

2 reserves that were identified on the catalog  
3 were debooked?

4 A. No. Whatever the number is,  
5 that's what the number is.

6 Q. I'm saying if you were to have  
7 debooked all the reserves on that list do you  
8 know what impact that would have on Shell's RRR  
9 at the time?

10 A. Well, I would have to do the  
11 calculation off the top of my head, but if we  
12 produced 3.8 million barrels equivalent per day,  
13 that's how much per year? That's about 1.3 or  
14 so billion per year. That matches, right,  
15 100 percent reserves replacement is about 1.3 to  
16 1.3 billion barrels or equivalent. So if you go  
17 back -- if you go to the exposure list when you  
18 talk about the total exposure -- sorry, of  
19 848 million barrels per day, that is a big  
20 number, right, percentage-wise it's more than  
21 half -- more than 50 percent reserve replacement  
22 ratio for that particular year. Negative.

23 Q. Negative; right. Is that a number  
24 Shell could have gone to the market with?

25 A. It is what it is. From my

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2 perspective, the only thing that matters is that  
3 we give the right numbers. Whatever the experts

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

6 Q. Okay.

7 MR. DOWD: Are we through with 27?

8 MR. HABER: Yes. We're done.

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

11 BY MR. HABER:

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

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

21 Do you recognize this document?

22 A. Yes.

23 Q. And what is this document?

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

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

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

12 A. Yes.

13 Q. Who is Keith Ruddock?

14 A. He is the secretary to the CMD.

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

17 A. For completeness sake. I do not  
18 recollect.

19 Q. Now, the first line says that you  
20 had another useful two day visit to Oman with

21 the objective to carry out another "health  
22 check" on PDO and to meet relevant  
23 staff/stakeholders. Why did you feel it was  
24 necessary to visit Oman to carry out a health  
25 check?"

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

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

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

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

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

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1 WALTER VAN DE VIJVER

2 license extension, ethane extraction to develop  
3 downstream industry.

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

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

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

12 A. From the government stakeholders

13 that I mentioned in these notes.

14 Q. Okay. Can you just explain what  
15 you meant by the lack of transparency?

16 A. The lack of transparency, that we  
17 still had difficulty understanding our business  
18 and still had the uncertainty around production  
19 forecast, where it was going, so they were  
20 ongoing issues.

21 Q. And what did you mean by reward  
22 scheme?

23 A. Reward scheme is, if I recollect  
24 correctly, at that time discussions had started  
25 with Omani government on license extension in

0412  
1 WALTER VAN DE VIJVER

2 Oman and on what terms the license would be  
3 extended.

4 Q. So was there a reward involved or  
5 discussed in connection with the license  
6 extension?

7 A. Well, a reward scheme, but the  
8 terms of the contract both in terms of profit  
9 oil, cost oil, all the typical things, not  
10 getting a price right.

11 Q. I notice under PDO it says,  
12 "current production is some 730,000 barrels per  
13 day and is still sliding downwards with some  
14 signs that attention to core processes are  
15 helping."

16 What core processes are you  
17 referring to?

18 A. Getting back to the basics of the  
19 business, doing the well management, reservoir  
20 management, trying to understand what was  
21 actually happening out there in the fields.

22 Q. When you met with Minister Ahmed  
23 Macki did you have any discussions with him  
24 about whether there was any prospect for  
25 production returning to 850,000 barrels per day.

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1 WALTER VAN DE VIJVER

2 THE WITNESS: No, I do not recall.

3 BY MR. HABER:

4 Q. Now, did you have any  
5 conversations with any of the recipients  
6 identified on Exhibit 28 about your trip?

7 A. No. I do not recollect. It  
8 depends on where I was at the time and whether  
9 it coincided with the CMD meeting whether it  
10 would come up during lunchtime or whatever, I  
11 don't know. I do not recollect.

12 Q. Did anyone who is identified as a  
13 recipient of this e-mail you with any comments  
14 about the trip?

15 A. Not that I recollect.

16 (Van De Vijver Exhibit Number 29  
17 was marked for identification.)

18 BY MR. HABER:

19 Q. I just handed the witness a  
20 document we marked as Van De Vijver Exhibit 29.  
21 There's a note for discussion. It says EP  
22 reserves outlook. It's dated in the upper  
23 right-hand corner July 22, 2003, but the  
24 signature date reads July 17, 2003.

25 The Bates numbers for the exhibit

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1 WALTER VAN DE VIJVER  
2 are HAG 00043389 through HAG 00043398?

3 Mr. Van De Vijver, have you seen  
4 this document before today?

5 A. Yes.

6 Q. Does this document bear your  
7 signature, the first page that is?

8 A. Yes.

9 Q. When did you prepare -- withdrawn.  
10 Who prepared this document?

11 A. One of my staff members. I think  
12 in Lorin Brass' organization.

13 Q. And to whom was this note to be  
14 distributed?

15 A. To CMD.

16 Q. And was this note a part of a  
17 prereading package?

18 A. Yes.

19 Q. Do you know if there was a

20 PowerPoint presentation that accompanied this  
21 note?

22 A. No, I don't think so, because it  
23 was a discussion item. So that normally would  
24 not be sort of a fixed agenda item within an  
25 outside presenter coming in.

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1 WALTER VAN DE VIJVER

2 Q. If you can turn to Exhibit 1 for a  
3 moment, that's your letter?

4 A. Sorry.

5 Q. If you could turn to page 3. The  
6 second paragraph you write, "in July 2003 E&P,  
7 again at my direction and with my approval,  
8 submitted to CMD an updated exposures catalog  
9 and a note for discussion, this time  
10 specifically advising the CMD that up to  
11 220 million barrels of oil reserves would  
12 potentially need to be debooked in 2003 in  
13 Nigeria and that reviews of Nigeria and Oman  
14 reserves were in progress. The CMD was also  
15 informed that Gordon remained the largest single  
16 potential exposure (560 million BOE)." Do you  
17 see that?

18 A. Yes.

19 Q. Is this the note that you were  
20 referring to in your letter?

21 A. Yes.

22 Q. If you can turn to page 397.

23 A. Yes.

24 Q. The appendix C, is this the  
25 reserves exposure catalog that you're referring

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2 to?

3 A. Yes.

4 Q. Do you recall a discussion at the  
5 CMD about the catalog?

6 A. No.

7 Q. Do you recall any discussion about  
8 the note that we've marked as Exhibit 29?

9 A. No, I'm sorry, I do not recollect.

10 Q. Were you expecting some reaction

11 from your colleagues?

12 A. Yes, because it was -- in the  
13 sense it was stable, there's a note for  
14 discussion, so that meant clearly time was  
15 reserved to have discussion on this particular  
16 item.

17 Q. Do you know how much time was  
18 reserved?

19 A. No. It's in a block. It's a  
20 block of items covered under notes for  
21 discussion.

22 Q. If you turn to page 392, there are  
23 a bunch of bullet points. I would like to  
24 direct your attention right now to the second  
25 bullet point, which talks about SPDC in Nigeria.

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1 WALTER VAN DE VIJVER

2 Are you with me?

3 A. Yes.

4 Q. The second sentence of that bullet  
5 point says, "it appears that a significant  
6 portion of the oil portfolio lacks the necessary  
7 level of technical and commercial maturity."

8 Was that statement based upon the  
9 results of the review team work that we talked  
10 about earlier?

11 A. Yes. That states the review was  
12 still ongoing.

13 Q. Now, if you look at the Oman, the  
14 next bullet point it says, "a review of Oman PDO  
15 approved reserves is in progress and a reserves  
16 audit is planned for later in the year.

17 What review were you referring to  
18 there?

19 A. That is the review that is ongoing  
20 that started I think, had just recently started  
21 in June, which was the whole STOIP ultimate  
22 recovery review that we mentioned earlier.

23 Q. That STOIP review is the bottoms  
24 up review. If you turn the page to page 393.

25 A. Yes.

0418

1 WALTER VAN DE VIJVER

2 Q. Under potential reserves exposure  
3 catalog, the second sentence says, "of the  
4 group's -- 19350 million BOE approved reserves  
5 some 1040 million BOE (5 percent is currently  
6 considered to be potentially at risk)." Do you  
7 see that?

8 A. Yes.

9 Q. Okay. At the time this document  
10 was prepared did you consider this to be a  
11 significant amount of exposure?

12 MR. TUTTLE: Objection to form.

13 THE WITNESS: I think this  
14 exposure in terms of the number was similar to  
15 the numbers we had in 2002. Some things had  
16 come up, but other things entered into it like  
17 lowest known hydrocarbons, LKH.

18 BY MR. HABER:

19 Q. Were you concerned?

20 A. I continued to be concerned during  
21 this whole period and that's why the work was  
22 being done, what was being done. I had a clear  
23 hunch, instinct, that things were not okay, but  
24 we needed the hard facts to conclude that work.

25 Q. What is lowest known hydrocarbon?

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1 WALTER VAN DE VIJVER

2 A. Lowest known hydrocarbon is a bit  
3 technical, but it was an issue that emerged with  
4 the SEC and it came up that there was a question  
5 whether we could use the latest technology,  
6 particularly seismic technology, to identify  
7 subsurface, the lowest point where hydrocarbons  
8 were found or whether you actually had to use  
9 the lowest actual measured hydrocarbon point in  
10 a specific well.

11 Q. Now, in this potential reserves  
12 exposure catalog section, which is on page 393.

13 A. Yes.

14 Q. There's a reference that there is  
15 an issue that has been raised with the SEC with  
16 respect to the lowest known hydrocarbon.

17 Do you have an understanding of  
18 what that issue was?

19 A. Well, that's what I just

20 mentioned. It was the question whether you  
21 could use log derived data or whether you could  
22 use interpretation of other technologies like  
23 seismic utilizing spill points and things like  
24 that to identify what the lowest identified or  
25 known hydrocarbons were.

0420

1 WALTER VAN DE VIJVER

2 Q. Do you know what the SEC's  
3 position was?

4 A. SEC position was that you should  
5 only use the lowest actual measured hydrocarbons  
6 in a particular well.

7 Q. Do you know what Shell was doing?

8 A. Shell, but not only Shell, but  
9 also other companies, my understanding was they  
10 would use pressure data and seismic data to  
11 extrapolate it to where that lowest point could  
12 be.

13 Q. Now, on page 393 you say, "Gorgon  
14 remains the largest single potential exposure."

15 At that time did you know if  
16 Shell's partners in the project had booked  
17 proved reserves?

18 A. No.

19 Q. Did you ever learn in Rockford  
20 whether Shell's partners had booked proved  
21 reserves for Gorgon?

22 A. I recall vividly a phone call from  
23 Peter Robertson, my counterpart in Chevron, who  
24 called me after the announcement on the 9th of  
25 January who said we were not happy with your

0421

1 WALTER VAN DE VIJVER

2 announcement because we have not booked it and  
3 actually the project is making great progress  
4 and we're going to make an announcement.

5 Q. Did he say when they were going to  
6 make an announcement?

7 A. I think fairly eminently they will  
8 were going to make an announcement on the  
9 project Gorgon because they felt they needed to

10 say something because of that coming into the  
11 news and they were the operator.

12 Q. What did you say in response to  
13 Mr. Robertson?

14 A. He was a good friend of mine and I  
15 fully thanked him for his phone call and that  
16 was it.

17 (Van De Vijver Exhibit Number 30  
18 was marked for identification.)

19 BY MR. HABER:

20 Q. Mr. Van De Vijver, I'm just  
21 handing you a document that we've marked as Van  
22 Der Vijver Exhibit 30. While I identify it for  
23 the record, I would like you to take a look at  
24 it.

25 The document says note for

0422

1 WALTER VAN DE VIJVER  
2 information Group Audit Committee briefing on  
3 reserves accounting guidelines and procedures.  
4 It's dated in the upper right-hand corner  
5 September 1, 2003. The signature date is  
6 August 28, 2003.

7 Its Bates number is LON 00010114  
8 through LON 00010128. Have you seen this  
9 document before?

10 A. Yes.

11 Q. Do you know who prepared the  
12 document?

13 A. I got this note from Frank  
14 Coopman.

15 Q. Do you know who assisted  
16 Mr. Coopman in preparing the document?

17 A. No.

18 Q. And on the first page of this  
19 document, does this bear your signature?

20 A. Yes.

21 MR. DOWD: I'm not sure he said  
22 Coopman prepared it. I think he said he got it  
23 from him.

24 BY MR. HABER:

25 Q. You're right.

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1 WALTER VAN DE VIJVER

2 A. That doesn't mean he wrote it to  
3 me, it came for signature from Frank Coopman.

4 Q. You're right. I apologize.

5 A. That's all right.

6 Q. The handwriting on the first page  
7 of the document, is that your handwriting?

8 A. No.

9 Q. Do you recognize it as anyone's  
10 handwriting?

11 A. No.

12 Q. Do you know if this note was  
13 actually disseminated to the members of the  
14 Group Audit Committee?

15 A. Yes, because I recall that Frank  
16 Coopman went to the Group Audit Committee.

17 Q. When did he go to the Group Audit  
18 Committee?

19 A. I don't recall the exact date, but  
20 it says in a note here, October.

21 Q. During your tenure as CEO of EP  
22 did you ever submit notes to the Group Audit  
23 Committee?

24 A. Not that I recollect.

25 Q. Do you have an understanding --

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2 withdrawn.

3 Did you have an understanding as  
4 to why this note was being sent to the Group  
5 Audit Committee so far in advance of the  
6 meeting?

7 MR. TUTTLE: Objection,  
8 foundation.

9 THE WITNESS: No, I don't know.

10 BY MR. HABER:

11 Q. Did Mr. Coopman show you this note  
12 before it was sent to the Group Audit Committee?

13 A. Yes, because he asked me to sign  
14 it off.

15 Q. I meant -- I'm sorry, let me be a  
16 little more specific.

17 While it was in draft?

18 A. No.

19 MR. DOWD: Do we have to send out  
20 for Starbucks for you?

21 MR. HABER: I would prefer Dunkin'  
22 Donuts.

23 (Laughter.)

24 BY MR. HABER:

25 Q. If you look at attachment 3, which

0425

1 WALTER VAN DE VIJVER

2 is Bates numbered that ends 127.

3 A. Sorry?

4 Q. The last two pages I'm focusing  
5 on?

6 A. Yes. Sorry. Yes.

7 Q. Is this -- is this a form of the  
8 exposure catalog that we've been talking about  
9 today?

10 A. Yes. It's exactly the same number  
11 we just looked at in the July CMD note.

12 Q. Okay. Did Mr. Coopman ever advise  
13 you that he received feedback from the note  
14 before the Group Audit Committee meeting?

15 A. No.

16 Q. Do you know if Mr. Coopman  
17 attended the Group Audit Committee meeting?

18 A. Yes.

19 Q. Did you attend the Group Audit  
20 Committee meeting in October?

21 A. No.

22 Q. Did Mr. Coopman tell you if the  
23 exposure catalog was discussed during the Group  
24 Audit Committee meeting in October?

25 A. No.

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1 WALTER VAN DE VIJVER

2 Q. How many members are there of the  
3 Group Audit Committee?

4 MR. TUTTLE: You mean at this  
5 time?

6 BY MR. HABER:

7 Q. At this time, which is August,  
8 September of 2003?

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

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

20 A. Oh, yes. Yes.

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

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

0427

1 WALTER VAN DE VIJVER  
2 there was also the group controller, maybe some  
3 deputies I don't know.

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

6 A. Yes.

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

9 Do you know if the conference has  
10 any subcommittees?

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

13 Q. Do you know what the other  
14 subcommittees are?

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

18 Q. Was the Remco subcommittee  
19 responsible for succession issues?

20 A. Succession and compensation.

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

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

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1 WALTER VAN DE VIJVER

2 MR. HABER: Can we just take about

3 a five minute break.

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

6 (A brief recess was taken.)

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

9 BY MR. HABER:

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

15 MR. TUTTLE: Objection to  
16 characterization of prior testimony.

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

24 BY MR. HABER:

25 Q. When did you meet with Marteen Van

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1 WALTER VAN DE VIJVER

2 den Berg?

3 A. That was around April.  
4 April 2003.

5 Q. Did you initiate this meeting?

6 A. No, he did.

7 Q. And why did he do that?

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

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

12 A. No. He was on his own.

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

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

17 that were on my radar screen in terms of  
18 improving the performance of the business and  
19 that I had quite a few challenges ahead of me.

20 Q. When you say the things you were  
21 dealing with, what things are you referring to?

22 A. Everything from improving the  
23 organization structure and getting the right  
24 people in the right places, improving the  
25 performance in places like Oman and Nigeria.

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2 Q. Do you recall specifically  
3 discussing some of the problems in Oman and  
4 Nigeria that are -- that you had testified to  
5 today?

6 MR. TUTTLE: Objection to form.

7 THE WITNESS: Just in a general  
8 sense, but nothing specific as I recollect on  
9 reserves.

10 BY MR. HABER:

11 Q. And Mr. Van Den Berg, was he a  
12 member of the conference?

13 A. Yes.

14 Q. I don't remember. I'm sure I  
15 asked this, was he a member of the CMD?

16 A. He's a former member of the CMD.  
17 Before my time he retired from CMD as a vice  
18 chairman and president of the Royal Dutch and  
19 then subsequently joined the Board in  
20 conference.

21 Q. Do you recall anything that  
22 Mr. Van Den Berg had said to you in response to  
23 what you were telling him?

24 A. He said that he appreciated the  
25 things I was working with and said that I was

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2 doing great and he put it in the context that he  
3 had had some difficult times when he was in CMD  
4 together with Mark Moody Stewart.

5 Q. And Mark Moody Stewart was the  
6 chairman of the CMD at the time?

7 A. Yes.

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

10 A. No, not specific.

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

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

16 MR. HABER: For the record, while  
17 Mr. Van De Vijver is looking at the exhibit,  
18 the exhibit is two e-mails and an attachment, as  
19 I said. The last e-mail is from Mr. Van Der  
20 Vijver to Mr. Watts. It's dated November 9,  
21 2003.

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

24 Do you recall this e-mail  
25 exchange?

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1 WALTER VAN DE VIJVER

2 THE WITNESS: Yes.

3 BY MR. HABER:

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

12 A. Yes.

13 Q. What did you ask him?

14 A. This was a follow up to a  
15 performance, midyear performance review  
16 discussion I had with Phil Watts on Monday the  
17 3rd of November where I felt very unhappy  
18 because he was inferring that LKH problem that  
19 we had by this time identified as one of the  
20 exposures was something that had to do with my  
21 history in the United States. So I was angry  
22 because I saw it as a personal accusation.

