

1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of:)

4) File No. FW-02742-A

5 ROYAL DUTCH SHELL GROUP)

6 WITNESS: Simon Henry

7 PAGES: 1 through 200

8 PLACE: Offices of Debevoise & Plimpton LLP

9 555 13th Street, N.W.

10 Washington, D.C. 20004

11 DATE: Tuesday, October 19, 2004

12

13 The above-entitled matter came on for hearing, pursuant
14 to notice, at 9:50 a.m.

15

16

17

18

19

20

21

22

23

24 Diversified Reporting Services, Inc.

25 (202) 467-9200

1 APPEARANCES:

2 On behalf of the Securities and Exchange Commission:

3 PATRICK K. CRAINE, ESQ.

4 DAVID L. PEAVLER, ESQ.

5 JASON S. LEWIS, ESQ.

6 Securities and Exchange Commission

7 Fort Worth District Office

8 801 Cherry Street, Unit 18

9 Fort Worth, Texas 76102

10 (817) 978-1420

11

12 On behalf of the Financial Services Authority:

13 MIKE PRANGE, ESQ.

14 Financial Services Authority

15 Enforcement Division

16 25 The North Colonnade

17 London E14 SHS

18 +44 (0) 20 7066 1386

19

20

21

22

23

24

25

(APPEARANCES CONTINUED NEXT PAGE)

1 On behalf of the Witness:

2 RALPH FERRARA, ESQ.

3 COLBY A. SMITH, ESQ.

4 Debevoise & Plimpton LLP

5 555 13th Street, N.W.

6 Washington, D.C. 20004

7 (202) 383-8095

8

9 JOSHUA KURLAND, ESQ.

10 Debevoise & Plimpton LLP

11 919 Third Avenue

12 New York, New York 10022

13 (212) 909-6047

14

15 GEOFFREY H. COLL, ESQ.

16 LeBoeuf, Lamb, Greene & MacRae LLP

17 125 W. 55th Street

18 New York, New York 10019

19 (212) 424-8673

20

21 LISTA M. CANNON, ESQ.

22 Richards Butler

23 15 St. Botolph Street

24 London EC3A 7EE

25 020 7247 6555

C O N T E N T S			
WITNESS:		EXAMINATION	
Simon Henry			6
EXHIBITS:		DESCRIPTION	IDENTIFIED
322	5/13/02 notes,	Standard Life meeting	50
323	2/14/03 notes,	Scottish Widows meeting	72
324	2/14/03 notes,	Aegon Asset Management meeting	96
325	2/13/03 notes,	Fidelity meeting	98
326	5/13/02 notes,	Aegon Asset Management meeting	104
327	5/13/02 notes,	Scottish Widows meeting	109
328	5/13/02, notes,	Brittanic and Abbey National meeting	114
329	4/15/02 notes,	Gartmore meeting	118
330	2/21/03 notes,	Credit Suisse Asset Management meeting	143
331	4/3-4/03 notes on investor meetings in Houston		148
332	5/27/03 notes,	Allianz Dresdner Asset Management meeting	151
333	5/27/03 notes,	DEKA meeting	153

1	EXHIBITS:	DESCRIPTION	IDENTIFIED
2	(Continued)		
3	334	2/21/03 notes, Schroder's meeting	156
4	335	2/7-11/03 notes on U.S. meetings	159
5	336	4/17/03 notes, Capital Guardian	
6		meeting	164
7	337	4/10/02 notes, San Paolo IMI Asset	
8		Management meeting	167
9	338	2002 IR briefing notes	172
10	339	4/9-15/03 e-mail stream, slides	
11		for S&P presentation	177
12	340	4/24/03 e-mail, M. Moolenaar to	
13		J. Boynton	182
14	341	4/26-27/03 e-mail stream regarding	
15		S&P annual meeting	190
16	342	4/26-28/03 e-mail stream regarding	
17		S&P annual meeting	194
18	343	E-mail chain regarding S&P annual	
19		meeting	195
20	344	5/03 e-mail chain regarding meeting	
21		with Moody's	196
22			
23			
24			
25			

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

2 MR. CRAINE: We are on the record at 9:50 a.m. on
3 October 19, 2004.

4 Mr. Henry, please raise your right hand.
5 Whereupon,

6 SIMON HENRY
7 was called as a witness and, having been first duly sworn,
8 was examined and testified as follows:

9 EXAMINATION

10 BY MR. CRAINE:

11 Q Mr. Henry, my name is Patrick Craine. With me
12 today is David Peavler and Jason Lewis, with the Securities
13 and Exchange Commission, and Michael Prange with the FSA.

14 Before we begin, I think there was an introduction
15 that Mr. Prange wanted to give.

16 MR. PRANGE: Yes, just for the record, I am here on
17 behalf of the FSA and Mr. Henry, and in the United Kingdom,
18 the FSA would have exercised the statutory powers pursuant to
19 Sections 171 to 173 of the Financial Market Services Act of
20 2000. Thank you.

21 BY MR. CRAINE:

22 Q The SEC representatives here today are authorized
23 to take testimony and other evidence in the matter of Royal
24 Dutch Shell.

25 Before we begin, first of all, I'd like to thank

1 you for agreeing to appear here voluntarily. We appreciate
2 it. We hope to be mindful of your time and efficient here
3 today. You may disagree, but we will do our best.

4 Prior to the opening of the record, I gave you a
5 copy of the Formal Order, which is in front of you. Have you
6 had an opportunity to review the Formal Order?

7 A Yes.

8 Q Before the opening of the record, I also gave you a
9 copy of what's been previously marked as Exhibit 63, which is
10 affectionately known as the Form 1662.

11 Have you had a chance to review that?

12 A Yes, I have.

13 Q I'm not going to go through the document at length,
14 but I would like to highlight a few items.

15 First of all, you have a right not to give
16 testimony if it intends to incriminate you. Do you
17 understand that?

18 A Yes.

19 Q You also have the right to counsel. Do you
20 understand that?

21 A Yes.

22 Q I see that we have plenty of here, and I will give
23 them an opportunity to make an appearance.

24 MR. FERRARA: Ralph Ferrara, Debevoise & Plimpton,
25 555 13th Street, N.W., Washington, D.C. 2004. My telephone

1 number is 202-383-8020. I'm accompanied here today by my
2 partner, Colby Smith, who practices law with me at the same
3 address and telephone number.

4 MR. SMITH: We are also joined by Joshua Kurland,
5 who is an associate of our firm in our New York office.

6 MR. COLL: Geoffrey Coll, of the New York Office of
7 LeBoeuf, Lamb, Greene & MacRae, 125 W. 55th Street. My
8 number is 212-424-8673.

9 MS. CANNON: Lista Cannon with Richards Butler,
10 Beaufort House, 15 St. Botolph Street, London. My phone
11 number is 020 7247 6555.

12 BY MR. CRAINE:

13 Q Lastly, the evidence and testimony we are taking
14 here today is intended to determine if there have been
15 violations of U.S. Federal securities laws, and also if there
16 have been violations of other state, U.S. Federal or
17 international laws, and we can share that with other law
18 enforcement agencies, as obviously we have the FSA with us
19 here today.

20 Have you ever given sworn testimony before?

21 A No.

22 Q Before we begin, I'd like to go through a few rules
23 for the road. It should give us a clear record, and also get
24 us out of here faster, which is important to everyone.

25 First of all, our Court Reporter is taking down a

1 recording of everything that is being said. Obviously, the
2 tape recorder can't record you and I talking over each other.
3 If you will give me the opportunity to finish my questions,
4 I'll give you the opportunity to finish your answers, and we
5 will have a clear record.

6 Can we do that?

7 A Yes.

8 Q We also need to be careful about non-verbal
9 responses. I can tell from talking to you at the beginning
10 that you communicate with your hands and facial expressions,
11 nods and shrugs, and that is absolutely natural, but
12 unfortunately, the tape recorder can't take it down.

13 If you could work to give a verbal response, that
14 would help. I'm sure your counsel will pop in and let you
15 know if you're not answering audibly. They want a clear
16 record as well.

17 I've been known to ask my fair share of confusing
18 and bad questions. If one of them comes up today and you
19 don't understand it, just let me know. I'll be happy to
20 rephrase it or re-ask it in a different way that you do
21 understand.