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

25 United States?

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2 A. That problem on LKH that had  
3 related to the United States and as I was the  
4 CEO in the United States, if you recall from '98  
5 to 2001 that, therefore, this was my problem.

6 Q. When you say my problem, do you  
7 mean a problem that you created?

8 A. Yes.

9 Q. Now, in your e-mail you say,  
10 "reference our discussion on reserves on Monday,  
11 November 3." Is this the discussion you're  
12 referring to?

13 A. Yes.

14 Q. Were there any other issues on  
15 reserves that you recall that were discussed?

16 A. I don't recall. It was a general  
17 discussion, midyear performance relative to  
18 targets that had been set.

19 Q. On that connection do you recall  
20 having any discussion about production targets?

21 A. I do not recollect.

22 Q. More generally, do you recall  
23 having any discussion with him at this meeting  
24 about the business plan that was going to  
25 conference shortly?

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2 A. No.

3 Q. Now, in your e-mail you say, "the  
4 issue of LKH is not just a US issue," then you  
5 put in parentheses "( perhaps you are implying  
6 something there?)" Why wasn't the LKH just a US  
7 issue?

8 A. Because this was a general  
9 industry issue that had come up after my time in  
10 the United States. I don't know. I think it  
11 came up somewhere in 2002 and given the  
12 technicalities I just explained to you, it was  
13 something that would apply to any area in the  
14 world where there would be that difference you  
15 could have an interpretation.

16 Q. Now, the next -- what were you

17 trying to convey with regard to the

18 parenthetical?

19 A. It was just a nice way for me

20 getting back saying here are the facts and this

21 has nothing to do with being my problem.

22 Q. The next sentence says, "I am

23 becoming sick and tired about lying about the

24 extent of our reserves issues and the downward

25 revisions that need to be done because of far

0435

1 WALTER VAN DE VIJVER

2 too aggressive/optimistic bookings in the past."

3 Aside from the embarrassment of having booked

4 reserves prematurely, what were you trying to

5 convey to him there?

6 A. I was conveying to him there that

7 I was at that stage getting deeply concerned

8 that we had been given incorrect information on

9 the state of our reserves. The Oman and Nigeria

10 audits were nearing completion and the early

11 reports I got from those places were not

12 encouraging.

13 Q. When you refer to downward

14 revisions that need to be done, were you

15 suggesting to Mr. Watts that a debooking was

16 necessary?

17 A. I was trying to indicate at that

18 stage I was getting more and more to the

19 conclusion, that it looked like if the data were

20 confirmed that we would have to do a downward

21 revision.

22 Q. The reference to far too

23 aggressive/optimistic bookings in the past, was

24 that to bookings of reserves that were done

25 under Mr. Watts' tenure?

0436

1 WALTER VAN DE VIJVER

2 A. That's the same issue, yes, that

3 we discussed many times before.

4 Q. Now, the remainder of the sentence

5 says, "aside from the embarrassment of having

6 booked reserves prematurely."

7 What did you mean by that?

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

13 Q. Why would you feel embarrassed  
14 about that?

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

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

23 MR. TUTTLE: Objection,  
24 characterization of the testimony.

25 THE WITNESS: Yes.

0437

1 WALTER VAN DE VIJVER

2 BY MR. HABER:

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

9 MR. TUTTLE: Objection to form.

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

16 BY MR. HABER:

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

19 A. No.

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

22 A. No.

23 Q. Do you believe you conveyed the

24 message clearly to Mr. Watts in this e-mail?

25 A. Yes.

0438

1 WALTER VAN DE VIJVER

2 MR. HABER: We're going to mark --

3 I'm going to actually mark three exhibits. The  
4 first one is going to be Exhibit 32 and  
5 Exhibit 32 is an e-mail string, the last of  
6 which is from Frank Coopman to David Lau, with a  
7 cc to Souli Bouchia.

8 THE WITNESS: I don't have it yet.

9 MR. DOWD: You will just relax.

10 BY MR. HABER:

11 Q. It's dated November 24, 2003. The  
12 subject line is a forward 2003 RRR review.

13 There are two Bates numbers. The  
14 first range is V 00350911 through V 00350913.  
15 The other one is Coopman 0452 through Coopman  
16 0454.

17 (Van De Vijver Exhibit Number 32  
18 was marked for identification.)

19 MR. HABER: While the witness is  
20 looking at this we're going to mark.

21 MR. DOWD: He's looking at 32 just  
22 for the record.

23 MR. HABER: While he's looking at  
24 Exhibit 32 we're going to mark as Exhibit 33 a  
25 note from Anton Barendregt to a number of people

0439

1 WALTER VAN DE VIJVER

2 dated September 30, 2003.

3 The Bates number is RJW 00770717  
4 through RJW 00770726.

5 And the subject of this note reads  
6 proved reserves process audit-SPDC (Nigeria  
7 18-19 September 2003).

8 (Van De Vijver Exhibit Number 33  
9 was marked for identification.)

10 MR. HABER: Exhibit 34 is a draft  
11 note from Anton Barendregt dated November 3,  
12 2003. It says SEC proved reserves audit-PDO  
13 Oman 25-28 October 2003.

14 That's Exhibit 34 and the Bates

15 range there is RJW 00950013 through RJW  
16 00950019.

17 (Van De Vijver Exhibit Number 34  
18 was marked for identification.)

19 BY MR. HABER:

20 Q. Mr. Barendregt -- I'm sorry,  
21 Mr. Van De Vijver -- I apologize.

22 Exhibit 32.

23 THE WITNESS: Yes.

24 BY MR. HABER:

25 Q. Which is the first exhibit I

0440

1 WALTER VAN DE VIJVER  
2 handed to you. Do you recall seeing this e-mail  
3 exchange before?

4 A. Yes.

5 Q. And exhibits 33 and 34, which are  
6 the Barendregt reports, do you recall seeing  
7 Exhibit 33 before?

8 A. Yes.

9 Q. And do you recall seeing  
10 Exhibit 34 before today?

11 A. Yes.

12 Q. Okay. Are these the reports that  
13 you testified earlier about?

14 A. Yes.

15 Q. And you will notice that on the  
16 first page of each report Mr. Barendregt gives  
17 an unsatisfactory report in his audit of SPDC on  
18 Exhibit 33 and PDO on Exhibit 34?

19 A. Yes.

20 Q. Now, if you look at Exhibit 32.

21 A. Yes.

22 Q. Which is an e-mail from John Pay  
23 to you with a cc to John Bell, Frank Coopman,  
24 John Darley, and Iain Percival, who is  
25 IainPercival?

0441

1 WALTER VAN DE VIJVER

2 A. He is a senior petroleum engineer  
3 under operational excellence. You can see that  
4 in his reference, OE, operational excellence in  
5 the EPT organization of John Darley.

6 Q. Operational excellence, that's the  
7 same as the T&OE?

8 A. Yes.

9 Q. Was this the first time that you  
10 had received Mr. Barendregt's reports on SPDC  
11 and PDO Oman?

12 A. Yes.

13 Q. And this being the attachment to  
14 the November 17th e-mail?

15 A. Yes.

16 Q. Now, if you look at Exhibit 33,  
17 there's handwriting in the upper right-hand  
18 corner. Do you recognize that handwriting?

19 A. No.

20 Q. If you notice, six days lapsed  
21 between the time Mr. Pay sends his e-mail and  
22 you send out an e-mail to him. What did you do  
23 between the time you received these two reports  
24 and the time you sent this e-mail to Mr. Pay?

25 A. That's a very good question. I

0442

1 WALTER VAN DE VIJVER

2 wouldn't know day to day where I was or what I  
3 did. I think maybe I can give you a little bit  
4 of context.

5 Q. Sure.

6 A. After I received those reports and  
7 particularly when I saw the report on Oman I  
8 was -- I was highly surprised by the conclusion  
9 of the Oman audit in the sense that a  
10 recommendation from Barendregt was to leave the  
11 numbers as they were for another year.

12 I remember then seeing Frank  
13 Coopman and expressing that concern to him about  
14 that finding. I also recall that someone close  
15 to this time, as soon as I heard about the  
16 unsatisfactory audit, I notified Judy Boynton  
17 that we had unsatisfactory audit. Not even  
18 seeing the audits, I advised her of the fact  
19 that I had seen these unsatisfactory audits and  
20 also advised my colleagues at CMD around this  
21 time about having received these unsatisfactory  
22 audits.

23 Clearly work was ongoing. The

24 Nigeria story was a little bit different in the

25 sense that audits was unsatisfactory, but

0443

1 WALTER VAN DE VIJVER

2 Nigeria was a process audit. That was a step in

3 between the whole bottom up review to confirm

4 the methodology that was being used to get to

5 the right numbers. And I also recall asking

6 Frank to now start working on getting the real

7 details because based on this I was getting

8 pretty certain that we were getting into a

9 debooking process. Sorry for the lengthy

10 answer.

11 Q. That's okay.

12 When you say you were asking

13 Mr. Coopman to start working on getting the

14 details, what details were you looking for him

15 to get?

16 A. As I reference in the e-mails, I

17 said I've asked Frank to work the disclosure SEC

18 issues to really get an understanding that based

19 on what we were, in terms of him being the head

20 of the Chair of the Reserves Committee, which at

21 that time we had in place to make sure proper

22 process was followed in terms of the next step

23 on this important issue.

24 Q. When was the Reserves Committee

25 established?

0444

1 WALTER VAN DE VIJVER

2 A. The Reserves Committee I think was

3 established around September, October time that

4 year as part of the ongoing improvements in the

5 overall controls and transparency around reserve

6 reporting.

7 Q. Was the creation of the Reserves

8 Committee initiated by you?

9 A. Not directly by me, but through

10 Coopman as part of my desire for him to improve

11 overall controls in the business, including this

12 area.

13 Q. Now, on Exhibit 32, the bottom of

14 the e-mail, you say, "still find it amazing to  
15 compare the '99 and '03 audit write-ups for  
16 Nigeria and for Oman." Why were you amazed?

17 A. Because if I recollect correctly  
18 '99, both those areas had satisfactory audits  
19 and then four years later -- satisfactory and  
20 good. Even better than satisfactory Oman had --  
21 we have to read the note now -- one was good and  
22 one was satisfactory.

23 Q. Did you talk with Mr. Barendregt  
24 about his reports?

25 A. No.

0445

1 WALTER VAN DE VIJVER

2 Q. Why didn't you?

3 A. I cannot interfere with the whole  
4 organization. As I said, I mean that's what I  
5 communicated to Coopman and I'm sure I was  
6 confident Coopman would deal with the issue  
7 effectively. As I mentioned, the first time I  
8 met Barendregt was in December when we were  
9 trying to get to the bottom of what the final  
10 numbers should be.

11 Q. It says afterwards in the rest of  
12 that sentence, "we better categorize the  
13 differences to have a logical explanation."

14 Who were you going to make an  
15 explanation to?

16 A. Trying to prepare the necessary  
17 documentation to go to CMD and to conference.

18 Q. Had you already at this point  
19 instructed the EP team to get started on that?

20 A. Yes.

21 Q. Would you say this was the  
22 unofficial beginnings of Rockford?

23 A. Yes.

24 Q. Do you know when Rockford formally  
25 began?

0446

1 WALTER VAN DE VIJVER

2 A. I think it was the first CMD  
3 meeting on the 9th of December when the paper  
4 was finally submitted to CMD.

5 MR. HABER: I just want to mark, I  
6 forget where we are -- Exhibit 35.

7 MR. TUTTLE: Jeff, not to ask the  
8 overly obvious question?

9 MR. HABER: We're almost done for  
10 the day.

11 (Van De Vijver Exhibit Number 35  
12 was marked for identification.)

13 MR. HABER: For the record, what  
14 we've marked as Exhibit 35 is an e-mail string,  
15 the last of which and it is really just string  
16 is from Mr. Van De Vijver. It's dated  
17 November 16, 2003 to Judith Boynton. The  
18 subject line reads 2003 RRR review. There's an  
19 attachment, as well.

20 The Bates number is V 00010813  
21 through V 00010817.

22 Have you seen this document before  
23 today?

24 THE WITNESS: Yes.

25 BY MR. HABER:

0447

1 WALTER VAN DE VIJVER

2 Q. In your testimony a few moments  
3 ago you mentioned that you communicated with  
4 Ms. Boynton about the two reports, Exhibit 33  
5 and 34?

6 A. Yes.

7 Q. Is Exhibit 35 the e-mail from you  
8 to Ms. Boynton, the means by which you made that  
9 communication?

10 A. Yes.

11 Q. Do you recall having any  
12 discussion with her after you sent this e-mail  
13 to her?

14 A. No.

15 Q. If you could just look at the part  
16 of the middle of the e-mail, the part that says  
17 both countries have had the following?

18 A. Uh-huh.

19 Q. Under the first one, "history of  
20 aggressive reserves bookings 'stimulated' by  
21 reserves fees in our NIAT 'contract' (Nigeria

22 stopped in '99 after new MOU)."

23 A. Do you want me to translate that?

24 Q. Would you please?

25 A. NIAT is net income after tax. MOU

0448

1 WALTER VAN DE VIJVER

2 is Memorandum of Understanding, that's the name  
3 of the contract, the type of contract in SPDC.

4 Q. And the reference to the  
5 aggressive reserves bookings, is that reference  
6 to all the reserves exposures that we talked  
7 about today?

8 A. That were.

9 MR. TUTTLE: Objection to form,  
10 characterization of the testimony.

11 THE WITNESS: This is a reference  
12 to the Nigeria and Oman exposures we've talked  
13 about before.

14 BY MR. HABER:

15 Q. Right. So it's not all of the  
16 exposures, just Nigeria and Oman?

17 A. Yes.

18 Q. There's one other thing I want to  
19 ask you about before we conclude for the day.

20 If you go back to your letter,  
21 which is Exhibit 1. On page 3, the third  
22 paragraph, the first sentence which I'm  
23 interested in reads, "in November 2003 I  
24 informed CMD about the unacceptable results of  
25 the Nigeria and Oman audits."

0449

1 WALTER VAN DE VIJVER

2 Do you recall when that meeting  
3 occurred?

4 A. That was CMD on the 18th of  
5 November.

6 Q. Did you make the presentation?

7 A. I just made the comment at that  
8 time during sort of any other business that I  
9 had these two unsatisfactory audits.

10 Q. And what was the reaction?

11 MR. DOWD: The answer is yes.

12 THE WITNESS: Sorry, yes.

13 BY MR. HABER:

14 Q. What was the reaction of the CMD?

15 A. I do not recall.

16 Q. Were they surprised?

17 MR. TUTTLE: Objection to form,  
18 calls for speculation.

19 THE WITNESS: I do not know.

20 BY MR. HABER:

21 Q. Okay. Do you know if Ms. Boynton  
22 attended that CMD meeting?

23 A. Yes, she did.

24 Q. Do you recall Ms. Boynton saying  
25 anything during the discussion about the

0450

1 WALTER VAN DE VIJVER

2 reserves?

3 A. No.

4 Q. Do you recall Mr. Watts saying  
5 anything during the discussion about the results  
6 of the Nigeria and Oman audits?

7 A. No.

8 MR. TUTTLE: Objection to the  
9 characterization of the testimony.

10 MR. HABER: I think this is a good  
11 place to conclude for the day.

12 THE VIDEOGRAPHER: This marks the  
13 end of Volume II in the deposition of Mr. Van  
14 Der Vijver. The total number of tapes used  
15 today is four. We're going off the record. The  
16 time is 5:35 p.m.

17 (Whereupon, at 5:35 p.m., the  
18 deposition was adjourned.)

19 - - - - -

20 (Reading and signature not  
21 waived.)

22

23

24

25

0451

1 WALTER VAN DE VIJVER

2 ACKNOWLEDGMENT OF DEPONENT

3

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.

21 My commission expires October 31, 2010.

22  
23  
24

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

25  
0453

1 ERRATA SHEET

2 IN RE: Royal Dutch/Shell

3 RETURN BY:

4 PAGE LINE CORRECTION AND REASON

5	_____	_____	_____
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21 \_\_\_\_\_  
22 (DATE) (SIGNATURE)

23  
24  
25

0454

1 ERRATA SHEET

2 IN RE: Royal Dutch/Shell

3 RETURN BY:

4 PAGE LINE CORRECTION AND REASON

5	_____	_____	_____
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21 (DATE) (SIGNATURE)

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24  
25

0454

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

6  
7 ----- +  
8 IN RE ROYAL DUTCH/SHELL  
9 TRANSPORT SECURITIES  
10 LITIGATION

11 ----- +  
12  
13 Volume III  
14 Videotaped Deposition of Walter van de Vijver  
15 Washington, D.C.  
16 Friday, February 2, 2007  
17 9:39 a.m.

18  
19  
20  
21  
22  
23 Job No. 22-94164  
24 Pages 454 - 577, Volume III  
25 Reported by: Paula G. Satkin

0455

1 Videotaped Deposition of  
2 Walter van de Vijver  
3  
4 Held at the offices of:  
5 AKIN GUMP STRAUSS HAUER & FELD LLP  
6 1333 New Hampshire Avenue, Northwest  
7 Washington, D.C. 20036-1564  
8 (202)202-887-4000

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15

16  
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18  
19  
20 Taken pursuant to notice, before Paula  
21 G. Satkin, Registered Professional Reporter  
22 And Notary Public in and for the District of  
23 Columbia.

24  
25  
0456

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0459

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16 Also present:  
17 Cali Day, Videographer

18

19

20

21

22

23

24

25

0460

1 EXAMINATION INDEX

2

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0461

1 WALTER VAN DE VIJVER  
 2 PROCEEDINGS

3  
 4 THE VIDEOGRAPHER: Here begins  
 5 tape number one, Volume III, in the deposition  
 6 of Walter van de Vijver, in the matter of Royal  
 7 Dutch/Shell Transport Securities Litigation, in  
 8 the United States District Court, District of  
 9 New Jersey.

10 Today's date is February 2nd,  
 11 2007. The time is 9:39 a.m.

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

14 Whereupon--

15 WALTER VAN DE VIJVER  
 16 a witness, called for examination, having  
 17 previously been duly sworn, was examined and  
 18 testified further as follows:

19  
 20 EXAMINATION BY COUNSEL FOR  
 21 PLAINTIFFS -- RESUMED

22  
 23 BY MR. HABER:

24 Q. Good morning, Mr. Van de Vijver.

25 A. Good morning.

0462

1 WALTER VAN DE VIJVER

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

5 A. Yes.

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

11 A. Yes.

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

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

19 A. Yes.

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

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

0463

1 WALTER VAN DE VIJVER

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

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

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

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

21 A. I had some briefing notes for my  
22 visit to Oman. And normally when I would visit

23 places staff would prepare visit notes and there  
24 was a reference to that extent in my prereading  
25 material that I would read in the plane going up  
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2 to Oman.

3 Q. You can put those aside now.

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

6 Q. Okay.

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

9 BY MR. HABER:

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

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

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

16 BY MR. HABER:

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

2 through RJW00780063.

3 Have you seen this document  
4 before?

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

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

10 A. Sure.

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

13 A. As we discussed yesterday, I asked

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

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

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

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1 WALTER VAN DE VIJVER

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

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

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

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

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

21 A. 32, right?

22 Q. Yes.

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

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1 WALTER VAN DE VIJVER

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

4 I then decided that rather than go

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

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

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

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

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

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

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

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

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

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

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

22 Q. Did you ever talk to Phil Watts  
23 about the script?

24 A. No.

25 Q. And as far as you know he didn't  
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2 receive a copy of it?

3 A. Clearly, that's up to the group  
4 CFO to do that.

5 Q. Do you have an understanding as to  
6 why the document was titled "script"?

7 A. No. I guess script may be  
8 briefing note, whatever choice of words.

9 Q. Do you know if Mr. Coopman  
10 prepared this document in preparation for a  
11 meeting that was upcoming in the CMD?

12 A. Yes. I mean relative to the  
13 original schedule we talked about it was the 2nd  
14 of December was CMD meeting and 3rd of December  
15 was a regular Conference meeting.

16 Now, unfortunately because of my  
17 issues with this Russian transaction I did not  
18 make it to the CMD meeting on the 2nd of  
19 December that was in The Hague. I was in  
20 London, obviously, advised my colleagues I  
21 couldn't attend, but that was the context.

22 Q. Were you planning on attending the  
23 Conference?

24 A. Yes.

25 Q. Had you asked -- in Exhibit 32, if  
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1 WALTER VAN DE VIJVER

2 you look at the first sentence of your e-mail to  
3 Mr. Pay you say, "I want to have a proper EP  
4 view before Conference."

5 Is your understanding in looking  
6 at Exhibit 32 that this document was prepared in  
7 connection with the meeting on December 3, 2003?

8 A. Yes.

9 Q. Now, in your answer you said when  
10 you looked at the document you were shocked.

11 I think you said you were  
12 surprised at how conclusive it was.

13 Why were you surprised?

14 A. Well, in the sense that the  
15 numbers were still being worked. I mean we  
16 still at that time didn't have the numbers and  
17 the whole idea was also to look at all the other  
18 exposures, not just linking it to Nigeria and  
19 Oman and LKH, but also whatever else now with  
20 the new understanding we had about  
21 interpretation of the SEC rules would become  
22 noncompliant.

23 Q. Is it fair to say that the script  
24 is advocating a restatement or debooking?

25 A. The script advocates a debooking.

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1 WALTER VAN DE VIJVER

2 I would have to read it where it says revision  
3 or restatement.

4 Q. I see the document on the first  
5 page refers to debooking or restatement?

6 A. Okay.

7 Q. Now you also mentioned that you  
8 had spoken with Ms. Boynton about the script.  
9 Other than what you testified to do you recall  
10 anything else that the two of you had discussed?

11 A. On that particular day?

12 Q. Yes.

13 A. No.

14 Q. Did you discuss the fact that the  
15 reserves were exposed to such an extent that a  
16 debooking appeared to be necessary?

17 MR. MORSE: Object to the form.

18 BY MR. HABER:

19 Q. You can answer.

20 A. I think the note speaks for  
21 itself.

22 Q. Now, in your answer you also said  
23 that the decision to debook or restate was one  
24 that you needed Group Finance and Group Audit.  
25 Why is that?

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2 MR. TUTTLE: Objection to the  
3 characterization of the testimony.

4 THE WITNESS: I think anything

5 that is to do with external disclosure and is a  
6 material event for the group, in my  
7 understanding had to go to the fora.

8 I cannot, in my role cannot make  
9 any decision on external disclosures.

10 BY MR. HABER:

11 Q. Now, is there a distinction  
12 between a decision to debook reserves and a  
13 decision to debook reserves that requires  
14 external announcement?

15 A. Anything that has to do with an  
16 impact on the reputation of the group or is a  
17 clear material event is something that needs to  
18 go through the bodies we just talked about.

19 Q. When Shell had debooked the  
20 reserves at the end of 2002 in Bonga did that  
21 debooking receive the approval of the Group  
22 Audit Committee?

23 MR. TUTTLE: Objection.

24 THE WITNESS: I cannot answer that  
25 question as I'm not involved in the process.

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2 The only thing I know is that for  
3 the -- before the group reserves auditor issues  
4 his final report it involves not only people  
5 from EP, but it involves the external auditors  
6 and it involves the central controller function  
7 on the finance in London.

8 BY MR. HABER:

9 Q. Do you know if the central  
10 controller function was involved with the  
11 decision to debook the reserves in Bonga at the  
12 end of 2002?

13 MR. WARE: Object to form and  
14 foundation.

15 THE WITNESS: The only thing I  
16 know, they approved Anton Barendregt's notes  
17 that incorporated that change. I don't know  
18 what discussions or challenge TOOK place at that  
19 point in time.

20 BY MR. HABER:

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

23 A. The people I just mentioned. The  
24 EP people, external auditors, and the rep's from  
25 the controller function in London, the deputy  
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2 group controller I know was involved in it, I  
3 don't know who else.

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

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

8 BY MR. HABER:

9 Q. You can answer.

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

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

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

19 A. I don't know.

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

24 A. No. Only in Project Rockford,  
25 later, I was aware that legal counsel was  
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1 WALTER VAN DE VIJVER  
2 involved, but before that, no.

3 Q. I'm talking about before?

4 A. Yeah. Just to clarify.

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

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

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

12 BY MR. HABER:

13 Q. I'm handing you, Mr. Van de  
14 Vijver, what we've just marked as van de Vijver  
15 Exhibit 37. It's a one-page document with two  
16 e-mails. The last e-mail is from you to  
17 Ms. Boynton, it's dated December 2, 2003, with a  
18 copy to your secretary, Marian van der Laan.  
19 The subject line reads reserves. The Bates  
20 number is V00010837.

21 Have you seen this document before  
22 today?

23 A. Yes.

24 Q. Did you write this e-mail?

25 A. Yes. This is one of the two rush

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1 WALTER VAN DE VIJVER  
2 e-mails I wrote before disappearing out of the  
3 office.

4 Q. Did you write this e-mail after  
5 you spoke with Ms. Boynton or before?

6 A. After.

7 Q. Now, I just want you to look at  
8 the sentence that begins, "Indeed, the full  
9 consultation needs to happen with all key  
10 stakeholders." Do you see that?

11 A. Yes.

12 Q. And it continues. "And I was  
13 assured by Frank that he knew what was expected  
14 from him."

15 Who are all the key stakeholders  
16 you're referring to?

17 A. That's particularly Group Finance.  
18 It's external auditors. It's group legal.

19 Don't forget that I based that  
20 understanding on the fact that Frank had been  
21 group controller himself.

22 Q. Now, the beginning of your e-mail  
23 says that you had numerous discussions with  
24 Mr. Coopman. And the sentence that we just read  
25 into the record you say, "I was assured by Frank

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1 WALTER VAN DE VIJVER  
2 that he knew what was expected from him."

3 What did you mean by that?

4 A. That he knew who he needed to get  
5 involved and what the scope was of what he was  
6 working.

7 Q. And he knew it because of, as this  
8 document says, numerous discussions you had had  
9 with him?

10 A. He knew that I expected to get a  
11 proper write-up of the whole issue and I also  
12 knew from him that he was going to talk to Judy  
13 Boynton. So from that I assumed that the right  
14 people were talking to each other.

15 Q. And at this point in time when you  
16 wrote this e-mail to Ms. Boynton had you spoken  
17 with Mr. Coopman about the script?

18 A. No, but I arranged thereafter, I  
19 fired off two e-mails and then I arranged with  
20 talking to -- when I then went in the car to  
21 Weybridge I arranged with my secretary to get  
22 all people in the office early morning, next  
23 morning at 7:30, all the people in E&P that had  
24 anything to do with it to get properly prepared  
25 for the next possible opportunity and getting a

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2 full picture.

3 Q. Was that the first time you had  
4 spoken with Mr. Coopman following the  
5 distribution of the script?

6 A. As I recollect, yes.

7 Q. If you look at Ms. Boynton's  
8 e-mail to you, the third sentence of her e-mail,  
9 which is also dated December 2, 2003, she says,  
10 "neither the group controller nor I were  
11 consulted about the script before it was written  
12 or sent."

13 Did you have an understanding that  
14 the group controller and Ms. Boynton needed to  
15 be consulted on the work that Mr. Coopman was  
16 instructed to do by you?

17 MR. TUTTLE: Objection to form.

18 THE WITNESS: Yes.

19 BY MR. HABER:

20 Q. And why is that?

21 A. Because, as I mentioned earlier,  
22 anything to do with an issue like that that  
23 involves reserves, the group reserves auditor is  
24 all part of that same fora that ultimately needs  
25 to make the decisions and the recommendations.

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1 WALTER VAN DE VIJVER

2 Q. She goes on to say, "Frank was out  
3 of bounds in documenting views without full  
4 consultation."

5 Did you agree with her in that  
6 assessment?

7 A. Well, I was not sure because I did  
8 not know what had happened from her relaying her  
9 message to me. It was clear that she felt that  
10 it hadn't been done. And when I looked at the  
11 script from Coopman it was a script that to me  
12 read we had to go out to the market tomorrow.  
13 So there was somewhere a disconnect.

14 (Van de Vijver Exhibit Number 38  
15 was marked for identification.)

16 BY MR. HABER:

17 Q. Mr. Van de Vijver, I just handed  
18 you what's been marked as van de Vijver  
19 Exhibit 38. It's a one-page document with two  
20 e-mails. The last e-mail is from you to  
21 Mr. Coopman, it's dated December 2, 2003. The  
22 Bates number is V00010836.

23 Have you seen these e-mails before  
24 today?

25 A. Yes.

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1 WALTER VAN DE VIJVER

2 Q. If you look at the second e-mail,  
3 which is the bottom e-mail, is this your  
4 recollection of how Mr. Coopman sent you these  
5 script, by e-mail?

6 A. Yes.

7 Q. And that was also on December 2,  
8 2003? That's what it says here; correct?

9 A. Yes.

10 Q. Now, the e-mail that you sent to

11 Mr. Coopman of December 2nd, was this the second  
12 e-mail that you said you sent that day?

13 A. Yes. There was one to Judy  
14 Boynton and one to Frank.

15 Q. Okay. Now, the second paragraph,  
16 the first sentence you say, "We are only at this  
17 stage flagging issues and creating options, not  
18 making a firm recommendation."

19 Did you write this in response to  
20 what you had said a few moments ago, that Frank  
21 seemed to be making a conclusion about whether  
22 to debook or restate?

23 A. Yeah. Well, based other than the  
24 feedback I was getting from Judy Boynton, who  
25 was the group CFO. I felt that Frank had gone  
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2 outside his authority, which also meant I would  
3 have gone outside my authority.

4 And, clearly, having seen the note  
5 that was very conclusive, I wanted to make sure  
6 that the proper process was being -- was being  
7 followed.

8 Q. Now, when you said you would be  
9 going outside your authority, is there a  
10 structure within Shell that senior executives  
11 are required to follow?

12 A. Yes. There are obviously manuals  
13 of authorities, but there are also -- there are,  
14 of course, rules when it comes to external  
15 disclosure. External disclosure decisions  
16 cannot be made by me. Ultimately external  
17 disclosure decisions are in the combination of  
18 the chairman, the vice chairman and the group  
19 CFO.

20 Q. Could you go outside your  
21 authority or outside the protocol to advise  
22 someone of a problem, for instance?

23 MR. TUTTLE: Objection to form,  
24 vague.

25 THE WITNESS: Yes, but I --  
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2 probably I could, but I felt that I should just  
3 be working the normal structure, the normal  
4 process. I think that was the perfect logical  
5 way of doing it and that is what I had been  
6 doing the last couple of years and that's what I  
7 was still doing, bringing up the issues and  
8 working them as hard as I could to get the  
9 reality of the business up in the organization.

10 BY MR. HABER:

11 Q. Now, in the second sentence you  
12 say, "You well know that I have not accepted the  
13 latest audit reports."

14 What did you mean by that?

15 A. That I hadn't accepted the Oman  
16 report, which recommended that it was okay to  
17 keep it another year on the books.

18 And that on Nigeria I was still  
19 uncertain about what the final number should be  
20 because also the Nigeria audit report did not  
21 make a clear recommendation for debooking.

22 Q. When you say you well know that,  
23 is that as a consequence of discussions that you  
24 had with him?

25 A. Yes. That's what I referred to

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2 earlier when I received those audit reports on  
3 the 17th of November. I immediately walked into  
4 the office of Frank Coopman and expressed my  
5 discomfort with those audit reports.

6 Q. When you walked into Mr. Coopman's  
7 office was anyone else present?

8 A. Not that I recollect.

9 Q. What did Mr. Coopman say in  
10 response when you expressed your discomfort with  
11 those audit reports?

12 A. That he was going to work it  
13 himself.

14 Q. What did you understand him to  
15 mean by that?

16 A. That as part of the reserves --  
17 let's sort of back step. At that time of course  
18 there was a Reserves Committee, there was an

19 infrastructure in place that he was leading and  
20 Frank, the way he was, he wanted to take  
21 ownership himself to further work it in his  
22 organization.

23 Q. And was that satisfactory to you?

24 A. Yes. I had confidence in Frank  
25 Coopman.

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1 WALTER VAN DE VIJVER

2 Q. Now, the Reserves Committee, I  
3 know you mentioned that it was created under  
4 your tenure?

5 A. Yeah.

6 Q. Who was on this Reserves  
7 Committee?

8 A. I cannot be totally sure anymore,  
9 but I think it was John Darley was a member,  
10 Frank Coopman was a member. The group deputy  
11 controller in Judy Boynton's organization was a  
12 member and maybe a few others, but we would have  
13 to look at the documentation.

14 Q. Do you recall if any technical  
15 people were members of this committee?

16 A. Well, John Darley was my technical  
17 director, so he was one of the members for sure.

18 Q. Is John Darley a reservoir  
19 engineer?

20 A. Yes.

21 Q. Was there a chair of the Reserves  
22 Committee?

23 A. That was Frank Coopman.

24 Q. Do you know how it was decided  
25 that Mr. Coopman would be the Chair of the

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1 WALTER VAN DE VIJVER

2 Reserves Committee?

3 A. No, not in detail, but knowing  
4 Frank he felt that he was the right man to do  
5 that.

6 Q. Now, in your prior answer you said  
7 when you received the audit reports, referring  
8 to PDO and SPDC, on November 17th you said I  
9 immediately walked into the office of Frank

10 Coopman.

11 Where in relation to your office  
12 was Mr. Coopman's office?

13 A. This was in a new office that we  
14 were just moved into a new office in Rijswijk  
15 and there Frank Coopman's office, for all the  
16 right reasons, was just next to my office.

17 Q. Were your offices separated by a  
18 Conference room?

19 A. No.

20 Q. Did you often have discussions  
21 with Mr. Coopman that were unscheduled?

22 A. Yes.

23 Q. And during these unscheduled  
24 discussions did any of these discussions include  
25 the reserves exposures issues that we've been

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1 WALTER VAN DE VIJVER  
2 talking about over the last two days?

3 MR. TUTTLE: Objection to form.

4 THE WITNESS: I cannot recollect  
5 the details.

6 BY MR. HABER:

7 Q. When you walked into Mr. Coopman's  
8 office to discuss the audit reports how long did  
9 the two of you discuss it?

10 A. Oh, very briefly. I think I  
11 mentioned before that's the time when I made the  
12 comment about to Frank that I really doubted the  
13 judgment of Anton Barendregt with his conclusion  
14 on the Oman audit. And I had just found this  
15 because I had just come back from Oman.

16 Q. Did Mr. Coopman have any response  
17 when you commented about your lack of confidence  
18 in Mr. Barendregt's judgment?

19 MR. TUTTLE: Objection to the  
20 characterization of the testimony.

21 THE WITNESS: No. As I mentioned  
22 earlier, he was going to investigate himself.

23 BY MR. HABER:

24 Q. Do you know if he did investigate?

25 A. Well, that's all the things that

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1 WALTER VAN DE VIJVER

2 happened in the following weeks or months.

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

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

10 Q. Who is Rod Sidle?

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

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

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

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

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

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

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

13 A. My idea.

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

17 A. Because he had a very high

18 reputation in the technical community and I knew  
19 him from being deeply involved in the reserves  
20 in the United States and therefore being  
21 familiar with SEC rules.

22 Q. Were you ever advised that people  
23 within EP had consulted with him from time to  
24 time over the years?

25 MR. TUTTLE: Objection,

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1 WALTER VAN DE VIJVER  
2 foundation.

3 THE WITNESS: No, but that would  
4 be very logical.

5 BY MR. HABER:

6 Q. Now, again, looking again at  
7 Exhibit 38. The sentence that we were talking  
8 about, "you well know that." Are you with me?

9 A. Yes.

10 Q. If you continue, and I'm going to  
11 pick up where it says and, "and need far more  
12 answers before coming to a recommendation (given  
13 the group impact this needs formal signoff by  
14 CMD, GAC, et cetera)."

15 Now you had mentioned the Group  
16 Audit Committee earlier and Group Finance?

17 A. Yes.

18 Q. Did you understand also when you  
19 wrote this that the CMD also needed to approve  
20 any debooking or restatement?

21 MR. TUTTLE: Objection to the  
22 form, mischaracterization of prior testimony.

23 THE WITNESS: Anything that  
24 involves external disclosures also needs to be  
25 approved by the CMD.

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2 BY MR. HABER:

3 Q. So I just want to be clear. So  
4 it's not the debooking in and of itself, it's  
5 the debooking that may require an external  
6 disclosure that would need the approval of these  
7 various bodies?