22 Can we do that?

23 A Yes.

24 Q Lastly, this isn't meant to be an endurance test.
25 If you would like to get a glass of water, use the rest room,

1 talk to any of your many counsel about anything, just let me
2 know. I will wrap up what I am working on and try to get you
3 a break to do that.

4 A Thank you.

5 Q Please state and spell your full name?

6 A Simon Peter Henry. S-i-m-o-n P-e-t-e-r H-e-n-r-y.

7 Q What is your date of birth?

8 A 7/13/61.

9 Q Where were you born?

10 A Eckington in England.

11 Q If you could spell that for the record.

12 A E-c-k-i-n-g-t-o-n.

13 Q What is your current nationality?

14 A British.

15 Q What is your passport number?

16 A May I?

17 Q Please.

18 A It's an U.K. passport, 500 344 123.

19 Q Are you currently a resident, a legal resident, of
20 any other country?

21 A I'm a resident of The Netherlands.

22 Q Where do you currently live?

23 A In The Netherlands.

24 Q What is your address in The Netherlands?

25 A Wittenburgerweg 132, zip code 2244CG, Wassenaar,

1 The Netherlands.

2 Q What is your telephone number there?

3 A The home telephone number is country code 31, 70
4 517 8167.

5 Q Please describe your formal education beginning
6 with the university.

7 A I attended college at Cambridge University,
8 studying mathematics, graduated with a B.A. in 1982, M.A. in
9 1986. In 1986, I began studying for the Chartered Institute
10 of Management Accountants. I concluded the studies in 1988,
11 and was admitted to full membership of the Institute in 1989.

12 Q I take it you are a chartered accountant?

13 A Technically, chartered management accountant.

14 Q Other than your licensure as a chartered management
15 accountant, do you have any professional licenses of any
16 sort?

17 A I began work as an engineer. I remain an associate
18 member of the Institute of Electrical Engineers. It's not a
19 full membership.

20 Q Other than those two, are there any other
21 professional licenses?

22 A That's all.

23 Q Other than your CMA, do you have any other
24 accounting certifications?

25 A No.

1 BY MR. PEAVLER:

2 Q What is the difference between a chartered
3 management accountant and a chartered accountant?

4 A A chartered accountant spends three to four years
5 working in external audit, and is effectively licensed to
6 audit company records. I could not audit company records
7 because I'm not a chartered accountant or member of that
8 Institute.

9 The chartered management accountant's qualification
10 typically supports finance professionals working in industry,
11 within companies or the public sector.

12 Q It looks as if you spent a lot of time working on
13 your educational pursuits in the 1980s. Were you working
14 intermittently?

15 A I actually started work with Shell in 1982. The
16 M.A. comes for free from Cambridge, as long as you graduate,
17 they provide that after four years. The accountancy study, I
18 studied on my own time, weekends and evenings while working
19 full-time for Shell.

20 BY MR. CRAINE:

21 Q You began working for Shell in 1982?

22 A I did.

23 Q In what capacity did you begin with Shell?

24 A I joined Shell as an instrument engineer at Stanlon
25 Refinery in Northwest England. That is an oil and chemicals

1 refining plant.

2 Q How long were you there?

3 A I was there for four years, with five months in
4 Amsterdam, in The Netherlands, during 1984.

5 Q Did you remain with Shell after that?

6 A I've been with Shell ever since as an employee.

7 Q What I'd like to do is just walk through a
8 thumbnail sketch of the different positions you held and the
9 time period, up until you became involved with Investor
10 Relations.

11 A Okay. The first four years were at Stanlon
12 Refinery working as an engineer, two different jobs. It was
13 essentially electrical and instrumentation.

14 The following two years, 1986 to 1988, I worked in
15 Internal Audit for Shell U.K. as a manufacturing expert, but
16 was spending time on financial audits as part of my
17 development towards the chartered management accountancy
18 qualification.

19 In 1988, I moved to Shell Haven Refinery, which is
20 in Essex, England. I spent two years working on a management
21 information project across the refinery.

22 In 1990, I moved to London as the management
23 accountant for Shell U.K., which is the downstream refining,
24 marketing and trading business of Shell in the U.K.

25 I was running a small team that reported to the

1 finance director of Shell U.K. downstream.

2 In late 1992, I moved to Egypt, initially, as the
3 finance manager for our marketing company in Egypt, a small
4 start up, which is primarily retail and lubricants marketing.

5 At the beginning of 1994, I moved to Shell Egypt,
6 which is an exploration and production company. Technically,
7 it was exploration, but it was a joint venture by PEPCO,
8 which was a production company. I was the finance
9 controller. I worked there from February 1994 to March 1996,
10 a little over two years.

11 In 1996, I returned to London and worked as -- we
12 called them regional finance advisor, for the oil products
13 business, again, downstream refining, marketing and trading
14 for Asia Pacific. I was the shareholder representative of
15 all finance issues, finance and corporate structure,
16 performance appraisal, planning for all the oil products
17 companies, focusing on Southeast Asia and Northeast Asia.
18 I did that job until March 1998.

19 I moved to Bangkok, Thailand as finance director
20 for the Shell Companies in the McKong region, which is
21 Thailand, Vietnam, Cambodia, and Laos. I was the finance
22 director for -- I was a director of 17 companies, the
23 majority of which were downstream, again, oil products,
24 refining, marketing, but they did include Shell Thailand,
25 which was the exploration and production company in Thailand.

1 That company was actually for sale at the time. My direct
2 involvement in Shell Thailand was limited.

3 In the middle of 1999, we reorganized, and I became
4 the general manager of finance for the retail marketing
5 business in what was initially Southeast Asia, and by the
6 time I moved on, it was expanded to become Asia Pacific. I
7 spent six months of that period as the de facto marketing
8 director as well. We had nobody to do the job. The chief
9 executive was based in Bangkok. I did the two jobs at that
10 time.

11 In December 2000, I returned to London again to
12 spend a few weeks shadowing someone in the Investor Relations
13 role. I concluded my job in Bangkok and I actually returned
14 to London in March 2001 full-time as head of the group,
15 Investor Relations, for the Shell group of companies.

16 Q How did you come to have this period where you
17 shadowed someone in Investor Relations?

18 A We were having something of a challenge moving
19 people around so that we could get good handovers, and the
20 fellow I was taking over for, Walter van de Vijver --

21 Q Could you spell that, please?

22 A W-a-l-t-e-r v-a-n d-e V-i-j-v-e-r. He had already
23 made arrangements to take some time off to study in early
24 2001. At the time, we had quite important strategy
25 presentations in December, followed by the year end work and

1 the year end reporting at the end of January, so I went back
2 to shadow Walter as he finished his role and then effectively
3 in February, the first part of March, I was back in Thailand
4 closing out my job to return full-time the second week of
5 March 2001 in London.

6 Q Is this a job you applied for or had an interest
7 in, something that someone asked you to come assist with?

8 A The then group finance director, Steven Hodge, H-o-
9 d-g-e, had contacted me while I was in Thailand and asked me
10 if I was interested in the position, given my background in
11 finance and marketing, essentially.

12 It was always seen as a development position for
13 people with management potential. I said no, and then we had
14 a subsequent face to face discussion, and Steven persuaded me
15 this was the right thing for me.

16 Q When did you begin working full-time in IR?

17 A That was the second week of March 2001.

18 Q What were your responsibilities when you came on in
19 March 2001?

20 A I was responsible for all of the communications to
21 investors worldwide, across the three main investor markets,
22 Europe, the U.K, and North America.

23 I was responsible for the communications strategy,
24 the execution of that strategy, and that included quarterly
25 results reporting, reporting of any significant events or

1 transactions that the company was engaged in, and from time
2 to time, communications on the strategy of the individual
3 business units.

4 I also had a responsibility for communications in
5 the other direction, which was picking up the markets, the
6 views of the company and their position, and feeding that
7 back into senior management, senior executives, initially, on
8 an ad hoc basis, but that is something that became more
9 formal, more structured, and a more significant role in the
10 time I was in the job.

11 I was also responsible logistically for ensuring
12 that anybody who spoke to the market, interfaced with the
13 market, was clearly aware of and understood the requirements
14 for doing so and disclosure obligations, understanding
15 product sensitive information.