8 A. Yes. Yes. It's a materiality

9 issue that we discussed earlier.

10 Q. Okay. The last sentence you say,  
11 "I've been absolute clear on this at numerous  
12 occasions."

13 Were you expressing frustration  
14 with Mr. Coopman?

15 A. Frank and I ever now and then had  
16 a few disagreements relating to his "Frank the  
17 tank" approach that sometimes he would get a  
18 little bit unbalanced and not involve all the  
19 right people in the decision-making. And I  
20 thought I had made it clear, for instance, on  
21 the meeting the 27th of November that he needed  
22 to talk to Judy Boynton and needed to involve  
23 all the right people.

24 And at least at that stage,  
25 without knowing any of the detail of what he had  
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2 done or not had done, the Judy Boynton story  
3 clearly said that he had not done it.

4 Q. Now, if you look at the first  
5 sentence of your e-mail you say, "This is  
6 absolute dynamite, not at all what I expected,  
7 and needs to be destroyed!"

8 Were you in directing Mr. Coopman  
9 to destroy the document?

10 A. No. That's obviously not very  
11 good use of words. I never wanted anyone to  
12 destroy anything.

13 What I meant to say is that the  
14 work was incomplete and it needed to be  
15 improved.

16 And that's what I said happened  
17 the following morning as soon as I got back when  
18 we sat together with the whole team and we  
19 exactly planned out who was going to do what and  
20 how we were going to get a quality note prepared  
21 for the CMD the following week.

22 Q. Do you know if Mr. Coopman removed  
23 the -- withdrawn.

24 Do you know if Mr. Coopman in fact  
25 destroyed his copy of the script?

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2 A. No, he did not.

3 Q. When you say this is absolute  
4 dynamite, what did you mean?

5 A. This sort of refers back to the  
6 communication with Boynton about something that  
7 is so material and so significant you get a note  
8 that sort of says press the button and we go  
9 outside to the market, which would be beyond my  
10 authority. That's what I meant by dynamite.

11 Q. Okay. Now you said that the next  
12 day, December 3rd, you had a meeting?

13 A. Yes.

14 Q. Who attended the meeting?

15 A. That was a meeting in my office  
16 that was attended by Frank Coopman, Curtis  
17 Frasier, John Darley. I don't know the whole  
18 list of names.

19 I know that Nicola Gordon made  
20 minutes of that meeting and distributed it  
21 because it was the allocation of who was going  
22 to do what piece of the note to the CMD. There  
23 was going to be a technical part and there was  
24 going to be a part that would deal with the  
25 legal and financial side of that note.

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2 Q. Was that the only purpose of the  
3 meeting?

4 A. Yes. The purpose was to get  
5 quality notes with all the right facts and data  
6 to deliver to the CMD as quickly as possible.

7 Q. Did -- was the discussion largely  
8 technical?

9 A. Well, it was technical but it  
10 identified that there needed to be a technical  
11 piece to the note, that there needed to be a  
12 financial legal part to the note.

13 Q. Who was responsible for the  
14 financial part of the note?

15 MR. TUTTLE: Objection,  
16 mischaracterization of prior testimony.

17 THE WITNESS: Frank Coopman.

18 MR. FERRARA: Sorry. I think  
19 while some of the room may find the objections  
20 to be small barriers on the way to progress, we  
21 really need to get the objections on the record  
22 before the answer comes up. You're welcome to  
23 continue to answer to the questions, but let's  
24 get the objection on and not have it interrupted  
25 so it's on the record, please.

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2 BY MR. HABER:

3 Q. Now, in your answer before you  
4 said in response to my question of whether the  
5 discussion was largely technical you said it was  
6 technical, but it was identified that there  
7 needed to be a technical piece to the note, that  
8 there needed to be a financial, legal part to  
9 the note.

10 Did you understand financial,  
11 legal part to be separate parts?

12 A. Yes.

13 Q. So the financial part was the  
14 responsibility of Mr. Coopman?

15 A. Yes.

16 Q. Who was responsible for the legal  
17 part?

18 A. He would do that jointly with  
19 Curtis Frasier, who had a dotted reporting line  
20 into himself, as well as to me.

21 Q. When you say "he" are you  
22 referring to Mr. Coopman?

23 A. Yes, sorry.

24 Q. Why was there a need to draft a  
25 note?

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2 A. To get all the facts on the table.  
3 I mean this is part of the process I had been  
4 following for a long time with my hunch and  
5 instinct that things were not right and  
6 ultimately you need to get the facts on the  
7 table to make a fact-based decision on what to

8 do.

9 Q. And this note was to be presented  
10 to the CMD?

11 A. Yes.

12 Q. Was there a particular scheduled  
13 meeting of the CMD that you were planning this  
14 note to be presented at?

15 A. The following week, the 9th of  
16 December.

17 Q. I believe a few moments ago you  
18 said there was a meeting of the Conference on  
19 December 3rd?

20 A. Yes.

21 Q. Did you have this meeting before  
22 or after the meeting with the Conference?

23 A. Before, because I mentioned it was  
24 very early in the morning, 7:30 in the morning.

25 Q. Where did the Conference meet that

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2 day?

3 A. In The Hague.

4 Q. Was there any discussion in the  
5 Conference meeting about the reserves issues?

6 A. No.

7 Q. Do you recall if Ms. Boynton was  
8 in attendance at the Conference meeting?

9 A. Yes.

10 Q. Do you recall having any  
11 discussions with Ms. Boynton at the Conference  
12 meeting about the script for Walter?

13 A. No.

14 Q. Did you have any discussions with  
15 Ms. Boynton that day about the actions that were  
16 decided would be taken in the meeting earlier in  
17 the day?

18 A. No. I briefly met her the  
19 following day in London on the 4th of December  
20 where she advised me that there had been a  
21 discussion at CMD in my absence and that it was  
22 decided that for the CMD the coming week I would  
23 only be responsible for writing the technical  
24 piece and that she would look after the

25 financial, legal piece.

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2 Q. How did you react to that?

3 A. Surprised. But for me the only  
4 thing was important to get it on the agenda. I  
5 didn't really care how it was being done as long  
6 as it would get on the agenda.

7 Q. When you say surprised, why were  
8 you surprised?

9 A. I was surprised because I had  
10 hoped by that time she would have talked to  
11 Frank Coopman and there would be clarity on how  
12 the work was going to be distributed.

13 Q. Did she explain to you why she was  
14 going to be taking the lead on the financial  
15 side?

16 A. No. She just mentioned that the  
17 discussion had taken place at CMD the day before  
18 and that was the recommendation and she was  
19 going to -- after I briefly talked to her she  
20 said she would issue a little note to clarify  
21 that particular decision.

22 Q. Did you ever look at the minutes  
23 of that CMD meeting to see what was discussed?

24 A. No, not that I recollect.

25 Q. Did you talk with Mr. Coopman

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2 about the decision that she gave -- that she  
3 conveyed to you?

4 A. Yes. I mentioned it to him and  
5 left the organization to figure out to get the  
6 note, the quality note that at least we would do  
7 together. And I assumed Coopman would work with  
8 the staff and the staff in Judy's organization.

9 Q. What was Mr. Coopman's response?

10 A. He was, as you would expect from a  
11 character like that, he was not very happy.

12 Q. What did he say?

13 A. He thought he was capable of doing  
14 that, leading that piece and sharing it with  
15 whoever relevant in the organization.

16 Q. Did you get the feeling he viewed  
17 it as a challenge to his abilities?

18 A. No, not directly, but he was a bit  
19 sensitive individual generally when these type  
20 of things happened.

21 Q. Did you view the decision as a  
22 challenge to Mr. Coopman's abilities?

23 A. A little bit, but I accepted -- I  
24 had the organizational structure and authority.  
25 I mean, at the end of the day Judy Boynton was  
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2 more senior than Frank Coopman.

3 Q. Did you view it as a challenge to  
4 you?

5 A. No, but maybe a little inclination  
6 of a bit of mistrust whether I would be able to  
7 do it all myself but, fair enough, she is the  
8 CFO.

9 Q. I believe earlier you said this  
10 meeting occurred in London. Why was it in  
11 London?

12 A. I really don't know. I must have  
13 had other engagements in London. I cannot  
14 recollect.

15 Q. Did she ask to meet with you?

16 A. Yes, but I don't recollect how  
17 that sort of happened. Maybe some e-mails. I  
18 don't know.

19 (Van der Vijver Exhibit Number 39  
20 was marked for identification.)

21 BY MR. HABER:

22 Q. We've just marked as Exhibit 39 an  
23 e-mail string, three pages, the last of which is  
24 from Mr. Van de Vijver. It's dated December 8,  
25 2003 and it's to John Pay with a cc to Frank  
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2 Coopman, John Darley, John Bell. The subject  
3 line reads: Proved reserves part 1: Draft for  
4 comment. The Bates number is V00010881 through  
5 V00010883.

6 Have you seen these e-mails before

7 today?

8 A. Yes.

9 Q. If you could just generally tell  
10 us the context in which these e-mails were  
11 written?

12 A. This was trying to get the note  
13 for CMD prepared that we talked about earlier  
14 and, obviously, there was a lot of work so there  
15 was a lot of backward and forward going to get  
16 the document done. And you see here part of  
17 the -- see the final top e-mail is some comments  
18 that I had on the draft of that particular CMD  
19 paper, very depressing, somewhere around  
20 midnight when I looked at the note and gave some  
21 comments before it was finalized for  
22 distribution that same day.

23 Q. And if you look at the second  
24 page, the last e-mail, the one on the bottom  
25 from Mr. Pay to you, Ms. Boynton, Tim Morrison,  
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2 with a cc to Frank Coopman, John Darley, and  
3 John Bell, it's dated December 7, 2003?

4 A. Uh-huh.

5 Q. It appears as if this is the first  
6 circulation of the draft note; is that correct?

7 A. Yes. That may be correct, yes.

8 Q. Do you recall if there was a prior  
9 circulation?

10 A. I do not recollect.

11 Q. Okay. If you look about a third  
12 of the way from the top in that first  
13 paragraph --

14 A. Sure.

15 Q. -- where you write, "I still feel  
16 uncomfortable." Do you see that?

17 A. Yes.

18 Q. The sentence reads, "I still feel  
19 uncomfortable with the "increased tightening of  
20 the SEC guidelines" as if the SEC is the reason  
21 we have a problem today!" Why did you feel  
22 uncomfortable with that?

23 A. This was part of my learning where

24 I had the feeling that there was too much  
25 emphasis put to relate a lot of the issues we  
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2 found to this clarification on the SEC rules  
3 that came out somewhere in 2000 or 2001.

4 I recall also sending a note to  
5 Rod Sidle to ask for his advice to try to  
6 understanding was it basically the problem that  
7 the Shell guidelines were wrong and had been  
8 long wrong, we now sort of had the benefit of  
9 hindsight for a long time, or was it indeed this  
10 clarification in 2001 that caused it.

11 Is that answer clear? It may be a  
12 little bit long-winded.

13 Q. And what did Mr. Sidle say in  
14 response?

15 A. He said that he agreed with me,  
16 that he did not believe the clarification was as  
17 such the issue, it was the issue that Shell for  
18 many years had done the incorrect, incomplete  
19 interpretation of the strict SEC rules, because  
20 the rules hadn't changed. There was a  
21 clarification on the rules, but the rules for  
22 the SEC had been like they were since 1976, if  
23 I'm correct.

24 Q. The -- does the second sentence,  
25 "The reality appears to be with us driving for

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2 aggressive reserves booking as far as we could  
3 stretch the SEC rules." Does that reflect what  
4 you just said?

5 A. Well, the guidelines were the  
6 guidelines, right, and people believed that they  
7 were compliant, based on believing that the  
8 Shell guidelines were correct. But as we now  
9 learned that was not the case.

10 Q. So when you say the reality, what  
11 reality were you referring to?

12 A. The learning we were now getting.

13 Q. Now, underneath that, the  
14 beginning of what looks like another paragraph

15 set off by a hash you say, "Why can't we be more  
16 clear about why the bookings happened, when they  
17 happened, as we have done before by breaking it  
18 into categories such as known aggressive  
19 bookings, new SEC interpretation, and new  
20 operational learning?"

21 Why were you asking that?

22 A. Well, I mean a lot of these  
23 questions for me were purely trying to get as  
24 maximum clarity and transparency in the CMD note  
25 that we were finalizing.

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2 Q. Now, going a little bit further  
3 down to the sentence that begins, "When looking  
4 at SPDC and PDO, is it really valid to portray  
5 that we only recently discovered the problem in  
6 Oman and Nigeria?"

7 When you wrote that were you  
8 referring to all that you had learned from your  
9 trips to Oman and Nigeria?

10 MR. TUTTLE: Objection to form.

11 THE WITNESS: This was indeed the  
12 whole history of my concerns and exposure list  
13 and everything that we talked about many times.

14 BY MR. HABER:

15 Q. Right. And these are all the  
16 documents that are some of which are exhibits  
17 today which were distributed to many members of  
18 the CMD and ExCom; correct?

19 MR. TUTTLE: Objection to form.

20 THE WITNESS: Yes.

21 MR. HABER: This is probably a  
22 good time to take a break.

23 THE VIDEOGRAPHER: We are going  
24 off the record. The time is 10:46 a.m.

25 (A brief recess was taken.)

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2 THE VIDEOGRAPHER: We are back on  
3 the record. The time is 11:02 a.m.

4 (Van de Vijver Exhibit Number 40  
5 was marked for identification.)

6 BY MR. HABER:

7 Q. Mr. Van de Vijver, right before we  
8 came back on the record we marked as Exhibit 40  
9 a multi-page document, 42-page document that's  
10 entitled, Note to CMD Oil and Gas Reserves,  
11 Proved Reserves. The Bates range is V00010442  
12 through V00010484.

13 Have you seen this document before  
14 today?

15 A. Yes.

16 Q. And what is this document?

17 A. This is the note to CMD that we  
18 talked about earlier.

19 Q. Is it your understanding that this  
20 is the final version that went to the CMD?

21 And you can feel free to take a  
22 look at it.

23 A. It has my signature on it, but I  
24 recall that there were two versions of the note,  
25 so I'm not so sure which one I'm looking at.

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2 Q. What is your recollection with  
3 regard to what you said that there were two  
4 versions of the note?

5 A. I submitted a note to the CMD on  
6 the 8th of December, and then I was advised by  
7 Judy Boynton at lunchtime that the head of group  
8 legal needed to look at the note, even though my  
9 head of legal had already seen the note before  
10 it was submitted.

11 There was a subsequent sort of  
12 emergency meeting that afternoon in Judy  
13 Boynton's office which involved Beat Hess and  
14 Curtis Frasier and Tim Morrison and also Phil  
15 Watts came in, where the conclusion was made  
16 that they would look at the notes overnight and  
17 would then resubmit it.

18 Q. Now, first of all, the first page  
19 of Exhibit 40 bears a signature. Do you  
20 recognize that signature?

21 A. Yes. That's my signature, an  
22 electronic signature, so I don't actually

23 physically have to do that. My secretary has it  
24 on her file so she can on that basis submit  
25 notes.

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2 Q. And when a note bears your  
3 electronic signature does that indicate the note  
4 is final and ready for submission?

5 A. Yes.

6 Q. Now, in your answer you said the  
7 note was submitted on December 8th. What do you  
8 mean by submitted?

9 A. That's sent electronically by my  
10 secretary to the secretary of the CMD,  
11 abbreviation DCS, who then has the task of  
12 submitting that to my CMD colleagues.

13 Q. So your understanding of the  
14 process is when it's submitted it gets  
15 distributed to the other members of the CMD?

16 A. Yes.

17 Q. Now, in preparing the note, in  
18 your answer you had said that Curtis Frasier had  
19 been involved in working on the note; correct?

20 A. Yes.

21 Q. Did Mr. Frasier ever advise you if  
22 he had provided drafts of the note to Beat Hess?

23 MR. TUTTLE: Objection,  
24 privileged. I'll instruct the witness that he  
25 can say yes or no to that, but not disclose the

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2 substance of the any conversations with  
3 Mr. Frasier.

4 BY MR. HABER:

5 Q. For the time being that's okay.

6 A. I don't know.

7 Q. Well, yes or no, did he ever say  
8 that he --

9 A. No.

10 Q. -- that he sent a draft to  
11 Mr. Hess?

12 A. No.

13 Q. Now, at this lunchtime encounter

14 with Ms. Boynton was this a scheduled meeting?

15 A. No. It was an unscheduled  
16 meeting. We had sort of what's called a halfway  
17 day with the CMD, so it was not a formal CMD  
18 meeting but I was just with the CMD members, I  
19 don't recollect what it was about. And then in  
20 the afternoon normally then we would lunch  
21 together and that's when Judy mentioned this  
22 fact that Beat Hess needed to look at the note.

23 Q. Did she say -- withdrawn.

24 Did she give any reason why  
25 Mr. Hess needed to look at the note?

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2 MR. TUTTLE: Objection, instruct  
3 the witness not to answer with respect to any  
4 legal advice that Ms. Boynton may have passed on  
5 to Mr. Van de Vijver from Mr. Hess.

6 MR. HABER: I'm sorry?

7 MR. TUTTLE: If Ms. Boynton had a  
8 conversation with Mr. Hess and related the  
9 substance of that conversation to another senior  
10 official in Shell, that conversation remains  
11 privileged.

12 MR. DOWD: How would he know that?  
13 He has to answer what Boynton said. He doesn't  
14 know.

15 Do you know whether Hess had a  
16 conversation with Boynton before she talked to  
17 Walter?

18 MR. TUTTLE: Mr. Dowd --

19 MR. DOWD: Do you know that?

20 MR. TUTTLE: If Ms. Boynton said  
21 Mr. Hess told me --

22 MR. DOWD: I'm going to instruct  
23 him to answer.

24 MR. TUTTLE: We maintain our  
25 objection.

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1 WALTER VAN DE VIJVER

2 MR. DOWD: Fine. Great. Answer  
3 the question. It's baloney.

4 THE WITNESS: Sorry. What's the

5 question?

6 BY MR. HABER:

7 Q. The question is did Ms. Boynton  
8 give any reason why Mr. Hess needed to look at  
9 the note?

10 A. No.

11 Q. Just so I can be clear in terms of  
12 timing, you submitted the note first and then  
13 you had the meeting with Ms. Boynton?

14 A. Yes.

15 Q. Did she say if she had looked at  
16 the note?

17 A. No.

18 Q. Now in your prior answer you say  
19 there was a subsequent emergency meeting that  
20 afternoon in Ms. Boynton's office?

21 A. Yes.

22 Q. Now, were you in London at the  
23 time?

24 A. No. This was The Hague.

25 Q. Did Ms. Boynton maintain an office

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1 WALTER VAN DE VIJVER

2 in The Hague?

3 A. Yes. We all had offices on both  
4 sides.

5 Q. And you testified that the  
6 participants were Curtis Frasier, Tim Morrison  
7 and at some point later Phil Watts had walked  
8 in; correct?

9 A. Yes. And maybe Beat Hess, I'm not  
10 sure. Probably Beat Hess.

11 Q. Were you a participant in that  
12 meeting?

13 A. Yes.

14 Q. Do you recall the general  
15 substance of that discussion?

16 A. The substance was that Beat Hess  
17 would take the lead in reviewing the documents.  
18 And there was not a lot of further discussion.  
19 The atmosphere was rather tense.

20 Q. And why did you feel the  
21 atmosphere was tense?

22 A. It is -- it's never ever happened  
23 in my career that a note that I had submitted to  
24 CMD would be questioned and someone would want  
25 to relook at it.

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1 WALTER VAN DE VIJVER

2 Q. Did you communicate that to the  
3 participants of this meeting?

4 A. They all were -- this is a  
5 standard practice in the company, so I assume  
6 they all had that understanding because it never  
7 happened before, definitely not in my time at  
8 CMD.

9 Q. Was there a revised note that was  
10 submitted to the CMD?

11 A. The following morning a revised  
12 note was issued to the CMD, still under my  
13 electronic signature.

14 Q. Did you have an opportunity to  
15 review the revised note?

16 A. No.

17 Q. Were you comfortable with the  
18 changes that had been made in the note?

19 A. No changes were made in the  
20 technical contents of the note.

21 MR. DOWD: Answer the question.

22 THE WITNESS: Sorry.

23 MR. DOWD: Ask the question again,  
24 please.

25 BY MR. HABER:

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2 Q. Were you comfortable with the  
3 changes that had been made in the note?

4 A. Personally, no, but I accepted the  
5 higher authority in the company to make those  
6 changes.

7 Q. Now, you said the note changes  
8 were made in the technical contents of the note?

9 A. No changes.

10 Q. No changes, right. So what parts  
11 of the note were there changes in?

12 A. Changes that watered down the

13 conclusive nature of my note, which originally  
14 stated that reserves were noncompliant.

15 There was a table and one of those  
16 tables said the following reserves are  
17 noncompliant.

18 And it got changed to are likely  
19 to be considered as not compliant.

20 Q. Why were you uncomfortable with  
21 that change?

22 A. Well, this is a personal  
23 perspective. I mean, I thought these reserves  
24 were noncompliant. I'm not the expert, I fully  
25 recognized that, and that's the way it is.

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1 WALTER VAN DE VIJVER

2 Q. Did you ever communicate your  
3 feelings about the changes to anyone?

4 A. I do not recollect.

5 Q. Now, do you know if the note was  
6 submitted in the same format to the other  
7 members of the CMD, that is electronically?

8 A. Yes.

9 Q. And I believe you said that there  
10 was a meeting of the CMD. Was there a meeting  
11 on the same date, December 8th, or was there a  
12 two-day meeting?

13 A. No. There was a -- as I said, it  
14 was two days of CMD activities. The first day  
15 was sort of an off-site type of day and the 9th  
16 of December was the formal -- on the Tuesday,  
17 the CMD meeting.

18 Q. And that would be Tuesday,  
19 December 9th?

20 A. Yes.

21 Q. Before we get to the meeting I  
22 want to talk about a couple of things in the  
23 note itself.

24 If you turn to page 4.

25 If you look at the --

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2 A. The box.

3 Q. -- the box. Thank you.

4 In terms of bookings, and it shows

5 the time line and there's -- there's a booking,

6 and I understand it is hard to read, but I

7 believe the one I'm looking at has to do with

8 PDO and it says 00, which I take to mean the

9 year 2000. PDO books, and it looks like

10 358 million BOE. Do you see that?

11 A. Yes.

12 Q. During the time that your staff

13 was preparing this note and you were reviewing

14 the note had you seen any audit trail that

15 supported that booking?

16 A. No, not at that time.

17 Q. Did you ever ask anyone on your

18 staff if they had seen an audit trail that

19 supported that booking?

20 A. Yes. And during this period,

21 December, January -- so December 2003,

22 January 2004, I did get some documentation that

23 involved a letter from the Minister of Oil and

24 Gas that referred to that particular booking.

25 Q. Did you ever talk to Mr. Brass

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2 about the booking?

3 A. Not during my time at Shell.

4 MR. DOWD: That wasn't the

5 question. That wasn't the question.

6 Did you ever talk to Brass about

7 it? Answer the question.

8 THE WITNESS: Yes. Yes.

9 BY MR. HABER:

10 Q. And when did you speak to

11 Mr. Brass about it?

12 A. In -- somewhere in the second half

13 of March 2004 when I had -- at the time I had

14 left Shell, but I was visited during the weekend

15 by all The Hague based EP ExCom members.

16 Q. And what did Mr. Brass and you

17 talk about?

18 A. Brass, through the sort of chatter

19 we were having at that time, which you can

20 imagine was quite an emotional get together with

21 lots of beer, and Brass mentioned to me a  
22 reference to a handshake.

23 Q. What did he say about a handshake?

24 A. It was a handshake from Phil Watts  
25 to Remco Aalbers.

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1 WALTER VAN DE VIJVER

2 Q. What was the significance of the  
3 handshake?

4 A. That related to the booking on  
5 Oman in early 2000.

6 Q. And is that the booking that's  
7 reflected in the chart?

8 A. Yes.

9 Q. For the record, who is Remco  
10 Aalbers?

11 A. Remco Aalbers was in the same job  
12 that John Pay did later. So he was a group  
13 reserves coordinator at that time.

14 Q. Did Mr. Brass say from whom he had  
15 learned of this handshake?

16 A. No. I think as soon as Lorin  
17 mentioned that he felt embarrassed and didn't  
18 give me any further detail.

19 Q. Did you ask Mr. Darley about this  
20 handshake deal?

21 A. No.

22 Q. Did you ever ask Mr. Pay about  
23 this handshake deal?

24 A. Not that I recollect, no.

25 Q. Did you ever talk to Remco Aalbers

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2 about this handshake deal?

3 A. No.

4 Q. Had you ever spoken to Remco  
5 Aalbers?

6 A. I think I met him once in NAM  
7 during one of my site visits, no, I'm sorry,  
8 that's the Dutch operating company in the  
9 Netherlands in Assen. I don't have any  
10 recollection what -- he was doing a technical  
11 job there. I don't really know.

12 Q. If you could turn the page to page  
13 5 of the document or 447, the Bates number. If  
14 you can look at the top of the chart it says,  
15 proved reserves which are likely to be  
16 considered as noncompliant by the SEC.

17 Is that the language that you were  
18 referring to earlier that had been revised or  
19 which is now the revised version of the note?

20 A. Yes.

21 Q. Now, if you can turn to page 24 of  
22 the note, underneath the box?

23 A. Uh-huh.

24 Q. It says, "the 720 million barrels  
25 (Shell share) gap between reserves booked and

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1 WALTER VAN DE VIJVER

2 the base program implies that no realistic  
3 projects have been identified to cover this now  
4 highly exposed volume."

5 Was this figure a figure that was  
6 reached as a result of the study that David  
7 Kluesner was working on?

8 A. Yes.

9 Q. And if you look at the next  
10 paragraph it says that "major reserves review  
11 that SPD carried out in the second half of 2003  
12 also identified that a significant number of  
13 projects in the base program (together  
14 814 million barrels) did not fulfill the  
15 recently tightened group reserves guidelines  
16 which required VAR 3 or FID for compliance with  
17 SEC rules as they are now understood."

18 The major reserves review that's  
19 referred there, is that also a reference to the  
20 Kluesner work?

21 A. Yes.

22 Q. If you can turn to page 30. The  
23 heading says, Other Impacts, and then there are  
24 four bullet points with text in a box.

25 Do you recall if what's on page 30

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1 WALTER VAN DE VIJVER

2 in the Bates number that ends 472 was in your

3 note that you submitted to the CMD?

4 A. I cannot recollect.

5 Q. And if you look at the next page,  
6 32, that ends Bates number 474, again, under  
7 other impacts there's a bullet point and then  
8 text in a box.

9 Do you recall if this text was in  
10 your note as originally submitted?

11 A. No. The only thing I recollect is  
12 that I obviously visited Oman and Nigeria in  
13 early 2004 to tell them what the story was.  
14 There was a lot of discussion at CMD during  
15 January and December about the depth and extent  
16 of the external disclosure, given some of the  
17 sensitivities on countries where we were  
18 operating.

19 Q. Now, at the meeting of the CMD was  
20 there a discussion about the note?

21 A. Yes. It is a note to CMD, so that  
22 means there was time allocated for the note at  
23 the meeting.

24 (Van de Vijver Exhibit Number 41  
25 was marked for identification.)

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2 BY MR. HABER:

3 Q. What we've marked as van de Vijver  
4 Exhibit 41 is a multi-page document, 18 pages to  
5 be exact. It says, Committee and Managing  
6 Directors, Minutes of the Meeting Held in The  
7 Hague on Monday 8 and Tuesday 9 December 2003.

8 There are two Bate ranges the  
9 first one is V00090869 through V00090886.

10 The second is TT000712 through  
11 TT000729.

12 Mr. Van de Vijver, have you seen  
13 this document before?

14 A. Yes.

15 Q. Is this a copy of the minutes of  
16 the meeting that you were just talking about?

17 A. Yes.

18 Q. The indicator in the upper  
19 left-hand corner, the number. It says number

20 2573?

21 A. Uh-huh.

22 Q. What is that number?

23 A. Every CMD meeting gets a number,  
24 so that means that was in terms of the company  
25 that was meeting 2,573.

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2 Q. Do you know if by taking a look at  
3 this this is the final version of the minutes?

4 A. The structure of it doesn't say  
5 draft anymore, implies that this is the final  
6 version.

7 Q. During the discussion of the note  
8 how would you describe the mood of the meeting?

9 A. Very tense.

10 Q. Why is that?

11 A. Clearly it was in a very difficult  
12 session in terms of questions were being asked.  
13 Follow-up meetings were being planned. I mean  
14 this was the first of a whole sequence of  
15 meetings over the weeks thereafter where we  
16 would come back to the same issue again and  
17 again.

18 Q. And was this the official start of  
19 Rockford?

20 A. Yes. This was the first meeting  
21 of the formal launch of Rockford.

22 Q. How did the project get its name?

23 A. I don't know. That's always a  
24 mystique.

25 Q. Do you recall if Mr. Watts had

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2 said anything during this portion of the meeting  
3 concerning Project Rockford?

4 A. Well, he chaired the meeting so  
5 clearly he would have said things, but I do not  
6 recollect any of the details.

7 Q. Now, if you look on the first  
8 page --

9 A. Uh-huh.

10 Q. -- of the document it shows the

11 people who were present?

12 A. Uh-huh.

13 Q. Now, for you it shows for item 6  
14 through 21 inclusive only. Does that indicate  
15 that you were not in attendance for items 1  
16 through 5?

17 A. Yes, that's correct.

18 Q. And the same is true with regard  
19 to Mr. Brinded?

20 A. Yes. There was at this time there  
21 had been a system introduced where some of the  
22 agenda items would involve only Watts, van der  
23 Veer, and Boynton.

24 Q. Why would those agenda items only  
25 involve those three individuals?

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2 A. That was something that was  
3 discussed in CMD, I think somewhere in 2002  
4 where the sort of more routine sort of items  
5 would not require the whole of the CMD to be  
6 present and was agreed that the other members  
7 obviously would be copied on the material and  
8 the minutes but would not attend that part of  
9 the meeting.

10 Q. Now, at this time was Ms. Boynton  
11 a member of the CMD?

12 A. Yes.

13 Q. And I see a new name, R.J. Routs.  
14 Who is R.J. Routs?

15 A. Rob Routs took over as group  
16 managing director from Paul Skinner who retired  
17 a couple of months earlier and he was  
18 responsible for the oil products business, the  
19 downstream business.

20 Q. When Mr. Routs succeeded  
21 Mr. Skinner did you have any private  
22 communications with him about the reserves  
23 issues?

24 A. Before it would come to CMD? No.

25 Q. If you look at the minutes on page

0525

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2 12. The second to last sentence says, "Urgent  
3 attention was required as time was of the  
4 essence."

5 Do you recall a discussion on this  
6 topic?

7 A. No, but I do recollect that a plan  
8 was put forward about follow-up meetings.

9 Q. Did anyone at the meeting say that  
10 time was of the essence?

11 A. I do not recollect.

12 Q. What was the program of future  
13 meetings that you have a recollection of?

14 A. There were at least weekly  
15 meetings on this -- on Project Rockford, but I  
16 would have to look at details in terms of the  
17 exact dates.

18 Q. Okay. Now, as I recall, on the  
19 first -- on the first day of our proceedings I  
20 had asked you a question about the structure of  
21 Project Rockford.

22 How do you -- what is your  
23 recollection of how that structure worked? And  
24 in particular I'm just trying to get an  
25 organizational structure?

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2 A. Yes. Over time a formal structure  
3 was put in place. Project Rockford was led by  
4 Phil Watts with the assistance of Adrian Loader.  
5 And I at that time recommended as the focal  
6 point for EP, John Darley.

7 So there was a structure that  
8 involved Legal, Group Finance, and I remember  
9 commenting on when that structure was proposed.

10 Q. And when you recommended John  
11 Darley for EP focal point he was to report to  
12 whom?

13 A. In his role he would report to  
14 Phil Watts.

15 (Van de Vijver Exhibit Numbers 42  
16 and 43 were marked for identification.)

17 MR. HABER: I'm marking two  
18 exhibits, Exhibit 42 and an Exhibit 43.

19 While the witness has an

20 opportunity to look at these documents I will  
21 identify them for the record.

22 Exhibit 42 is a two-page document,  
23 the first page has two e-mails on them, the last  
24 of which is from Philip Watts, to Adrian Loader,  
25 Beat Hess, Curtis Frasier, John Darley, Judith  
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2 Boynton, Tim Morrison, and Mary Jo Jacobi.  
3 There's a cc to Jeroen van der Veer, Mr. Van de  
4 Vijver, Malcolm Brinded, Judith Boynton, and Rob  
5 Routs. It was sent on February 2nd, 2004.  
6 The -- that is the last. The subject line reads  
7 Rockford Coordination Team. There's an  
8 attachment, project team org chart, version 71.  
9 It is a document that was produced from the  
10 native drives that were produced to us, so there  
11 is no Bates number. The summation documentation  
12 number in the upper left-hand corner is  
13 100485664: Forward Rockford Coordination Team.

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

19 Exhibit 43 is a series of e-mails,  
20 the last of which is from Mr. Van de Vijver,  
21 dated February 2nd, 2004. It's sent to Philip  
22 Watts with a cc to Adrian Loader, Jeroen van der  
23 Veer, Malcolm Brinded, Judith Boynton, Rob  
24 Routs, and Beat Hess. There are two Bates  
25 ranges. The first is V00370504 through  
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2 V00370505. The second range is BRINDED 0119  
3 through BRINDED 0120.

4 BY MR. HABER:

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

10 A. Yes.

11 Q. And if you look at Exhibit 42 at  
12 Mr. Watts' e-mail of January 29, 2004, it  
13 appears that there was a first team meeting of  
14 this group of people that was to begin in  
15 February.

16 What team meeting do you  
17 understand him referring to?

18 A. The team meeting, the project team  
19 as depicted in this chart.

20 Q. Okay. Do you recall attending  
21 that meeting?

22 A. No. I was not invited.

23 Q. And why weren't you invited, if  
24 you know?

25 A. As per the organizational

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2 structure I was not on that list, but I felt  
3 totally comfortable with Curtis Frasier and John  
4 Darley being there.

5 Q. And why was that?

6 A. I had recommended those names as  
7 members to the team from the E&P side.

8 Q. Now, if you look at Exhibit 43,  
9 your e-mail of January 30, 2004, you write to  
10 Mr. Watts, van der Veer, Brinded, Ms. Boynton,  
11 and Mr. Routs, and I'm looking at the first  
12 sentence, "I thought the idea was to delegate  
13 day-to-day management to a group of very senior  
14 and capable leaders in our organization below  
15 CMD and, hence, was very supportive of an  
16 overall coordination of an effort by Adrian  
17 Loader with weekly updates to CMD."

18 Two sentences later you continue.

19 "The proposal put forward still  
20 has several CMD members on the actual team and I  
21 would advise against that to ensure adequate  
22 delegation, balance, and ownership."

23 Did you get any response from  
24 Mr. Watts to this e-mail?

25 A. The response you see on the same

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2 page.

3 Q. If you look at his e-mail does it  
4 appear as he's responding to your criticism of  
5 the organization?

6 MR. TUTTLE: Object to form.

7 THE WITNESS: No.

8 BY MR. HABER:

9 Q. When you say in your e-mail of  
10 January 30, 2004, "to ensure adequate  
11 delegation, balance, and ownership," what  
12 message were you trying to convey to the  
13 recipients of this e-mail?

14 A. I was trying to convey just that I  
15 was comfortable with putting forward John Darley  
16 and Curtis Frasier that I felt it important that  
17 there was the right distance also to avoid any  
18 perception of conflict of interest on a very  
19 sensitive issue.

20 Q. You wrote again to Mr. Watts,  
21 again, a cc to a number of people who are  
22 recipients on these e-mails, "I note that no  
23 change has been made based on my comments. At  
24 least had expected a discussion at CMD before  
25 this was issued."

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2 Why were you expecting a  
3 discussion at CMD on the issue?

4 A. Well, I expect that if I would  
5 make comments to my colleagues that at least  
6 there would be a response.

7 Q. Did you ever have a response from  
8 Mr. Watts?

9 A. No.

10 Q. Did you ever get a response from  
11 Ms. Boynton?

12 A. No.

13 Q. Did any other member of the CMD  
14 respond to your comments?

15 A. No, not that I recollect.

16 Q. And throughout Project Rockford  
17 the organizational structure of Rockford

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

20 MR. MORSE: Objection to form.

21 THE WITNESS: Yes.

22 BY MR. HABER:

23 Q. Now, in the second sentence in the  
24 e-mail of February 2nd that you sent to  
25 Mr. Watts you said, "In order to 'contain' the  
0532

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2 overall senior management on this within EP."