16 When we set up a disclosure committee following the
17 issuance of Sarbanes-Oxley, I was a member of the disclosure
18 committee, and my team, I had a team with offices in New
19 York, London and in The Hague, my team was responsible for
20 quality control on information that was given to the market
21 about all of the above topics that I described.

22 Q When did you put this team together?

23 A When I arrived, the team was already in place. The
24 head of Investor Relations for North America, based in New
25 York, the head of Investor Relations for the U.K. and

1 Ireland, based in London, where I was based in London,
2 although I spent time in all three offices, and we had a head
3 of IR for Continental Europe, who had been based in The
4 Hague.

5 The three individuals who filled those roles during
6 my time in the role, we replaced all three, not for reasons
7 of failure to perform, but in a couple of cases, we upgraded
8 the seniority of the position.

9 Q Who were in these positions when you began?

10 A When I began, in North America, the individual was
11 David Sexton. In the U.K., Michael Harrop. In The
12 Netherlands, Ian van der Plas.

13 Q Which of these individuals were changed during your
14 tenure?

15 A All three changed during my tenure. In September
16 2003, David Sexton was replaced by Harold Hatchett, H-a-t-c-
17 h-e-t-t. In December of 2002, Michael Harrop was replaced by
18 G-e-r-a-r-d P-a-u-l-i-d-e-s, and it must have been December
19 2001, Ian van der Plas was replaced by Bart van de
20 Steenstraten. That is B-a-r-t v-a-n d-e S-t-e-e-n-s-t-r-a-t-
21 e-n.

22 Q One thing that may assist all of us is just to get
23 a feel of the structure of IR and the reporting line, if you
24 could describe that for us, from top down, I guess, I would
25 appreciate it.

1 A My direct reporting was to the finance director.
2 When I first joined, I reported directly to Steven Hodge.
3 Subsequently, from June 2001 onward, to Judy Boynton.

4 My own team of three, the three individuals I
5 mentioned reported directly to me, although for various
6 reasons, they had reporting within their own countries. In
7 terms of the IR activities, it was clear responsibility
8 directly to myself.

9 Q Would there be analysts or other support staff
10 below those three?

11 A Yes, there were. In the U.S., we recruited an
12 analyst to support David Sexton in late 2002. Before that,
13 David did it on his own.

14 In The Netherlands, we did similar. In late 2001,
15 we recruited an analyst, and in late 2003, we replaced that
16 analyst when he moved onto a new job, in the middle of 2003
17 actually, he moved onto a new position.

18 In London, we already had some staff, some support
19 staff. The staff was increased during my time in the
20 position. The establishment was a senior analyst position, a
21 junior analyst type position, plus an individual responsible
22 for logistics and road shows and events, helping with
23 websites, et cetera.

24 Each of the offices also had a management system to
25 support the data. The total establishment was 12 people.

1 Q Did your responsibilities change while you were --
2 was your title director of Investor Relations?

3 A The job title was head of the group, Investor
4 Relations.

5 Q Was that your title throughout your tenure in IR?

6 A That was my title throughout the tenure.

7 Q Did your responsibilities change throughout your
8 tenure?

9 A Formally, no. There was no reissue of a job
10 description, for example. However, I think two things that
11 certainly came up with much greater providence during the
12 time, I think I've already mentioned, one was the need to
13 keep senior executives well informed of market views and
14 feedback in the implications of business events, business
15 plans, business performance to an executive team.

16 That was a result of Phil Watts' early tenure,
17 where Phil supported the increase of the resources in
18 Investor Relations and the importance of people, executives,
19 understanding what the market thought of the company, and the
20 implications of decisions and choices that they made, the
21 market sentiment.

22 That was given quite a significant boost in
23 confidence, and took up more time than I would have expected
24 going into the role.

25 The second issue is the disclosure point, which

1 became more formalized. There had always been a role, a
2 disclosure role, both in regulation in the U.S., as well as
3 U.K. legislation, during my time in the role.

4 The front line of that disclosure, quality control,
5 was done by the three individuals that were reporting
6 directly to me, but I was responsible overall to make sure
7 that due process was in place in all three markets.

8 Q That took a greater amount of time than when you
9 originally began?

10 A Both full-time and when I originally began. The
11 other thing relevant or not, I'm not sure, was they changed
12 their strategy from formal staged presentations to much
13 greater face to face contact with the market.

14 We were typically having between 200 and 300
15 meetings per year with executives face to face with the
16 market in 2002 and 2003. A few years earlier, certainly
17 before my time, the number of meetings was in the tens.

18 Q These 200 to 300 meetings, were there formal names
19 within Shell for the different types of meetings that might
20 be taking place with executives and the market?

21 A The top 50 in each market were the priority.

22 We did look at the three markets separately. The
23 three markets have different characteristics. We planned
24 -- the basic intent was every significant investor in the top
25 50 who was interested, they are not all interested, would

1 have an opportunity at least once a year to meet with the
2 senior executives, which should be a managing director or the
3 director of finance. When I started, the director of finance
4 was not the managing director.

5 Below that, the next 50, we would target a meeting,
6 but not necessarily with the managing director. It could be
7 a next level executive or with Investor Relations.

8 We would begin with IR, and leading up to an
9 appropriate level of executives. We also aimed, for example,
10 through arranging lunches or breakfasts, the larger investors
11 would have several other opportunities in addition to meet
12 with executives, an executive other than who they may have
13 met in the one on one type meeting.

14 Q Just so I'm clear, when you are talking about these
15 200 to 300 meetings, are those just the one to one's, or they
16 a more global set of meetings?

17 A The 200 to 300 is the one on one plus a meeting the
18 same size of this meeting, maybe 10 to 12 people, at a
19 dinner, sometimes supported by a broker. For example, it
20 might be at a conference, investor conference, where we would
21 meet with a small group of investors.

22 The formal program, the larger global communication
23 program, would be every quarter. Clearly, there would be a
24 quarterly results release. That was followed in quarters one
25 and three by a global teleconference, which was hosted by

1 myself, and I always webcast anything globally.

2 In quarters two and four, we would typically have a
3 physical meeting, typically a press conference separate from
4 an investor conference. That meeting would be hosted by
5 either the finance director or the chairman of CMD, depending
6 on the circumstances at the time.

7 Those meetings were always webcast or sometimes
8 video. Every year, we would have a relatively major strategy
9 presentation at the group level, where we would have some or
10 all of the FDs present. In my time, I think it was always
11 the FDs were present.

12 Originally, they were in December. We changed that
13 to run concurrent with quarter four and year end results, so
14 that in February 2002, February 2003, February 2004, we held
15 group strategy presentations.

16 We sporadically, depending on strategic cycles,
17 held business strategy presentations. In my time, we held
18 focused business strategy presentations for chemicals and
19 renewables in June 2001, for exploration and production, in
20 September 2001, for exploration and production and gas and
21 power together, in March 2003.

22 Q You mentioned road shows earlier. Would those be
23 something separate from these events you were just
24 discussing? Would they sometimes be connected with any one
25 of these events?

1 A Typically, after a major event or a major
2 presentation, again, it would be webcast, we would spend
3 several days after that on the road with the executives who
4 had been presenting, four or five days of executive face time
5 was typical. Sometimes more, sometimes less.

6 In addition, we would do road shows that were not
7 directly linked to any given event, but they would fill in
8 the gaps in the communications, and we tried to ensure we
9 were keeping a regular communication into each of the three
10 markets.

11 Q For the road shows and these events, would you work
12 off these top 100 in each market?

13 A Yes, although each market is different. The U.S.
14 is geographically diverse, so we would work on cities,
15 Boston, New York, Los Angeles, were the main centers. We
16 would cover many of the secondary cities once a year,
17 possibly New York two or three times a year. San Francisco,
18 San Diego, Denver, Philadelphia, Montreal, Toronto,
19 Vancouver, and probably others that we would typically do
20 once a year, or once every two years.

21 Continental Europe was similar. There are large
22 centers in Frankfurt and in Paris, and several other
23 locations around The Netherlands, Copenhagen, Stockholm,
24 Madrid, Urich and Geneva are quite significant centers as
25 well. We would typically visit Brussels and Vienna on a less

1 frequent basis.