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

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

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

16 MR. DOWD: Thank you.

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

21 (A brief recess was taken.)

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

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

7 A. Yes.

8 Q. What is PX?

9 A. PX is a reference indicator of

10 Adrian Loader.

11 Q. What does that stand for?

12 A. Group planning and public affairs,  
13 if I'm correct.

14 Q. So the organization chart shows  
15 that everyone underneath Mr. Watts and  
16 Mr. Loader report up to them and then they are  
17 the focal point that reports to the CMD?

18 A. Uh-huh.

19 Q. I'm sorry. You have to verbalize  
20 an answer?

21 A. Yes. Yes.

22 Q. Okay. Do you know if Anton  
23 Barendregt had ever commented on the note for --  
24 the note to the CMD that was submitted on  
25 December 8th?

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2 A. I don't know. As you recall from  
3 looking at the document themselves there were  
4 many contributors to the document. It says on  
5 the bottom EPS, EPT, and EPF. So that is the  
6 planning group, the technology group, and the  
7 finance group. So I wouldn't know who the  
8 individuals were that contributed.

9 (Van de Vijver Exhibit Number 44  
10 was marked for identification.)

11 BY MR. HABER:

12 Q. I just handed the witness what  
13 we've marked as van de Vijver Exhibit 44, it's a  
14 multi-page document. A series of e-mails with  
15 an attachment called Storyline.

16 The last e-mail is from Mr. Van de  
17 Vijver, it's dated December 28, 2003 to Frank  
18 Coopman, John Darley. Subject line reads:  
19 Rockford. The attachment, as I said, says  
20 Storyline-Full PowerPoint. The Bates range is  
21 HAG00205769 through HAG00205786.

22 Mr. Van de Vijver, have you seen  
23 this document before today?

24 A. Yes.

25 Q. And if you could take a look at

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1 WALTER VAN DE VIJVER

2 the storyline there's handwriting on this  
3 document. Do you recognize this handwriting?

4 A. Yeah, that's mine.

5 Q. Can you explain to us what a  
6 storyline is and especially in this context?

7 A. If I recollect this correctly it  
8 was part of preparing the material to take to  
9 the Group Audit Committee and CMD, of course.

10 Q. And was there to be a presentation  
11 called storyline that was to be made to the CMD  
12 and Group Audit Committee?

13 A. Well, storyline is sort of  
14 typical, short of Shell speak. That's when  
15 people prepare for making a presentation.

16 Q. Do you know if this document was  
17 ever finalized?

18 A. Presentations were made in the  
19 end, but I don't know how much it contained of  
20 this particular material.

21 Q. If you look in the first page of  
22 the summary on page 771, what does the  
23 handwritten note in the upper right-hand corner  
24 say?

25 A. "What to do with 10/03 Shell

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2 guidelines." That means what to do with the  
3 Shell guidelines that were issued in  
4 October 2003, very recently.

5 Q. Why were you asking that question?

6 A. Well, I think it comes back here  
7 with me now having been present in quite a few  
8 of the meetings with my teams, et cetera, I'm  
9 basically asking the question do we really need  
10 to have Shell guidelines.

11 Q. Did anyone ever respond to that  
12 question?

13 A. I cannot be sure, but I think John  
14 Darley did respond to that.

15 Q. Do you recall what Mr. Darley had  
16 said?

17 A. That he agreed with my thinking,  
18 but I cannot be sure. I think that sort of  
19 evolved over time.

20 Q. Over time, you mean over the time  
21 of Rockford?

22 A. Yes.

23 Q. How long -- how long did Rockford  
24 last?

25 A. Rockford continued for quite a  
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2 long time, all the way until I left the company,  
3 because it also involved not just coordinating  
4 of whatever work needed to be done to get to a  
5 final conclusion on the numbers and the  
6 disclosures to the market, but also as it  
7 related to communication with the SEC.

8 Q. And you were fired from your  
9 position in the company in March of 2004?

10 A. Yes.

11 Q. I believe on Wednesday when we  
12 talked about what had happened you had said that  
13 it was unexpected; correct?

14 A. A total utter shock.

15 Q. Had anyone ever communicated to  
16 you prior to the time that you were told you  
17 were going to be let go that you should be  
18 worried about your position?

19 A. I was personally very worried  
20 about my position prior to my first interview  
21 with Davis Polk.

22 Q. And when was that interview?

23 A. That was -- the interview I think  
24 was on the 10th of February 2004.

25 Q. Did you ever communicate your  
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2 concern about your position to anyone?

3 A. Yes. What happened was that  
4 during the weekend I got a phone call from  
5 Curtis Frasier advising me that I needed to have  
6 a lawyer because quote unquote as Curtis said,  
7 "Phil and Judy are out to poison you."

8 Q. And that's what caused you concern

9 about your position?

10 A. Yes. Immediately when it happened  
11 I went to visit the former group chairman of  
12 Shell, Lo van Wachem, and expressed my deep  
13 unrest with having to have a personal lawyer and  
14 the process the company was getting into.

15 Q. And what did he say to you?

16 A. He considered it totally  
17 inappropriate that that would happen in the  
18 company and he told me to calm down.

19 Q. When you say that you went to him  
20 immediately after the call from Mr. Frasier, do  
21 you recall when this meeting occurred?

22 A. During the weekend, so on a  
23 Sunday. So on a Sunday I went to visit  
24 Mr. Wachem.

25 Q. Was this at his home?

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2 A. Yes.

3 Q. Do you recall how long that  
4 meeting lasted?

5 A. About half an hour. This was of  
6 course not a planned visit but he lives very  
7 close to me.

8 Q. After the meeting did you feel  
9 reassured ?

10 A. No, not yet, because I was also  
11 advised that I had to be in London, I think it  
12 was on the 10th of February for this interview,  
13 and I had to actually cancel a planned visit  
14 that I had during the day to Egypt at the very  
15 last minute.

16 Q. When Mr. Frasier had called you  
17 where were you?

18 A. At home.

19 Q. Was there an analyst presentation  
20 in the United States at or about that time  
21 that --

22 A. I had just come back from the  
23 analyst presentation.

24 Q. Okay. So prior to these

25 discussions and the communication with  
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1 WALTER VAN DE VIJVER

2 Mr. Frasier had you spoken to anyone else about  
3 concerns you were feeling about the security of  
4 your position?

5 A. No, but I did mention to Jeroen  
6 van der Veer a couple of times that I felt  
7 uncomfortable with the atmosphere at CMD and I  
8 also asked him at numerous occasions whether it  
9 would not be appropriate for me to meet Aad  
10 Jacobs.

11 Q. You say that you met with Mr. Van  
12 der Veer a couple of times. Do you recall what  
13 times?

14 MR. TUTTLE: Objection to the  
15 characterization of the testimony.

16 THE WITNESS: This was all after  
17 the 8th of December or the 9th of December 2003  
18 when Project Rockford started.

19 BY MR. HABER:

20 Q. Okay. So in your prior answer you  
21 said I did mention to Jeroen van der Veer a  
22 couple of times that I felt uncomfortable with  
23 the atmosphere at CMD.

24 Do you recall what times in  
25 particular? I'm looking for dates?

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2 A. Yeah. My memory is very good, but  
3 trying to remember exact dates, I can't. I  
4 can't. I'm sorry.

5 Q. Did you ever speak to Mr. Van der  
6 Veer before you were fired?

7 A. Yes. Actually, the Friday before  
8 I was fired Jeroen van der Veer wanted to see me  
9 when I was just about to go off to Oman for my  
10 visit. And Jeroen was talking a bit around  
11 about way, but the final question from him was  
12 whether I would have any difficulty reporting to  
13 him as the chairman of CMD, because it was  
14 likely that Watts would not stay.

15 Q. What did you say?

16 A. I said, yes. I said this issue  
17 for me was never anything personal about Watts.  
18 I would throw in my own glasses if that was what  
19 it was about. I said I wanted to run EP and  
20 that was all.

21 MR. DOWD: Excuse me. Is it yes  
22 you would have difficulty reporting to him?

23 THE WITNESS: No. No. I'm sorry.  
24 I didn't answer the question correctly.

25 MR. DOWD: Can we go over that  
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1 WALTER VAN DE VIJVER  
2 again, Jeff?

3 BY MR. HABER:

4 Q. The question I asked was did you  
5 ever speak to Mr. Van der Veer before you were  
6 fired?

7 A. The answer is yes.

8 Q. And then I asked what did you say  
9 and -- I should say before that your response --  
10 you said, actually, the Friday before I was  
11 fired Jeroen van der Veer wanted to see me when  
12 I was just about to go off to Oman for my visit  
13 and Jeroen was talking a bit around about way,  
14 but the final question from him was whether I  
15 would have any difficulty reporting to him as  
16 the chairman of CMD, because it was likely that  
17 Watts would not stay.

18 Then I asked what did you say?

19 A. I said no.

20 Q. Did you ever communicate to him  
21 your concern about the security of your position  
22 during that meeting?

23 A. Not -- that meeting we just talked  
24 about Friday, no.

25 Q. Yes.

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2 A. But I had talked about the  
3 security of my position after that first  
4 interview by Davis Polk, which I considered  
5 totally hostile and unjustified.

6 Q. And why did you feel that way?

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

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

22 A. Yes.

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

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1 WALTER VAN DE VIJVER

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

5 Q. And the handwritten notes on the  
6 bottom?

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

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

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

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

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

24 technical and professional excellence eroding.

25 Q. If you can just turn back to page

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1 WALTER VAN DE VIJVER

2 773. The very bottom. The dash mark that says,

3 "pressure on staff to obtain approved reserves

4 replacement ratio (RRR of 100 percent)

5 particularly in 2000."

6 Who did you understand to be

7 exerting pressure on the staff to obtain a

8 proved reserves replacement ratio of

9 100 percent?

10 A. The EP leadership team at that

11 time.

12 Q. And that would include Philip

13 Watts?

14 A. Yes.

15 Q. If you would turn to the last page

16 there's some more of your handwriting. Under

17 the bullet point, basic technical flaws at OU

18 level. The middle subpoint there's some

19 handwriting?

20 A. "And consistency check between

21 reserves and long-term forecasts."

22 Q. Why did you insert that?

23 A. Because what I meant to say there

24 that obviously business plans focus on

25 production. And as you produce you reduce your

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1 WALTER VAN DE VIJVER

2 reserves. And what we found in our analysis in,

3 I recall in Oman, for instance, there was no

4 ability to tie back the production forecast to

5 individual assets and their individual reserves.

6 It's a quality issue of the overall business

7 performance.

8 Q. And if you look at the bottom of

9 the page you add two bullet points. What's the

10 first one?

11 A. "Oman Nigeria support efforts

12 2002, 2003."

13 Q. And the last one?

14 A. "New operating model strengthens

15 technical function."

16 I think as we recalled earlier if  
17 you don't do the technical work the reserve  
18 audit can do all he can do, but he doesn't have  
19 the quality.

20 Q. If you can turn to Exhibit 1,  
21 which is your letter dated March 22, 2004. If  
22 you can turn to page 3 again. You say that in  
23 the paragraph that begins in November 2003, I  
24 want you to focus at the bottom of that  
25 paragraph now.

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1 WALTER VAN DE VIJVER

2 You say, "My efforts to effect  
3 full disclosure were continually challenged,  
4 even up until the day before the analyst  
5 presentations in early February 2004."

6 How were your efforts to effect  
7 full disclosure challenged?

8 A. It was an extreme battle to  
9 finalize the presentation to the analysts in  
10 2004. Where I was very keen to give as much  
11 regional breakdown of where the exposures had  
12 now materialized the debookings were taking  
13 place and also wanted to put it in a historic  
14 context about when these bookings were first  
15 made.

16 Even at the end -- at the  
17 presentation I made to Conference as sort of  
18 final draft version of the analyst presentation  
19 there was quite a hostile environment because I  
20 wanted to flag, for instance, that on -- during  
21 that analyst presentation that if you make a  
22 change in proved reserves, if you take the  
23 terminology correctly, if you take away proved  
24 reserves then the probable reserves can also not  
25 exist because of this part of a buildup. I

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1 WALTER VAN DE VIJVER

2 wanted to flag that as a result of the proved  
3 reserves there would also be an impact on the  
4 probable reserves. I'm getting a little bit  
5 technical, but that's just way it is.

6 Forgetting about it it is not

7 about challenging the total technical resource  
8 thing, this is all about classification.

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

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

14 Q. Would that include Ms. Boynton?

15 A. Yes.

16 Q. Would that include Simon Henry?

17 A. Yes.

18 Q. Would that include Tim Morrison?

19 A. I cannot be sure.

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

22 A. Yes.

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

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1 WALTER VAN DE VIJVER

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

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

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

22 A. There was a lot of pressure at

23 that time. I mean, and understandably so, it  
24 was a difficult subject, but it -- it did  
25 require extreme efforts from my side to  
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1 WALTER VAN DE VIJVER

2 ultimately get what I wanted to get out to the  
3 market.

4 Q. Can you think of any specific  
5 examples of where Ms. Watts had thrown a  
6 roadblock, for instance, in your efforts to make  
7 this disclosure?

8 MR. TUTTLE: You mean Mr. Watts?

9 BY MR. HABER:

10 Q. I'm sorry, Mr. Watts. My  
11 apologies.

12 A. I recollect there was a lot of  
13 resistance initially to show a plot that  
14 indicated when the original bookings were made  
15 and some of the debookings or recategorizations  
16 we were posing at that time.

17 Q. What was Mr. Watts' position?

18 A. I think the position, and  
19 ultimately he is the boss, that there were still  
20 ongoing discussions also with the SEC at that  
21 time around restatements and revisions and many  
22 other communications, so there was a tension on  
23 what could be shown and what could not be shown.

24 Q. Can you think of any other  
25 examples?

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1 WALTER VAN DE VIJVER

2 A. No. I mean during the whole  
3 process there was a lot of challenge before we  
4 finalized our numbers on what should be in, what  
5 should be out. Are there offsets, yes or no, et  
6 cetera.

7 Q. Can you think of any examples  
8 involving Ms. Boynton where she erected  
9 roadblocks to your efforts to make full  
10 disclosure?

11 MR. TUTTLE: Objection to form.

12 MS. SENNETT: Objection to the  
13 form of the question.

14 THE WITNESS: No, not specific,

15 because it was always difficult to know who  
16 provided the feedback because it was funneled  
17 through the IR organization. So I would not be  
18 able to personalize where some of these comments  
19 would come from.

20 BY MR. HABER:

21 Q. During your tenure as a member of  
22 the CMD do you recall any presentations on IR  
23 program for the particular year or for the  
24 upcoming year?

25 A. Yes. That would come up on a

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1 WALTER VAN DE VIJVER

2 regular basis to the CMD.

3 Q. And do you have an understanding  
4 as to why that would come up on a regular basis?

5 A. The understanding was that that  
6 was one of the things CMD members will do and  
7 there would be a discussion on who would be  
8 doing what type of presentations or meetings.

9 (Van de Vijver Exhibit Number 45  
10 was marked for identification.)

11 BY MR. HABER:

12 Q. We've marked as van de Vijver  
13 Exhibit 45 a document which is a Note For  
14 Information, IR plan for 2002. The cover page  
15 says CMD January 15, 2002, IR plan for 2002.  
16 Its Bates number is LON00940595 through  
17 LON00940608.

18 Have you seen this document before  
19 today?

20 A. Yes.

21 Q. And did you receive it in the  
22 manner in which you testified earlier about it  
23 being submitted and then circulated  
24 electronically?

25 A. You would always receive wherever

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1 WALTER VAN DE VIJVER

2 you were a hard copy of the prereading for a  
3 follow-up CMD meeting.

4 Q. If you look at the first page that

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

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

15 A. Yes.

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

18 A. I cannot recollect.

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

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

23 Q. Who was Fergus McCloud?

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

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1 WALTER VAN DE VIJVER

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

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

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

8 Q. So he served as a consultant?

9 A. Yes.

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

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

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

22 Why were the top investors in the U.S. being  
23 targeted?

24 A. I don't know. I assume they were  
25 the largest shareholders in the group.

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1 WALTER VAN DE VIJVER

2 Q. Did the CMD discuss the U.S.  
3 market at all?

4 A. The CMD as a body had a global  
5 responsibility, so that would include the United  
6 States.

7 Q. I'm referring -- let me be a  
8 little more specific. I'm referring with regard  
9 to investor relations activities?

10 A. Yes. In a similar vein as  
11 investor relations activity in Europe or  
12 anywhere else.

13 Q. Do you know if this proposal  
14 that's reflected in Exhibit 45 was approved by  
15 the CMD?

16 A. I do not recollect. You would  
17 have to look at the minutes.

18 Q. So that would be reflected in the  
19 minutes?

20 A. Yes. If there is no comment in  
21 the minutes then it means it's supported.

22 Q. Supported meaning approved?

23 A. Yes.

24 (Van de Vijver Exhibit Number 46  
25 was marked for identification.)

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1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. I've handed the witness what we've  
4 marked as Exhibit 46. It's an e-mail from Simon  
5 Henry to Frank Coopman and a number of other  
6 people with a cc to Judith Boynton, dated  
7 August 30, 2002. The subject line reads: Note.  
8 And the attachment is a Note For Information,  
9 Investor Relations Program Enhancement Status  
10 Update.

11 I will note that this was produced  
12 in native format on the native drive that was

13 produced to us and as with one of the other  
14 documents, I would also note there is a footer  
15 that came from our printer that is not part of  
16 the document. Again, this is just way the  
17 default on the printer is set. I'm sorry, it's  
18 already been redacted.

19 Have you seen this document before  
20 today?

21 A. No, not that I recollect, but it  
22 does show a note, at least in draft form for  
23 something that went to CMD, the attachment, but  
24 I don't see the e-mail, the e-mail note.

25 Q. Do you recall having a discussion

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1 WALTER VAN DE VIJVER  
2 at the CMD in or about the end of August in 2002  
3 where investor relations program was discussed?

4 A. No.

5 MR. HABER: At this time then we  
6 have nothing further.

7 MR. DOWD: 30 minutes all right?

8 MR. FERRARA: I think there may be  
9 the need to ask some additional questions, so  
10 perhaps 45 minutes would give everybody the  
11 opportunity to kind of collect their thoughts  
12 and prepare for that.