2 The U.K. has a much more concentrated market. Once
3 a year, Dublin. In London, we would focus very much on the
4 top 50.

5 Q I think you anticipated my next question, which was
6 how were the invitees determined? Is that something IR would
7 work on, you would work with some of the management team or
8 others?

9 A In Continental Europe, we would use brokers. In
10 London and in the U.S., my IR team would work on that. We
11 would finalize the selection with management and the IR team.

12 We would say we are going to Boston, here are the
13 people we want to see.

14 Q What were the instances where management may have
15 requested somebody be invited or try to have additional
16 people included?

17 A Almost never.

18 Q As you sit here today, are there any that you can
19 think of?

20 A The only ones that come to mind is when Judy
21 Boynton joined us, she brought experience with the North
22 American market, in all locations, such as Denver, with
23 investors such as Janus. San Francisco, New Haven. There
24 were marketing opportunities.

25 There was certainly never any individuals

1 mentioned, it was just targets in the market. By and large,
2 brokers were our main source of market intelligence, although
3 we didn't use brokers a great deal to arrange the meetings.

4 For example, in the U.K., the investors don't like
5 brokers in the meetings, so there were party planners that
6 didn't attend the party.

7 Q Which brokers functioned as party planners?

8 A We had a strict policy of no favored broker. There
9 were 10 to 12 brokers.

10 Q If you could rattle those off to us by market, just
11 so we are clear on the record, and I don't misinterpret
12 anything.

13 A In the U.S., we only used one broker once, UBS. In
14 the U.K., we used in my time Lehman Brothers, Merrill Lynch,
15 UBS, Credit Suisse First Boston. That would be for road
16 shows, for sales force meetings, or meetings with a group of
17 investors we would use more second tier, such as Commerce
18 Bank, Dresdner, Deutsche Bank.

19 For Europe, one or two specialists in countries,
20 such as Spain, that we would use, and also in Scandinavia,
21 but below a level. I am probably struggling to think of any
22 major broker that we didn't use at least once or twice. It
23 was a strict policy.

24 Q It appears to me that you did significantly more
25 work than the gentleman you shadowed before you came into IR;

1 is that fair to say?

2 A It would be slightly unfair, when Walter took over,
3 there were only a handful of meetings per year, and that was
4 the group that chose to communicate with investors. Walter
5 himself had taken part in moving forward the Investor
6 Relations activity from almost nowhere to being recognized as
7 a reasonable but not top notch communicator or interfacing
8 with the market.

9 Walter had done a great deal to move forward the
10 cause of external communication within the Shell group. I
11 was fortunate to take that further. Phil Watts was very
12 supportive of it and provided the resources.

13 Q That was in part due to Mr. Watts' heightened
14 interest in the area?

15 A And his willingness to support resources, in New
16 York, in The Netherlands, and in England, the two people.

17 Q Did you have meetings with Mr. Watts to let him
18 know what resources you needed or what direction you thought
19 was best for IR?

20 A Yes.

21 Q When did those first take place?

22 A Late 2002.

23 Q What did you convey to Mr. Watts?

24 A Late 2001.

25 Q As we go, if there is anything that pops into your

1 mind that is different than what you remembered before, feel
2 free to interrupt me and let me know and we will clarify it.

3 You said in late 2001?

4 A In 2001, just a historical point, Phil Watts took
5 over as chairman officially the first of July 2001. Judy
6 Boynton joined us the first of June 2001. Walter took over
7 COVP first of July 2001.

8 The first IR communication with Phil Watts was on
9 August 2, 2001. It was at the EP strategy presentation in
10 September 2001, big crew change from an external viewpoint.
11 Typically, within Shell, from an external viewpoint at least,
12 the managing directors are not well known because there were
13 not that many meetings. They were not household names, and
14 they were not people who had met regularly with investors
15 previously.

16 Therefore, in the latter part of 2001, there were
17 concerns expressed in the markets about the company and how
18 well it was known, how well it presented itself to the
19 market, and it was that that prompted the meetings with Phil,
20 just to coin a phrase, said we have to raise our gain in this
21 activity, I want you to tell us how we can raise the gain and
22 what resources you need to do that.

23 Phil is a very process driven guy. I came back
24 with a process of what we would do to achieve a world class
25 performance in this activity.

1 Q Who else was present at these meetings when you
2 were discussing raising the gain and coming up with a plan
3 and a process?

4 A Sometimes Judy Boynton, but not always.

5 Q Were other members of your team present, or were
6 these one on one meetings between yourself and Mr. Watts?

7 A On occasion, Michael Harrop would be present. It
8 wasn't just formal meetings. For example, when we took Phil
9 to meet with investors, there would be discussions of if you
10 were in the United States with David Sexton and myself, we
11 would have a discussion in the car or over dinner.

12 David Sexton and Michael Harrop would certainly
13 contribute to those discussions about strategy, communication
14 strategy.

15 Q Had you worked with Mr. Watts in the past before
16 these meetings?

17 A No. I first met Mr. Watts in December 2000 while
18 shadowing Walter van de Vijver in preparation for the group
19 strategy presentation on December 17th. I met him about a
20 week before that.

21 Q I am going to be asking about your working
22 relationships with a lot of different people. It's rarely to
23 caution someone against politeness. If you could be frank,
24 that would be helpful for us in what your working
25 relationship was like with a person and how their performance

1 was and the things that they actually did and said.

2 At the end of the day, we are trying to get to the
3 truth of what happened. In some cases, only you and the
4 other person may know about it.

5 What was your working relationship like with Mr.
6 Watts?

7 A Always professional. I mentioned, Phil is a very
8 process driven individual. He's not extravert, naturally
9 outgoing, joking, shares confidence. It was very much this
10 is what I want to do, you tell me what it is that we need to
11 do and we will discuss it and put it together.

12 I would say it took me six to twelve months to
13 develop confidence with Phil such that he wouldn't want to
14 micromanage a plan or a proposal, he would listen to my
15 advice. Quite often, he was a deep thinker and would come
16 with this is what I want to do.

17 If you didn't agree, you would have to find a way
18 of saying here's another way of doing it to get to the same
19 objective. That became easier over time because his trust in
20 me developed.

21 I only had one particularly difficult time with
22 him, and that was over lack of preparation for a particular
23 event.

24 Q When was that?

25 A It was in August 2002.

1 Q If you could generally describe the circumstances
2 that led to his displeasure.

3 A For the mid-year reporting, it must have been the
4 1st or 2nd of August 2002, we were having a teleconference
5 but we were also planning to shoot some video through a U.K.
6 services provider called Cantos.

7 Typically working towards a quarter end results
8 release and preparation, there is a lot of work that takes
9 place in terms of identifying possible issues for the market
10 and preparing individuals.

11 We had long learned that Phil as an individual
12 liked preparation well enough. Every senior executive we
13 worked with had a different style. Phil's was about a week
14 before any engagement, he needed to have in his mind key
15 issues, what he was going to say, to be briefed on questions
16 that were likely to come up from the audience.

17 That particular process, he felt he wasn't briefed
18 and that he was being asked to do something at 7:00 one
19 evening without a particular briefing.

20 Q Would you agree that Mr. Watts liked to be kept
21 informed of what was going on?

22 A Yes.

23 Q Did you consider him to be a hands on CFO or a
24 hands off CFO?

25 A CF.

1 Q CF; pardon me.

2 A I would consider him both. When he developed trust
3 in people, I found him quite good to work with. We had that
4 sort of spelled out. We would sit down and we would agree on
5 what we were trying to achieve. We would talk about it.
6 Phil usually had ideas, that was his job.

7 We would agree on what we needed to achieve. I
8 would then be left to put together how we could achieve the
9 particular objectives, and I would go back, and if Phil
10 supported it, there may be things he would contribute, he
11 would let me do that.

12 When I say both, it took me six to twelve months to
13 get to that state, and I don't believe he was the same with
14 everybody else. He was quite hands on and liked to
15 micromanage every step in the process. It was a question of
16 trust.

17 Q Do you believe Mr. Watts trusted the people in
18 place in EP?

19 A That is probably not for me to answer.

20 Q Just from your perception at the time dealing with
21 him through 2001, 2002, 2003.

22 A By and large, yes. I would have seen interactions
23 or sometimes the decisions where the process was that EP
24 would deliver a certain set of information or a certain
25 decision by a certain point in time. His expectation is they

1 would do that and reliance on the quality of the information
2 seemed reasonably high from what I could tell, that I would
3 have observed.

4 Q The question may be a little bit uncomfortable.
5 Another way to ask it would be do you believe Mr. Watts kept
6 abreast of what EP was doing in the 2001, 2002, and 2003 time
7 frame?

8 MR. SMITH: Above and beyond the natural flow of
9 information that would come to CMD.

10 BY MR. CRAINE:

11 Q That's a fair point. I'll give you a little bit of
12 background on where I'm going. You had certain CEOs who are
13 kind of up in the clouds and don't necessarily keep track of
14 what each business unit is doing.

15 In Shell, for instance, you might have six
16 different areas to keep track of, and a chairman may have a
17 particular expertise in an area and would dedicate more time
18 to an area, be more knowledgeable about an area.

19 What I'm trying to get to is was Mr. Watts
20 knowledgeable about what EP was doing from 2001 to 2003, and
21 did he keep abreast of what the business was doing.

22 A I'll stick to what I know and observed. Phil kept
23 very close to big transactions, such as the Enterprise
24 acquisition, and the final investment decision. He would
25 obviously keep close on monthly and quarterly results

1 reporting.

2 In fact, he encouraged through IR what I would
3 regard as a significantly enhanced monthly and quarterly
4 reporting process, which came in the form of a formal
5 engagement.

6 Phil as an individual was not a natural networker
7 who would link into the organization at different levels
8 through old friends, so to speak, and therefore, I'm not sure
9 that Phil had that kind of informal interaction that one
10 might expect.

11 There was a lot of formal information that I did
12 see, and I know he had a personal interest in the big things,
13 the big transactions.

14 Q In your experience, was he diligent in reviewing
15 the formal information and data he was receiving?

16 A Yes.

17 Q What was your understanding of Mr. Watts' role with
18 respect to reserve reporting?

19 A When I first took over in IR, reserves was not on
20 the investors' radar screen. I don't actually recall any
21 discussion on reserves reporting until early 2002. I had
22 been in the job going on two years by then.

23 When I first started, the issues with investors
24 were production growth, production growth, and production
25 growth, followed by the return on capital.

1 Therefore, for the first part of my time, my
2 discussions on reserves externally were almost nil. It was
3 only when we were coming to the early part of 2002 when it
4 first began to score on the investors' radar screens, and why
5 did it score on the investors' radar screens? Well, in the
6 U.K., there are only two oil companies. If you are an
7 investor, you invest in one or the other.

8 The other oil company has a very strong record of
9 communications and is award winning in that context basically
10 every year.

11 When EP went to change the investor agenda, they
12 changed the investor agenda. In early 2002, they were
13 scoring high on reserve replacement, and they were greater on
14 production growth.

15 EP, through the normal mechanisms, took the
16 investor agenda away from production growth and towards
17 reserve replacement. Luckily for them, that worked well for
18 them. Coming into 2002 and subsequently, investors had
19 arrived.

20 At that point, we all became a little more aware
21 and sensitive to the reserve replacement ratio. Up to that
22 point, my knowledge of Phil's role was effectively nil.

23 After, it was as chief executive, de facto chief
24 executive, I guess the owner of the process for the group,
25 but somebody who again would ensure there were processes in

1 place and that the reporting was accurate.

2 Our main focus was on the future reserve
3 replacement ratio, what was our position likely to be, what
4 did management have to do to deliver.

5 I guess that was my understanding of Phil's role.

6 Q As I understand it, before 2002, your role in IR
7 with respect to the reserve replacement ratio was minimal?

8 A It would be to answer questions, but I honestly
9 don't recall.

10 Q If there were questions in the 2001 time frame
11 about the reserve replacement ratio, they were relatively few
12 in comparison to other issues?

13 A Yes; correct.

14 Q What work did you do with reserve reporting when
15 you were in IR? You can give a prelude on how it ramped up
16 or changed, if you like.

17 A To go back to 2001, almost nothing. It just wasn't
18 on the radar screen, either for us or externally. As we got
19 into early 2002, we were reporting what was a low ratio. We
20 were certainly aware that a low reserve replacement ratio was
21 not good news for investors.

22 I had to familiarize myself with some of the basic
23 matrixes, what does it mean, being aware of that which is
24 reported externally on the reserves reporting, including the
25 standardized ratio. I was not fully familiar with that until

1 that time. How often was it reported, the basics.

2 Q In your previous life at Shell, before IR, had you
3 received any formal training regarding reserves reporting?

4 A No.

5 Q Had you received any informal training on reserves
6 reporting?

7 A Yes, in my time in Egypt, as finance controller, I
8 attended a two day course on basic petroleum engineering,
9 which led me to at least have conversations with the
10 technical people in the company at the time.

11 I was also, as controller, aware of the ARPR, which
12 is the annual review of petroleum resources that took place
13 towards the end of each year, produced reserve data, roughly
14 in the middle of January, that was then used for calculation
15 of depreciation, which was my interest.

16 It was around the impact of reported reserves on
17 depreciation. In that two day course, and it was in 1994,
18 ten years ago, the whole basic issues of reservoir management
19 and reserves management were being covered, not in the
20 specific sense of reserves reporting.

21 Q Other than the specific events you just detailed
22 for us, did you receive any other informal training with
23 respect to reserves reporting?

24 A Informal, no. During this year, I was in formal
25 training.

1 Q Prior to this year and in your time in IR, in 2001,
2 2002, and 2003, did you receive any training with respect to
3 reserves reporting?

4 A No training, but various discussions with people,
5 such as John Pay, the reserves coordinator. These were
6 usually based around an individual event.

7 Q What do you mean by an "individual event?"

8 A If we were making an announcement, for example, the
9 oil field in Kazakstan, or some of the offshore developments
10 in Nigeria, we knew it was a public announcement. We knew in
11 2002 what were the first few questions that investors would
12 ask if we made an announcement, where were we booking on
13 reserves and how many, what is the production, what is the
14 capital investment. There were basically five or six
15 questions. Before that time, we weren't making many
16 announcements.

17 Q When did you conclude your tenure as head of IR?

18 A April 7, 2004, I moved to The Hague as CFO for
19 exploration and production. I did not completely conclude my
20 contribution to IR until the last week of May, May 25th.

21 Q The reserves training, the formal reserves training
22 you received, is that while you were still in an IR function,
23 or was that when you moved over to CFO?

24 A When I was a CFO of EP.

25 Q Earlier you were describing a process where you

1 were trying to get yourself up to speed with reserve
2 replacement ratio, as it started to come on the radar screen
3 in 2002, if you could explain for us some of the things you
4 did to try to do that.

5 A I had a good working relationship with the CFO of
6 EP.

7 Q Was that Mr. Coopman at the time?

8 A Initially, it was Dominique Gardy. It was a
9 working relationship. I'm not sure it was good. From the
10 middle of 2002, Frank took over as CFO of EP, I had
11 previously worked with Frank. In my position from 1992 to
12 1998, Frank was my boss. We had a reasonably good
13 relationship.

14 Frank is a busy guy. Working for Frank, it is now
15 called a controller position, it was not originally called a
16 controller. I'm not sure what it was originally called.

17 There was a performance reporting group. One
18 position in that group was nominated as our focal point for
19 IR matters. Because in senior positions, we had a lot of
20 experience in Shell, we had informal networks into the
21 organization, whether they be in the central EP organization
22 or specific operating units.

23 We quite often had to use this network, when you
24 are dealing with the outside world or the investor relations
25 activity, you can't wait three weeks to get a reply to an e-

1 mail, or a response that has been signed off by the chief
2 executive. You need facts and hard data. We would use
3 official and unofficial routes to get that data.

4 In the case of resources, if there were an
5 announcement to be made, a declaration on cash accounts, we
6 would look at the reserves, we would go probably multiple
7 routes. Somebody would call John Pay, may e-mail John Pay.
8 The individual from the team was a lady called Rhea Hamilton.
9 Rhea would do some of that work for us.