13 MR. DOWD: All right. 45 minutes.

14 THE VIDEOGRAPHER: We're going off  
15 the record. The time is 12:37 p.m.

16  
17 (Whereupon, at 12:37 p.m., a lunch  
18 recess was taken.)

19

20

21

22

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1 WALTER VAN DE VIJVER  
2 AFTERNOON SESSION  
3 (1:26 p.m.)

4 THE VIDEOGRAPHER: We're back on

5 the record. The time is 1:26 p.m.

6  
7 EXAMINATION BY COUNSEL FOR ROYAL DUTCH/SHELL

8  
9 BY MR. FERRARA:

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

12 A. Van de Vijver is the name.

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

17 A. Sure.

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

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

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1 WALTER VAN DE VIJVER

2 party to them.

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

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

12 A. That's true.

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

17 A. Uh-huh.

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

21 use that word in these questions I'm referring

22 to two things:

23 First, a misstatement of fact,

24 that would be a lie.

25 Second, a half truth. And by that

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1 WALTER VAN DE VIJVER

2 I mean an omission to state a fact that is

3 necessary to be stated in order to make what has

4 been stated not appear misleading.

5 So when I ask about a lie I'm

6 incorporating a misstatement or a half truth.

7 Is that an agreeable definition

8 for lie for purpose of my question?

9 MR. HABER: Objection to form,

10 calls for a legal conclusion.

11 BY MR. FERRARA:

12 Q. Sorry. Do you understand what I

13 mean by lying if I use that term?

14 A. I understand what lying means, but

15 I find your definition rather complex.

16 Q. Then let's -- let me make sure

17 it's clear. I'm talking about misstatements and

18 half truths. Is that clear to you?

19 A. Yes.

20 Q. Okay. So if I say lying and I ask

21 you a question about lying it will include in

22 your answer a misstatement or a half truth?

23 MR. HABER: Objection to form.

24 MR. DOWD: I object. Let's just

25 let his answers speak for themselves.

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1 WALTER VAN DE VIJVER

2 THE WITNESS: I really don't get

3 it. Can you please ask your questions?

4 BY MR. FERRARA:

5 Q. I think this is important, so

6 perhaps we should spend --

7 MR. DOWD: You may, but I don't

8 think he should forecast what his answer is

9 going to include until you ask the question.

10 MR. FERRARA: Sorry.

11 MR. DOWD: I don't think that's

12 fair and I object to it and I'm not going to let  
13 him answer that kind of question.

14 MR. FERRARA: You're welcome to  
15 object to it.

16 MR. DOWD: I will. And I will  
17 also tell him whether he can answer or not.  
18 We're not going to, you know --

19 MR. FERRARA: Sorry. Why don't  
20 you complete your objection. Have you completed  
21 your objection?

22 MR. DOWD: Yes.

23 BY MR. FERRARA:

24 Q. Perhaps you could share with me,  
25 Walter, what you understand a lie to be?

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1 WALTER VAN DE VIJVER

2 A. A lie is not telling the truth  
3 or -- I think that's as short as I can be.

4 Q. Okay. We'll accept that for  
5 purposes of my question. You testified earlier  
6 in the course of your examination that your  
7 memory is good. Do you recall that?

8 A. Yes.

9 Q. And your memory is good; is it  
10 not?

11 A. Yes.

12 Q. I would like you to focus if you  
13 would on the period of time when you were chief  
14 executive officer of E&P, which I believe you  
15 said was approximately June of '01 until March  
16 of '04; correct?

17 A. Yes.

18 Q. And I would particularly like you  
19 to focus on the period June '01 to what we have  
20 defined to be the beginning of Project Rockford,  
21 that period of time. Is that understood?

22 A. That for me is November 2003;  
23 correct?

24 Q. That's fine. So we'll be focusing  
25 on the period June of 2001 to November of 2003

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1 WALTER VAN DE VIJVER

2 in all of my questions; is that understood?

3 A. Yes.

4 Q. Okay. During that period, Walter,  
5 do you ever have a recollection of lying to EP  
6 ExCom, the CMD, or Conference with respect to  
7 any business plan that was submitted by the E&P  
8 organization for their consideration?

9 A. No.

10 Q. Do you ever recall during that  
11 period of time lying about a business plan in  
12 any session that you attended where there was  
13 present either a Shell investor, securities  
14 analyst, or a member of the financial press?

15 A. No.

16 Q. We talked in Exhibit 20 about what  
17 has been euphemistically called "caught in the  
18 box parameters;" do you recall that?

19 A. Yes.

20 Q. And do you recall what those  
21 caught in the box parameters are?

22 A. Yes.

23 Q. Have you ever lied to an investor,  
24 a securities analyst or member of the financial  
25 press about Shell's estimate of a 15 percent

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1 WALTER VAN DE VIJVER

2 ROACE return during your tenure as CEO of E&P?

3 A. No.

4 Q. So any time when you address the  
5 subject of ROACE in the context of a meeting  
6 where an investor and analyst or member of the  
7 financial press was present you told the truth?

8 A. Yes.

9 Q. With respect to the second  
10 parameter of the so-called caught in the box  
11 metaphor, and here I'm referring to the  
12 production growth rate, in any session where  
13 there was present an investor of Shell, a  
14 securities analyst or a member of the financial  
15 press, did you ever lie about Shell's projected  
16 3 percent production growth rate?

17 MR. HABER: Objection.

18 MR. DOWD: Just answer the  
19 question.

20 THE WITNESS: No.

21 BY MR. FERRARA:

22 Q. At any time when you advised an  
23 investor, securities analyst, or a member of the  
24 financial press that Shell's production growth  
25 rate was 3 percent were you telling the truth?

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1 WALTER VAN DE VIJVER

2 A. Yes.

3 Q. With respect to what we've been  
4 calling RRR or reserve replacement ratio, each  
5 and every time that you can recall -- no.

6 Withdraw that.

7 Each and every time that you spoke  
8 to an investor in Shell, a securities analyst,  
9 or a member of the financial press where you  
10 articulated what Shell's reserve replacement  
11 ratio was, were you telling the truth?

12 A. Yes.

13 Q. Did you ever lie in any of those  
14 fora about what the reserve replacement ratio  
15 was?

16 MR. HABER: Objection.

17 THE WITNESS: No.

18 BY MR. FERRARA:

19 Q. Thank you. We talked over the  
20 past three days about proved reserves; do you  
21 recall that?

22 A. Yes.

23 Q. And did you ever advise the CMD,  
24 EP ExCom or Conference that any reserved  
25 previously reported by Shell as proved should be

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1 WALTER VAN DE VIJVER

2 debooked that wasn't debooked?

3 A. No.

4 Q. So in each and every instance that  
5 you can recall recommending that a resource,  
6 whether it be proved or expectation, should be  
7 debooked it was?

8 A. I did not make personally those  
9 recommendations.

10 Q. To the extent that a

11 recommendation was made by you to debook a  
12 reserve, to your knowledge it was done though?

13 A. Yes.

14 Q. Are you aware of any  
15 recommendation made to CMD or Conference to  
16 debook a reserve that wasn't debooked during the  
17 period June of '01 through November of '03?

18 MR. HABER: Objection.

19 THE WITNESS: No, but just to  
20 clarify again, I did not personally make those  
21 recommendations.

22 BY MR. FERRARA:

23 Q. I understand.

24 During the time when you were  
25 chief executive officer of EP ExCom did you  
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1 WALTER VAN DE VIJVER  
2 believe that Shell's reporting of proved  
3 reserves was consistent and compliant with  
4 Shell's proved reserves -- Shell's guideline for  
5 reporting proved reserves?

6 A. Yes, until November 2003.

7 Q. Did you believe during that same  
8 period of time that Shell's guidelines were in  
9 all material respects consistent with the SEC  
10 guidelines, to the extent you knew what the SEC  
11 guidelines were?

12 A. Yes.

13 MR. HABER: Objection.

14 BY MR. FERRARA:

15 Q. Did anyone ever tell you while you  
16 were chief executive officer of Shell that Shell  
17 was materially out of compliance with SEC proved  
18 reserve reporting guidelines?

19 A. No.

20 Q. We've talked a good deal over the  
21 past two-and-a-half days about exposure catalogs  
22 and exposure lists; do you recall that  
23 testimony?

24 A. Yes.

25 Q. With respect to those exposure  
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1 WALTER VAN DE VIJVER

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

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

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

16 A. Yes.

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

21 A. Yes.

22 Q. Did you ever tell a lie to CMD,  
23 Conference, EP ExCom, a Shell investor, a Shell  
24 securities analyst, or a member of the financial  
25 media because of the pressure you received to  
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1 WALTER VAN DE VIJVER

2 lie?

3 MR. HABER: Objection to form.

4 THE WITNESS: No.

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

8 MR. HABER: Yes.

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

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

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

16 BY MR. FERRARA:

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

19 each of those?

20 A. Yes.

21 Q. Walter, did you ever make a  
22 recommendation with respect to the operations or  
23 business of E&P to ExCom, the CMD, or Conference  
24 that you personally did not believe in, that you  
25 personally did not believe was the correct

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1 WALTER VAN DE VIJVER

2 recommendation?

3 A. No.

4 Q. So each and every time you  
5 recommended a course of action with respect to  
6 the operations or prospects of this company you  
7 believed that it was in the best interest of  
8 Shell to do it in the way that you were  
9 recommending it?

10 A. Yes.

11 Q. Did you ever submit a business  
12 plan to ExCom, CMD, or Conference that you did  
13 not think was real?

14 A. No, but I would always give the  
15 context of the stretch or not that would be in  
16 that plan.

17 Q. I understand.

18 During your tenure as CEO of E&P  
19 did anyone inside or outside Shell ever ask you  
20 to lie to a Shell investor, member of the  
21 securities analyst community, or a member of the  
22 financial media?

23 A. No.

24 MR. FERRARA: I want to thank you  
25 for responding to those questions. I don't have

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1 WALTER VAN DE VIJVER

2 any further questions at this time, but I would  
3 like to hear if there are other questions that I  
4 might want to come back to seek clarification  
5 on, but I'm done.

6 MR. GOLDSTEIN: I would like to  
7 suggest we just take a break. I think I can  
8 shorten it.

9 MR. DOWD: What do you want to do,

10 Joe?

11 MR. GOLDSTEIN: I want to go off  
12 the record for a minute because I think based on  
13 the questions Ralph asked I can shorten it.

14 THE VIDEOGRAPHER: We are going  
15 off the record. The time is 1:43 p.m.

16 (A brief recess was taken.)

17 THE VIDEOGRAPHER: We are back on  
18 the record. The time is 1:59 p.m.

19 MR. FERRARA: We have no further  
20 questions.

21 MR. GOLDSTEIN: No further  
22 questions.

23 MS. SENNETT: I would just like to  
24 confirm in light of the agreements that  
25 Mr. Ferrara outlined at the beginning of his  
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1 WALTER VAN DE VIJVER  
2 questioning that based on your representation  
3 that you will continue to cooperate in further  
4 proceedings we will not ask any questions on  
5 behalf of Judy Boynton today, either.

6 MR. GOLDSTEIN: I would like to  
7 add the same representations.

8 MR. DOWD: We don't have to  
9 cooperate with you, we'll cooperate with Shell.  
10 I'm just kidding.

11 (Laughter.)

12 MR. HABER: Again from plaintiffs'  
13 side we're done. I want to thank you very much,  
14 Mr. Van de Vijver, for sitting through these  
15 last two-and-a-half days. We wish you a good  
16 trip back.

17 THE VIDEOGRAPHER: This marks the  
18 end of the deposition of Mr. Van de Vijver. The  
19 total number of tapes used today was two. We're  
20 going off the record. The time is 2:00 p.m.

21 (Whereupon, at 2:00 p.m., the  
22 deposition was concluded.)

23 - - - - -

24

25

0573

1 WALTER VAN DE VIJVER

2 ACKNOWLEDGMENT OF DEPONENT

3  
4 I do hereby acknowledge that I have  
5 read and examined the foregoing pages of the  
6 transcript of my deposition and that:

7  
8 (Check appropriate box):

9  
10 ( ) the same is a true, correct and  
11 complete transcription of the answers given by  
12 me to the questions therein recorded.

13  
14 ( ) except for the changes noted in  
15 the attached errata sheet, the same is a true,  
16 correct and complete transcription of the  
17 answers given by me to the questions therein  
18 recorded.

19  
20  
21  
22  
23 \_\_\_\_\_  
24  
25 DATE SIGNATURE

0574  
1 WALTER VAN DE VIJVER  
2 CERTIFICATE OF NOTARY PUBLIC

3  
4 I, Paula G. Satkin, the officer before whom  
5 the foregoing proceedings were taken, do hereby  
6 certify that the witness whose testimony appears  
7 in the foregoing proceeding was duly sworn by  
8 me; that the testimony of said witness was taken  
9 by me in stenotype and thereafter reduced to  
10 typewriting under my direction; that said  
11 proceedings is a true record of the testimony  
12 given by said witness; that I am neither counsel  
13 for, related to, nor employed by any of the  
14 parties to the action in which these proceedings  
15 were taken; and, further, that I am not a  
16 relative or employee of any attorney or counsel  
17 employed by the parties hereto, nor financially

18 or otherwise interested in the outcome of the  
19 action.  
20 My commission expires October 31, 2010.

21  
22 \_\_\_\_\_  
23 PAULA G. SATKIN  
24 Notary Public in and for the  
25 District of Columbia

0575

1 ERRATA SHEET

2 IN RE: ROYAL DUTCH/SHELL

3 RETURN BY:

4 PAGE LINE CORRECTION AND REASON

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21 \_\_\_\_\_  
22 (DATE) (SIGNATURE)

0576

1 ERRATA SHEET

2 IN RE: ROYAL DUTCH/SHELL

3 RETURN BY:

4 PAGE LINE CORRECTION AND REASON

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(DATE)

(SIGNATURE)

22  
23  
24  
25

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

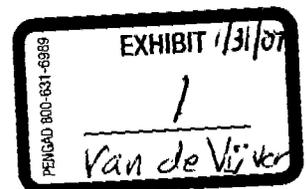
Let me first describe to you the context and background from which the reserve issues arose and provide the details of my continued efforts to inform and update my superiors, including the Chairman.

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

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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.

#### My Communications Throughout the Process To CMD and Others

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 realize 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 Kazakhstan; 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 discussion as you will see from the draft note to GAC/Conference.

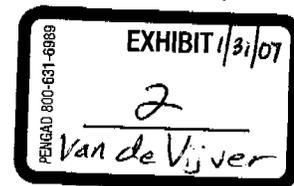
The view set out in the draft note is that on 1/1/03 the company had good faith reasons for considering the aggregate 1/1/03 proved reserves number disclosed in the Form 20F to be materially compliant with SEC guidelines.

**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



**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 new 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

100214396: First meeting with Walter

Page 1 of 2

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**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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 Van de Vijver

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100214396: First meeting with Walter

Page 2 of 2

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

Confidential

**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-EPP; 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 performance (production, drilling, unit costs, new opportunities),
- managing external relationships.

For many years infill drilling, tie-ins of small satellites and deferral 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/monitoring, 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 adequately recognise the level of support provided to date nor will the above be totally new or original. 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!).

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Sultanate of Oman  
Ministry of Oil & Gas  
Muscat



مكتب الوزير  
Minister's Office

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URGENT

It is a pity that he wrote this letter.  
Please recommend the appropriate response (written/oral).

Thankin 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 1<sup>st</sup> 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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Sultanate of Oman  
Ministry of Oil & Gas  
Muscat



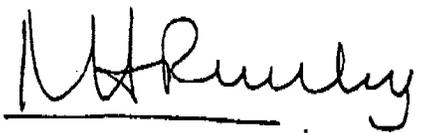
سلطنة عُمان  
وزارة النفط والغاز  
مسقط

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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Shell International B.V.



copy Mezal 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

1<sup>st</sup> 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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van de Vijver

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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.

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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

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**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

incompetence (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 DIL,

RIL 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

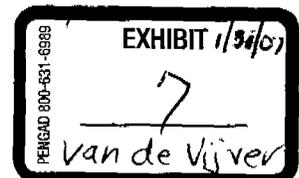
-----Original Message-----

**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

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@Sl.shell.com

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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
- no 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)
  - Area 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 uncorrected for ENCO and Fletcher)

- UK operational performance
- slippage in strategic projects

(note external promise was 7% growth from 2001 to 2002)

7. drift of 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 Div.)
- reduced strategic option potential

8. of Business Plan : 2-3% growth rate

- need acquisitions for higher growth rates (assets and companies)
  - new/return production flat (2001-2004/2005) with ongoing projects (post-FID) and "base" business activity
  - 2% growth with pre-FID projects/<sup>plan</sup> develop of existing discoveries / near field potential
  - 3% growth based on "risky" success with strategic options and later exploration
- post-2005
- Nigeria > doubles production from 2001 to 2005

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- proved reserves replacement will be below 1 unless we maximize Sahelina Kamban Kudu etc.
10. Analyst structure

9. Next steps

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**EXHIBIT**  
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*9*  
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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 <sup>3</sup>	1552	1506	129	65%	58%
Gas	mrd sm <sup>3</sup>	1593	1580	93	86%	42%
<b>Total BOE</b>	<b>bln boe</b>	<b>19.5</b>	<b>19.1</b>	<b>1.4</b>	<b>74%</b>	<b>52%</b>
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
<b>Delta</b>	<b>8</b>	<b>-117</b>	<b>-95</b>	<b>-82</b>	<b>-123</b>	<b>-409</b>
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

Excom Note 4-2-2002 Proved Res Repl 01.doc 1

31/01/02

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RJW00321824

NOTE - 30 January 2002

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From: Anton A. Barendregt Group Reserves Auditor, SIEP EPB-GRA  
 To: Lorin Brass Director, EP Business Development, SIEP EPB  
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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.

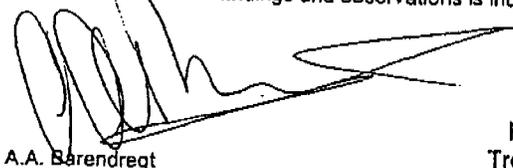
Awareness of Group and SEC reserves booking guidelines was seen to be less than desirable at senior levels in OUs and in support functions in the centre (RBDs, SDS, SEPTAR). This should be improved by issuing appropriate high level guideline summaries, organisation of workshops etc.