10 Q Was she the focal point?

11 A Yes, she was the focal point, based in The Hague.
12 Rhea was recruited during my time to help find the right
13 person quickly to get the data that we needed, and somebody
14 who had helped.

15 Typically, we would ask the question, get back all
16 the information we needed.

17 Q Was communication with EP during your tenure in IR
18 challenging in any way?

19 A Communication with all businesses was challenging,
20 if you look at where we were coming from as a group,
21 certainly internally as well as externally, people were
22 always trying to be helpful if you asked a question. They
23 would give you five pages of information, but didn't give you
24 the information you had wished for. That was challenging.

25 We quite often would take a second check. Quite

1 often, we would go to two sources to make sure. If you don't
2 ask the question specifically in the first place, you don't
3 always necessarily get the answer that is appropriate.

4 Q Did you feel as if you could rely on what EP sent
5 you immediately in its first form?

6 A In general, yes, but specifically, we never did.
7 We had to have healthy skepticism. It's not like an internal
8 exchange of information where a week later you can say,
9 sorry, I was wrong. Once it has been used in public,
10 particularly in a stock exchange release, it's the point of
11 no return.

12 A check and double check was part of our normal
13 role. Quality control. Obtaining data and deciding what
14 would actually be used externally.

15 Q In your checking and double checking, did you ever
16 find problems in the data you received from EP?

17 A Yes. There were a whole variety, which was the
18 educational issue.

19 Q What did you do to try to remedy the errors in data
20 you were receiving from EP?

21 A A combination of factors. One thing that Phil
22 asked us to do was to put together a formal structured
23 program of development for senior executives that would take
24 them through the basics of communicating with the financial
25 markets and the media. It was a day and a half program run

1 by a third party, service provider.

2 We put 25 executives plus their supporting staff
3 through this program. That helped them better understand the
4 basics of communicating with the market, these things are
5 important, these things are not relevant, and this is just
6 what you should be sensitized to as an individual, as to
7 whether or not it should be communicated.

8 We had lots and lots of informal contact.

9 Q Who was Rhea's counterpart within your
10 organization?

11 A Both Bart van de Steenstraten, who was physically
12 in the same office, but also Gerard Paulides, or before that,
13 Michael Harrop, because they sat next to a group doing
14 financial reporting, and Michael or Gerard were responsible
15 for coordinating quarterly results and their communication on
16 any stock releases were developed and put through the London
17 office.

18 Q The seminar you were discussing previously, was
19 that at the end of 2001?

20 A With the executives? It was a series of programs
21 in roughly 2002.

22 Q What business units were involved?

23 A All, EP, OP, chemicals.

24 Q Who from EP was involved?

25 A Dominique Gardy, Frank Coopman, Lorin Brass,

1 Matthias Bichsel. We had a mini version for Walter, Malcolm,
2 Linda Cook, not the full version.

3 Q Was there an interactive component that was
4 involved?

5 A Yes.

6 Q How did the EP executives perform in the
7 interactive, to the extent you have knowledge?

8 A Less well, because fundamentally, they are
9 different individuals, uniquely based. For example, Frank is
10 not someone that we went on to use externally.

11 Q Who was involved in the decision not to use Mr.
12 Coopman for investor communications? If you could describe
13 for me how that came about and how that decision was made.

14 A It was feedback from the course organizer, plus
15 whoever -- I didn't attend all the programs. I didn't attend
16 when Frank did. The feedback was that Frank was probably not
17 going to represent the company in a way as some of the
18 others.

19 Q Did she convey why she felt this way?

20 A Neither to me nor Frank. I was asked to explain to
21 Frank that this was the case.

22 Q What did you explain to Mr. Coopman?

23 A That we were not able to use him in meetings with
24 investors.

25 Q Did you give him any reasons why?

1 A That Judy Boynton and other FDs felt it would be
2 inappropriate for him to be meeting directly with investors.
3 This was actually around the presentation in March 2003.

4 Q This would have been when Mr. Coopman was the CFO?

5 A By then, he was CFO.

6 Q Do you know if Mr. Coopman had worked with Ms.
7 Boynton in the past?

8 A As far as I'm aware, from June 2001, as part of the
9 crew changes, when Frank took over as group controller,
10 reporting directly to Judy in London, and he filled that role
11 until the middle of 2002, when he moved on to take over as
12 CFO of EP.

13 Q One follow up question with your very difficult
14 meeting where you had to explain to Mr. Coopman that he
15 wasn't going to be communicating with the investment
16 community, what was Mr. Coopman's response to you when you
17 informed him of that?

18 A He was unhappy.

19 Q Do you recall anything he said specifically to
20 convey he was unhappy?

21 A After 30 odd years in the company, he wasn't
22 trusted to talk about the company, how did that make him
23 feel.

24 Q I appreciate that. The question I asked was --

25 A That is exactly what he said.

1 Q Pardon me.

2 A Those are the words that he used.

3 Q Did he use other words as well?

4 A No, it was rather emotional, about trust. The
5 basic view was how could somebody who has only just joined
6 the company make that judgment on me.

7 Q Did you respond to any of Mr. Coopman's comments?

8 A I said, Frank, go talk to Judy, I'm the messenger.

9 Q Did you have any discussions with Mr. Coopman about
10 his working relationship with Ms. Boynton at any time?

11 A Informally, yes.

12 Q Informally, what did the two of you talk about?

13 A It's probably no secret, when Judy arrived, Frank
14 would have considered himself as a contender for that
15 position. He worked with her as group controller for a
16 period of time. I don't recall a specific event. It became
17 clear that Frank was not happy with the relationship, and
18 made it fairly clear, not just to me, but to everybody else
19 on the 17th Floor of Shell Center, which is where all of us
20 worked, that he had problems with the relationship, and that
21 he had limited respect for Judy.

22 Q Did he describe why he had limited respect for
23 Judy?

24 A Lack of knowledge of industry. It was professional
25 respect, basically.

1 Q Did he give examples of why he lacked professional
2 respect for Ms. Boynton?

3 A It was more knowledge of the business, and to go
4 back to the statement of how could somebody who has only been
5 here a short period of time and knows nothing about the Shell
6 business be in that position.

7 Q Do you know if Mr. Coopman followed up with Ms.
8 Boynton about her request that he not communicate with the
9 investment community?

10 A No, I don't.

11 Q Do you know one way or another if that took place?

12 A Honestly, I don't.

13 Q On a going forward basis after that meeting with
14 Mr. Coopman, would that have been at the end of 2002?

15 A That was March 2003.

16 Q From that point on, how was Mr. Coopman's
17 communication with Ms. Boynton? Did it make it worse, was it
18 already bad before?

19 A It was already bad before.

20 Q If you could kind of describe how it was bad
21 before, and what was going on that gave you that perception.

22 A The finance leadership team was chaired by Judy.
23 Judy had a direct reporting relationship with the business
24 CFOs, as you are probably aware. As group controller, Frank
25 reported directly to Judy and as CFO of EP, he did not.

1 The finance leadership team was a means of
2 coordinating finance activities across the group, and Judy
3 chaired obviously as the senior finance individual. Frank
4 and the CFOs of the other businesses would attend, as well as
5 group treasurers, once every six to eight weeks, a meeting.

6 I would go if there were IR issues. I was not a
7 member of that team. My first meeting that I attended, Frank
8 at one point stood up and said this was a waste of his time,
9 and stormed out of the meeting, never to return.

10 He was also notorious for always never attending
11 such meetings, nor when we had formal meetings to review
12 quarterly appraisals with the CFO, Frank would never attend,
13 and all the CFOs did attend.

14 You would see specifics like that. I do not know
15 what passed between them. I had to work with both of them.
16 I had to take a view that their relationship was their issue.
17 Because I had to remain positive relationships with both of
18 them, they both had to understand that.

19 If Frank and I were dealing on something, he would
20 say don't share this with Judy, and I wouldn't, and vice
21 versa.

22 Q Do you think Ms. Boynton respected Mr. Coopman?

23 A More so than the other way around, yes, I do. She
24 had professional respect for him and his knowledge of the
25 business, his integrity and his willingness to make tough

1 decisions.

2 Q Did she ever specifically complain about actions
3 Mr. Coopman had taken, other than the meetings that he may
4 not have attended that you discussed?

5 A I can't think of anything specifically.

6 Q I appreciate your being candid. When we get into
7 the documents, it will become much less personal and more
8 into the data.

9 A I fully understand.

10 MR. CRAINE: Do you want to take a quick break?

11 MR. SMITH: Yes, if this is a good time.

12 MR. CRAINE: Let's go off the record. It is 11:10.

13 (A brief recess was taken.)

14 MR. CRAINE: We're back on the record at 11:25.

15 BY MR. CRAINE:

16 Q A few more checking off the box type questions.
17 Did you review the Shell guidelines when you were in IR at
18 any time?

19 A Reserves reporting guidelines. No, I didn't,
20 although Gerard Paulides did in the September/October time,
21 because we knew it to be updated at that stage.

22 Q September/October of 2003?

23 A 2003.

24 Q What led to his review?

25 A We just knew they had been updated, and we were

1 still in what were the reserve replacement ratios going to be
2 phase.

3 Q Had anyone in IR that you know of reviewed the
4 Shell reserve reporting guidelines in the past?

5 A Not as far as I'm aware as part of an IR role. All
6 the individuals I mentioned had at some point in time spent
7 time working within EP, as they were all finance
8 professionals. There would have been no direct reason for
9 them to do so.

10 Q Did you instruct Gerard to review them, or was it
11 something he took on himself?

12 A He took it on himself.

13 Q Did you ever review the SEC guidelines while you
14 were in IR?

15 A You are asking in January 2004?

16 Q Prior to January 2004, had you reviewed the SEC
17 guidelines?

18 A No.

19 Q Do you know of anyone else in IR who had reviewed
20 the SEC guidelines before January 2004?

21 A Not for sure. David Sexton and Michael Harrop were
22 the focal points for the U.S. and U.K. markets in terms of
23 disclosure requirements, so they were certainly familiar with
24 the Financial Market Services Act. The reserves reporting
25 was essentially a separate reporting process. I can't say

1 for sure, but there would have been no direct reason.

2 Q You don't know one way or another if they reviewed
3 it or not?

4 A They were never asked to do so by me.

5 Q The next thing I would like to do is walk through
6 some exhibits. Many of these were made from the one on one
7 meetings that you were discussing before.

8 I will hand you what has been marked as Exhibit
9 322.

10 (SEC Exhibit No. 322 was
11 marked for identification.)

12 BY MR. CRAINE:

13 Q It seems like before you took over in IR, these one
14 on one meetings were relatively a rare occurrence; is that
15 right?

16 A Two years before, very rare. As I took over, they
17 were rare, but they did take place, but they were less
18 comprehensive, maybe 50 to 100 a year.

19 Q What was the purpose of these one on one meetings?

20 A Several purposes. The primary was to give an
21 opportunity to individual investors to interface with
22 executives, to ask questions, for them to, I guess, eyeball
23 the guy who was looking after their money.

24 A secondary objective is the questions or comments
25 that were made were the key drivers to investment at that

1 point in time. Quite often, you pick up competitive
2 information as well in those meetings. Essentially, it was
3 to offer the investors the opportunity to ask questions.

4 Q As an IR group, would you work to keep track of
5 what questions were asked and what responses were given?

6 A In each meeting, we would take notes, the level of
7 and quality of note taking was per individual, and it was
8 primarily to do pretty much what you just implied, after you
9 had done a road show, to stand back and share them within the
10 IR team, and to feed back to the executives.

11 Sometimes if Phil did a road show, we would feed
12 back to Judy.

13 These meetings with investors, if you used brokers
14 as a party planner or if they joined some of the meetings,
15 they would solicit direct feedback from investors. They
16 provided to us, usually anonymously, in fact, in all cases,
17 anonymously, but sometimes it was a particular source, and
18 that information was typically fed back to the individual
19 executive who had been at the meeting, as a way of improving
20 the process, improving their communication and their
21 understanding.

22 We would always keep Phil and Judy appraised of
23 this particular event or this series of meetings, when it was
24 good, bad, or indifferent, these were the key issues, the
25 views of the particular executive, if there were any,

1 responses.

2 Q The areas that you would keep Phil and Judy
3 apprised of, one of them, I take it, would be the performance
4 of the Shell employee presenting or answering; is that right?

5 A Typically, we did not feed back comments on one MD
6 to another MD. We did not take direct feedback on Judy and
7 give it to Phil. We would discuss what that feedback may be.

8 Q Just so I'm clear, at his request?

9 A If Judy went, we would get feedback from the
10 broker, we would give the feedback exactly as it came to
11 Judy. If Phil knew Judy had gone -- I typically had a
12 meeting with him once every two to three weeks, the next time
13 I met with him, I would make sure that he knew -- he probably
14 knew anyway -- how did it go, and we would give him that. I
15 wouldn't go knock on his door and say executive X was good or
16 bad. It was really at his request.

17 Q Would you do that at other executive's request?

18 A The only thing we had feedback about on other
19 people were to Phil and Judy, that was it, and in the spirit
20 of planning, the most effective communications.

21 Q Did you also relate to Phil and Judy the questions
22 that were being asked and the concerns that investors had?

23 A Yes.

24 Q You mentioned in 2002, those concerns or questions
25 would include reserve replacement ratio? In 2002 and 2003,

1 what issues related to reserve replacement ratio did you
2 bring to the attention of Mr. Watts and Ms. Boynton?

3 A The general issue would have come through every
4 formal presentation, strategy presentation. We would prepare
5 briefing notes ahead, and the briefing notes would typically
6 have issues. That was one of the main objectives, the level
7 of interface we had with the market, so we knew what the
8 concerns were.

9 Typically, as we went through 2002 and 2003, the
10 top ten issues were always reserve replacement ratio, what
11 was going to happen this year that would improve the number
12 and improve our position.

13 Q Beginning in the first quarter of 2002, did you
14 make it clear to Ms. Boynton and Mr. Watts that reserve
15 replacement ratio was a concern and an issue being expressed
16 from the market?

17 A I can't remember specifically, but it was on the
18 radar screen, therefore, it was on the radar screen for us.

19 Q Before these meetings and before a lot of these
20 different events, you would prepare or IR would prepare
21 materials to help prep the executives; is that correct?

22 A That's correct.

23 Q In those materials, it included issues related to
24 reserve replacement ratio; correct?

25 A Correct.

1 Q That would have been from the first quarter of 2002
2 through 2003?

3 A Up until today; yes. Typically, the briefing
4 material coming from the IR team was key messages on an
5 issue. The supporting information plus a brief description
6 of why this is an issue for investors. Reserve replacement
7 ratio may be an issue, but there may be other things on the
8 list that were an issue. All of that would be built up from
9 the constant feedback we were getting from the market.

10 Q Are you aware of a CMD note from February 2002
11 dealing with or concerning reserve replacement?

12 A I read the newspapers.

13 Q At the time, were you aware of that?

14 A No.

15 Q You would not have become aware of that until 2004
16 or beyond?

17 A Not specifically.

18 Q Beginning in 2002, did you have discussions with
19 Mr. Watts, Ms. Boynton, or others regarding issues with
20 reserves reporting in ETP?

21 A Reporting of existing data looking backwards? No.
22 Reporting of events that would lead to future reserve
23 replacement ratio impact, yes.

24 Q Looking back to Exhibit 322, it looks like what you
25 have done is detailed questions and answers. Was there a

1 discussion of a format that was going to be used? Is this
2 something you came up with on your own?

3 A The general agreement between me and my three
4 lieutenants was that questions would always be recorded, and
5 that we would share answers, for consistency. There was no
6 consistency between recording answers and the level of detail
7 in which the questions got recorded also varied.

8 Q This is your handwriting?

9 A This is my handwriting.

10 Q Did you take these notes during the meeting?

11 A Yes, and handed it to the secretary, that we would
12 use it to do the summaries and suggestions.

13 Q These would accurately reflect what you were
14 hearing and taking down at the meeting?

15 A My notes tended to be the most comprehensive.

16 Q On the top, you have the attendees?

17 A Yes. That's important for continuity.

18 Q This meeting with Standard Life, you were there
19 with Mr. Watts?

20 A That's correct.

21 Q David Cummins was there on behalf of Standard Life?

22 A That's correct.

23 Q Would others have been there as well?

24 A If they had been, it should have said here. Susan
25 Tarry would have been present. I'm struggling to remember

1 the timing of this one, because it's not actually dated.