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

## 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	85%
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,

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 sm<sup>3</sup> oil, -2 bln sm<sup>3</sup> gas), emanating from a 2001 study which showed these volumes to be non-productible 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 m<sup>3</sup>oe Proved field volumes (10% of the Group Proved Reserves portfolio) are reported by OUs as being non-productible 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 m<sup>3</sup>oe) 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 SSSPC). 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 sm<sup>3</sup>, NAM's Waddensee reserves with 4 bln sm<sup>3</sup>, Angola with 12 mln m<sup>3</sup> and possibly Gorgon – Australia with 86 bln sm<sup>3</sup> 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 commerciality 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 posters?*

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. // OS
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 assess 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 31<sup>st</sup> March 2001): [www.sec.gov/divisions/corpfin/guidance/cfactfaq.htm#p279\\_57537](http://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 <sup>6</sup> m <sup>3</sup> )		Gas (10 <sup>9</sup> sm <sup>3</sup> )		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)
<b>Total Major Techn'l</b>	<b>+43</b>	<b>+32</b>	<b>+39</b>	<b>+30</b>	

OTHER MAJOR CHANGES					
Country	Oil+NGL (10 <sup>6</sup> m <sup>3</sup> )		Gas (10 <sup>9</sup> sm <sup>3</sup> )		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
<b>Total Other Major</b>	<b>+4</b>	<b>+8</b>	<b>+3</b>	<b>+18</b>	

OTHER MINOR CHANGES AND TOTAL					
	Oil+NGL (10 <sup>6</sup> m <sup>3</sup> )		Gas (10 <sup>9</sup> sm <sup>3</sup> )		Description
	Dev'd	Total	Dev'd	Total	
Other Minor Chgs	+60	+44	+43	+32	
<b>Grand Total Chgs</b>	<b>+107</b>	<b>+84</b>	<b>+85</b>	<b>+80</b>	
Production	-129	-129	-93	-93	

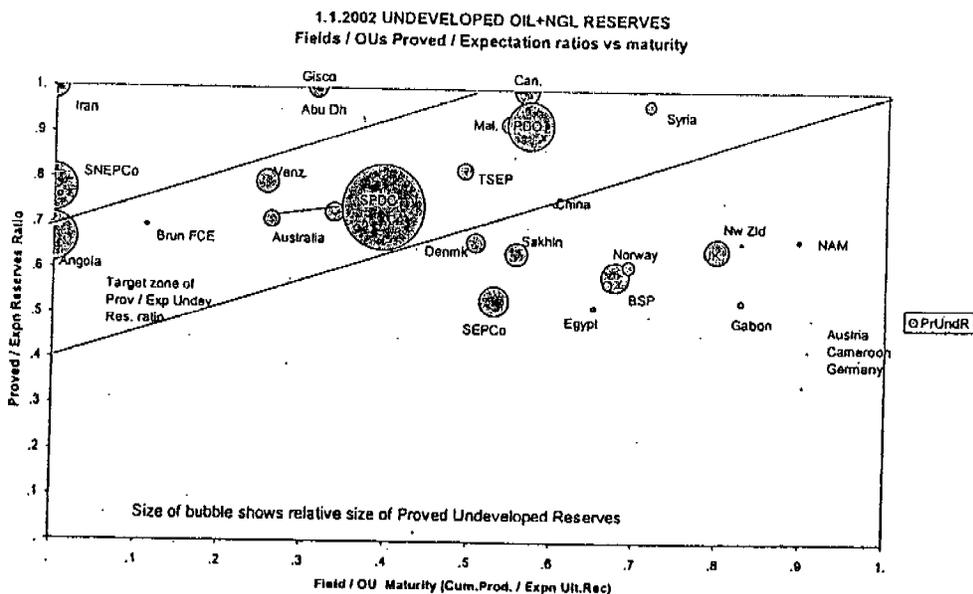
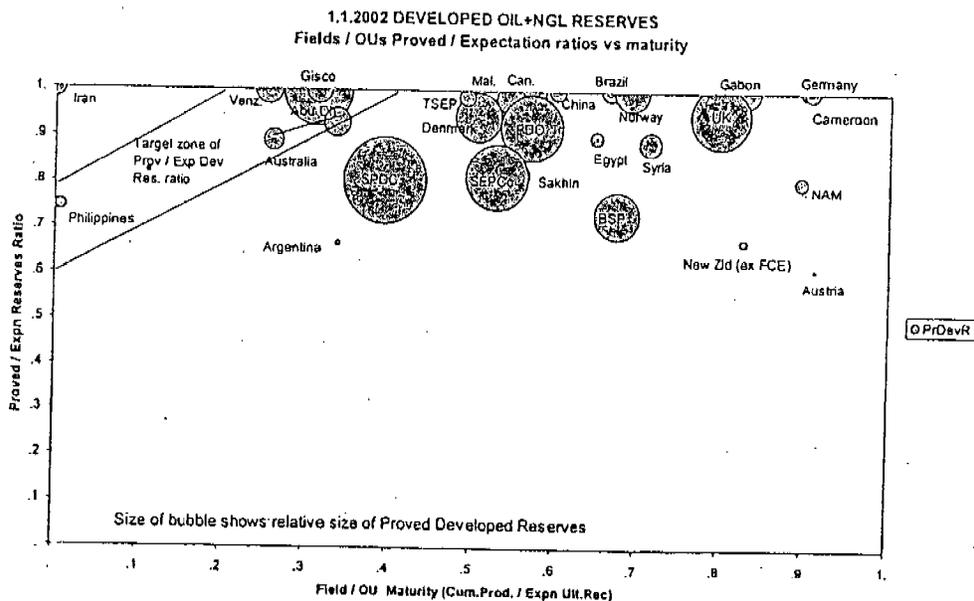
Attachment 3

Country Name	OIL + NGL (10 <sup>6</sup> m3)						All volumes net Shell Group Share												
	Proved Reserves 1.1.2001	Revisions and Re-classifications	Improved Recovery	Estims and Discov-eries	Purch-ases in Place	Sales in Place	Prodn (avail for sales) 2001	Proved Reserves 1.1.2002	Beyond end of licence	Proved Dev'd Reserves 1.1.2001	Transf Underdev't	Revis-ions	Prodn (avail for sales) 2001	Proved Dev'd Reserves 1.1.2002	Minority Resvs incl. 1.1.2001	Minority Resvs incl. 1.1.2002	R / P Tot (%)	Repl'mt Ratio TotRes (%)	Repl'mt Ratio DevRes (%)
Australia (SDA)	29.04	1.21					3.52	26.7		11.08	2.66	2.1	3.55	12.29			9	34%	134%
Australia (WPL)	17.04	2.41	8				2.18	16.07		5.81	1.91	1.51	2.18	6.85			8	147%	157%
Brunel	69.36	4.48	1.25	2.74			5.59	72.24		34.68	3.6	2.77	5.59	35.66			13	152%	114%
Brunel (FCE)																	24	2475%	875%
China	5.97	1.44					0.4	95				0.4	31			4	106%	67%	
Malaysia	26.85	2.28	1.27	991			1.36	6.05		5.77	56	35	1.36	4.87		17	7	57%	35%
New Zealand	5	3.81	23		10		3.46	29.36	14.84	13.76	2.58	72	3.46	13.6		7	7	40%	330%
New Zealand (Pacten)	74	74					1.46	9.96		2.26		4.82	1.46	5.62		6	704%	183%	
New Zealand (SPWex-FCE)										62		62				6	704%	183%	
Philippines	3.5	1.18	23		1.9		0.3	3.54				27	1.05			118	233%	2267%	
Thailand	15.35	7.2					34	15.14		4.02	2.18	1.4	94	4.37		16	78%	137%	
Angola	11.85																		
Argentina	3.54	1.8		0.7		2.28	14	11.85		1.84	47	1.71	14	46		10	143%	68%	
Brazil (Pacten)	92						0.9	1.39		52		0.9	83			9	0%	0%	
Cameroun (Pacten)	5.17	0.4	0.6	1.6			1.1	4.33		5	27	0.6	1.1	4.12	1.03	87	4	24%	30%
Congo (OR - Lake)	3.04	1.1					1.9	3.05		2.11		0.5	1.9	1.96		17	108%	26%	
Gabon	18.94	3.6	1.7	0.8		0.2	3.22	16.23		17.08	5.8	24	3.22	14.68	4.74	4.06	6	14%	25%
Nigeria (SNEPCO)	89.54	4.3						89.57									14	125%	158%
Nigeria (SPDC)	434.17	1.97					14.54	417.66	83.96	116.69	14.69	79	14.54	116.74		29	14%	9%	
Venezuela	35.55	3.15					2.53	36.17		11.29	2.82	1.17	2.53	12.75		14	175%	158%	
Abu Dhabi	97.7	1.04					5.45	93.29	99.32	81.18	1.21	64	5.45	77.58		17	19%	34%	
Bangladesh																			
Egypt	5.89	1.03		0.3			81	4.08		3.47	0.2	3	81	2.98		5	123%	40%	
Iran	31.59	1.87						33.46											
Oman (POO)	179.4	9.43	6.22	1.51			16.4	162.13	48.7	80	5.64	2.2	16.4	65.6		10	4%	13%	
Oman (GSC)	18.48	3.27					2.98	12.65		18.78		3.72	2.98	10.48	2.77	1.9	5	120%	145%
Pakistan																			
Russia (Sakhalin Assoc.)	15.1	13.79					1.31			5.89		4.57	1.31			0	1053%	349%	
Russia (Sakhalin Consol.)		30.94						30.94											
Syria	15.72	1.91					2.81	14.82	1.7	11.35	1.82	1.36	2.81	8.49		13.92			
Austria	23	0.2		0.1			0.2	23		19	0.2	0.3	0.3	21		5	68%	17%	
Canada	56.87	4.8		0.1	0.1	0.1	3.23	53.17		26.80	8	15	3.23	24.52	12.49	11.26	16	100%	167%
Canada (AOSP)	95.4	6.73	9.27				7.54	52	10.89	32.95	4.78	5.96	7.54	36.15	21.08	20.27	10	15%	27%
Denmark	43.54	2.5					30	2.97		2.91		33	2.87			3	212%	142%	
Germany	4.98	1.91					39	4.04		3.69		5.9	3.01			3	75%	89%	
Netherlands	33.78	1.52					5.19	29.09		23.58	3.58	2.6	5.19	22.21		6	29%	15%	
Norway	102.25	5.43	1.35	2.69			18.06	87.59		75.59	7.51	4.13	18.06	60.88		6	67%	27%	
UK	89.08	5.43	0.8				6.71	56.55		57.25	5.83	4.05	6.71	52.73		8	67%	19%	
USA (Aera)	37.17	4.78		22.14	47	11	17.11	107.34		56.82	19.97	9.58	17.11	68.26		6	158%	173%	
USA (SEPCO)	96						0.1			61		61				0	570%	6000%	
USA (TMO)	1,550.35	23.36	20.93	30.42	13.26	3.85	128.82	1,505.64	227.46	718.72	84.62	22.14	128.82	688.67	21.03	32.18	17	85%	83%
Total excl Can. AOSP	1,645.75	23.36	20.93	30.42	13.26	3.85	128.82	1,601.04	227.46	718.72	84.62	22.14	128.82	688.67	42.11	32.38	12	65%	83%
Grand Total																			

Country Name	GAS (10 <sup>9</sup> sm3)						All volumes net Shell Group Share												
	Proved Reserves 1.1.2001	Revisions and Re-classifications	Improved Recovery	Estims and Discov-eries	Purch-ases in Place	Sales in Place	Prodn (avail for sales) 2001	Proved Reserves 1.1.2002	Beyond end of licence	Proved Dev'd Reserves 1.1.2001	Transf Underdev't	Revis-ions	Prodn (avail for sales) 2001	Proved Dev'd Reserves 1.1.2002	Minority Resvs incl. 1.1.2001	Minority Resvs incl. 1.1.2002	R / P Tot (%)	Repl'mt Ratio TotRes (%)	Repl'mt Ratio DevRes (%)
Australia (SDA)	176.917	301					2,408	175.41		18,051	13,548	453	2,408	29,644			71	32%	501%
Australia (WPL)	40,194	378					1,511	39,049		8,002	5,928	552	1,511	12,971			25	25%	428%
Brunel	99,899	1,547	48	3,257			4,722	100,461		37,929	1,785	1,885	4,722	36,877			21	112%	73%
Brunel (FCE)		1,394					4,601	99,848									15	172%	996%
China																			
Malaysia	171,791	6,296	4,675	23			5.99	184.31	58,513	50,965	2,123	2,595	5.99	44,503		2,825	27	25%	4%
New Zealand	14,811	3,912	1,713		25,430		4,363	13,657		10,529		14,085	4,363	20,251			8	53%	323%
New Zealand (Pacten)	1,756	1,755								1,448		1,448					3	53%	323%
New Zealand (SPWex-FCE)																			
Philippines	16,914	303	1,151				489	4,771					489	2,955			10	107%	604%
Thailand	6,169	1,581	0.07				429	7,334		2,833	10,755	3,314	429	10,711		403	403	1927%	24443%
Angola																	17	367%	50%
Argentina	9,389	301	0.16	3,163			146	12,831		0.6	6,043	0.66	146	5,907			87	331%	4101%
Brazil (Pacten)	5,141						343	4,798		5,141			343	4,798			14	9%	8%
Cameroun (Pacten)																			
Congo (OR - Lake)																			
Gabon																			
Nigeria (SNEPCO)	7,02							7,02									39	25%	454%
Nigeria (SPDC)	85,71	5,729					2,286	89,173		34,014	10,291		2,286	47,039					
Venezuela																			
Abu Dhabi																			
Bangladesh	4,828	344					424	4,745		2,262		136	424	1,973			11	81%	32%
Egypt	27,981	5,241		2,587			2,959	22,772		13,926	299		2,959	11,069			9	89%	8%
Iran																			
Oman (POO)																			
Oman (GSC)	55,207	14,136					5,707	36,364		44,76		14,116	5,707	24,937	8,281	5,305	6	248%	247%
Pakistan	9,868	0.06					1,816	5,124		1,158		2,939	1,816			29	1516%	1342%	
Russia (Sakhalin Assoc.)																			
Russia (Sakhalin Consol.)																			
Syria	704	1.86					186	312		337		0.5	186	211			7	100%	37%
Austria	1,636	14		0.93			204	1,345		1,634	0.92	0.48	204	1,152			7	23%	68%
Canada	81,639	8,466	779	214	234	6,341	70,771			66,726	689	5,186	6,341	69,776	10,608				

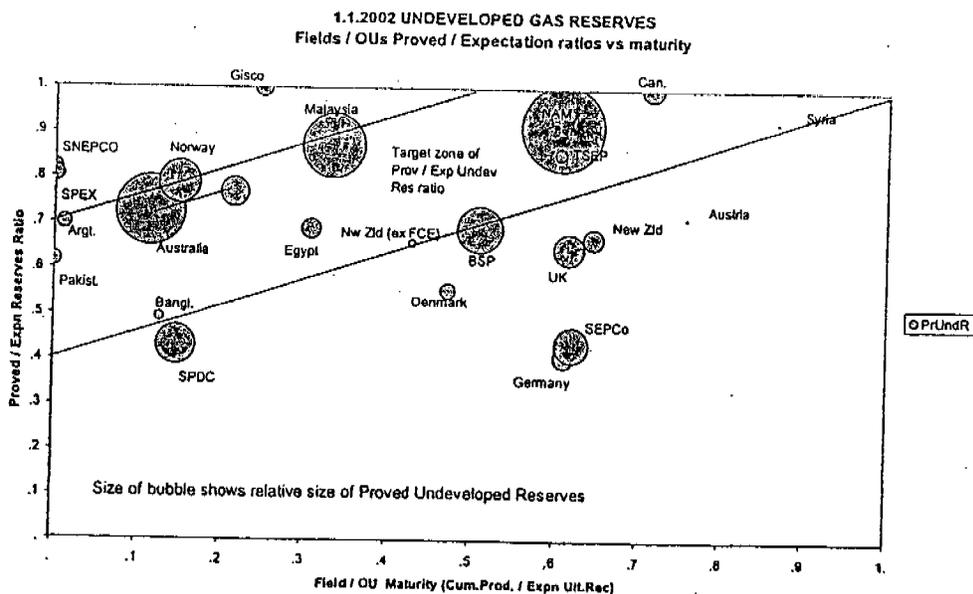
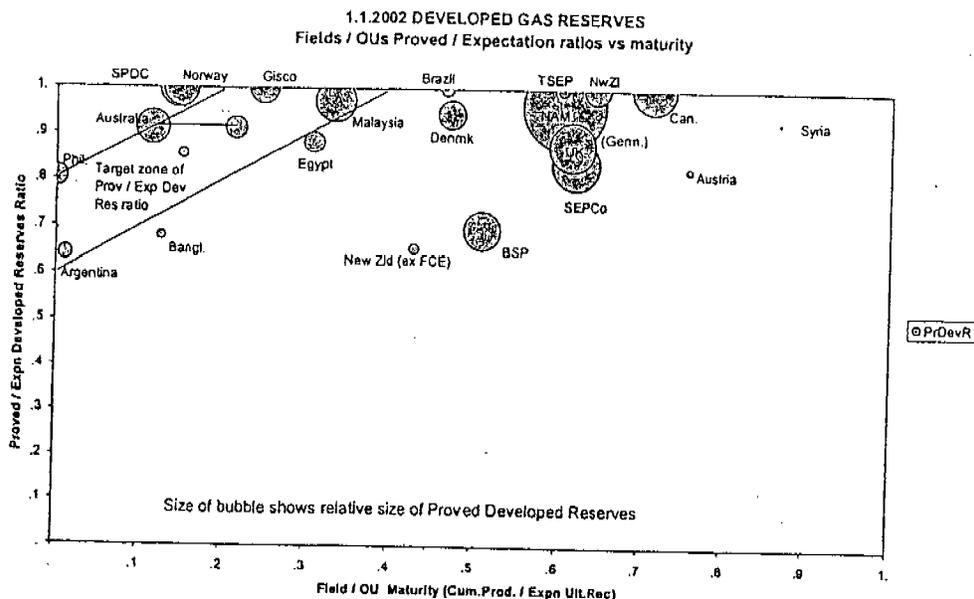


Attachment 5.1



Maturity of Proved Oil+NGL Reserves - by OU

Attachment 5.2



**Maturity of Proved Gas Reserves - by OU**

## 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.