2 Q Actually, in fairness, it looks like what happened
3 is you took contemporaneous notes during the meeting; is that
4 right?

5 A Yes.

6 Q After the meeting, did you hand those off to
7 someone off in your office?

8 A To the secretary.

9 Q She would type them up?

10 A She would type them up; yes.

11 Q It looks like these have been proofread?

12 A Sometimes I would proofread it.

13 Q Are these your proofreading marks?

14 A Yes, they are.

15 Q I assume you would have the benefit of your notes
16 while you were proofreading?

17 A Ordinarily, yes.

18 Q Looking at MISC00021374, it looks like you have
19 Standard Life is the institutional shareholder, and then 13
20 May 2002 is the date of the meeting. David Cummins and Susan
21 Tarry were there. Who are the individuals you have in front?
22 It looks like you have Mr. Watts and yourself, and then some
23 other individuals listed.

24 A In the first week of April 2002, we had a
25 successful bid for Enterprise in the U.K. It was concluded

1 in early May. We went on a road show with investors.
2 Because of the Financial Services Market Act, we had to take
3 with us representatives of the bankers. They had to be there
4 for U.K. regulations.

5 Julian Mylchreest is an investment banker. Mark
6 Ianotti was the head of equity research at what is now
7 CitiGroup.

8 Q "One on one," was that well known in the IR
9 department at Shell?

10 A Yes.

11 Q During the course of these one on one's, what would
12 your involvement be or a representative of IR's involvement?

13 A It depends on who the executive was. Some
14 executives are very inclusive and would invite IR. Even when
15 they knew it, they felt sometimes that IR should answer a
16 certain type of question and they should stick with
17 representative type questions.

18 I would be there, if an executive did say anything
19 that was either incorrect or inconsistent, I would correct it
20 at the time, or correct it afterwards.

21 Ordinarily, executives were sensitive to what might
22 be sensitive, so they would turn to me and say what have we
23 said on this subject before, I don't want to make a
24 statement.

25 I was there as a benchmark.

1 Q It sounds like your involvement in the meetings
2 would vary, depending on the person presenting on behalf of
3 Shell?

4 A Correct.

5 Q What would your involvement have been with the one
6 on one's involving Mr. Watts?

7 A It varied over the time I was with him. Initially,
8 Phil would try to take everything. He wanted to be seen as
9 the man who knew everything. As they became more financial,
10 and he had more trust in me, not just the detailed financials
11 but the strategic financials, he turned over to me.

12 We had a bit of a meeting one day in New York where
13 he berated me for not filling in on the financial strategy
14 questions, and I advised him that they haven't come to listen
15 to me to talk about financial strategy of the company. They
16 have come to hear him talk.

17 He was always giving me more. It was pretty much
18 an open relationship. By and large, the balance with Phil
19 was quite reasonable.

20 Q When you filled in the Q&As here, for instance, in
21 this meeting in Exhibit 322 with Standard Life, the answers
22 in particular, are these answers that Mr. Watts is providing
23 or you are providing?

24 A That's a good question. I think invariably what is
25 written is what was answered by Mr. Watts. I wouldn't record

1 my own answer.

2 Q If you were answering a question, you wouldn't have
3 been taking notes while you were answering?

4 A That is correct. By and large, these would be
5 answers from Mr. Watts.

6 Q What I'd like to do now is walk through a few of
7 the Q&As. Your notes are much better than others, but still
8 at times, it will help me to have you explain what was going
9 on in some of them.

10 I'd like to start with the first question, the one
11 that begins with "There's been a lot of focus on the reserve
12 replacement ratio." If you could briefly describe what the
13 question is and what the answer Mr. Watts provided was.

14 A ETP is the stock exchange ticker for Enterprise.
15 This was just after the Enterprise acquisition. The question
16 was there has been a lot of focus on reserve replacement, and
17 I guess this ties back to my earlier point about early in
18 2003, it is coming on the radar screen.

19 There was a perception in the market that the
20 Enterprise deal was at least in part motivated by a desire to
21 rebuild reserves.

22 The question would have been in the context of
23 David being a senior investor, ten years of direct experience
24 in the oil and gas industry, a guy who knows his stuff. He
25 was aware that in the period of 1999, 2000, and 2001, the

1 Shell Group had reduced its capital investment in the
2 upstream. He knows reserve replacement is proportional to
3 capital investment, and he's looking for the impact of that,
4 as that impacted reserve replacement. Is Enterprise an over
5 reaction. Again, the market did not receive the Enterprise
6 deal very well. It was not a big boost for the perception of
7 the company.

8 On reserve replacement, the target or what we
9 expected to achieve, was to replace reserves.

10 Q Do you specifically recall this meeting?

11 A I remember going in and out. We had some
12 discussion on the way in. I was advising in the way in.

13 Q Did you have discussions about the reserve
14 replacement ratio issue with Mr. Watts before these meetings?

15 A We would have had discussions in the general sense,
16 following the February announcement of the reserve
17 replacement ratio, and the only specific point I recall from
18 the discussions around Enterprise was well, at least
19 Enterprise will fix this for this year.

20 Q "This" being the reserve replacement ratio?

21 A Yes, fix the performance, it should do the trick.

22 Q Is that what he told you?

23 A Yes.

24 Q Did he discuss or elaborate on the performance
25 problems that needed to be fixed by the Enterprise

1 acquisition?

2 A The prime driver was growth at the time. Reserves
3 were on the radar screen. It wasn't up front and central.
4 Enterprise was seen as doing several things internally,
5 including the portfolio. They extended the time and life
6 cycle of the North Sea infrastructure. It increased our
7 exposure to higher oil prices.

8 Yes, it did have an impact on the 2002 reserve
9 replacement and came with opportunities of other reserves
10 from other assets in the Enterprise portfolio. It was in
11 that general context we would have discussed it.

12 Q If I was sitting down with you today, and I asked
13 was reserve replacement ratios something on your radar screen
14 throughout 2002, and they told me no, what would your
15 response to that be?

16 A My response would be I would be surprised because
17 reserve replacement ratio going forward was clearly an issue
18 by then in the minds of investors as a differentiating
19 factor.

20 Q That is something you conveyed to both of them
21 throughout 2002; correct?

22 A Yes.

23 Q Looking at the bottom of this page, question,
24 history and projection for reserve replacement ratio. What
25 was the question being asked there?

1 A Investors were looking for future trends and
2 management's willingness to commit to the future performance
3 parameters. We were regularly asked for a projection, not
4 only of reserve replacement, but with regard to growth.

5 I would read this and briefly record this as what
6 is the reserve replacement going to be going forward. If I
7 extrapolate from the past, is that reasonable, with the
8 suggestion that would get me about 100 percent.

9 That question, which is actually a separate
10 question, meant having made discoveries but not progressing
11 through to subsequent developments.

12 Q What was the response that Mr. Watts gave?

13 A That we don't do forecasts on that particular
14 parameter, there are a few things we do specific forecasts
15 on.

16 I suspect this is one of those answers where I
17 didn't have time to write this before they moved into the
18 next question. It would probably be wrong to speculate on
19 where that one was going.

20 Q You mentioned earlier that a lot of times when you
21 didn't fill in answers, it was because it was kind of a stock
22 answer or something that had been used repeatedly. Was there
23 a stock answer to this question in this time frame?

24 A I'm trying to think behind the question, as part of
25 that exploration success. There was a stock answer on the

1 investment in the earlier period, yes. There was
2 acknowledgement that we had under invested during that
3 period, and Enterprise addressed that. Enterprise was
4 roughly filling the gap. We had left behind a three year
5 gap. There was a stock answer there.

6 In terms of the exploration and maturing those
7 towards production at the time, I don't recall having any
8 particular stock answer.

9 Q In the 2002 time frame, were there questions about
10 the reserve replacement ratio being hurt by discoveries not
11 progressing to developments?

12 A Not that I recall, not with investors. Nor for
13 that matter particularly internally either. It would have
14 been much later than that that we had the discussion more
15 specifically.

16 Q What again was the last line there, cut backs
17 impact?

18 A That was directly related to the lower cap rates in
19 the 1990s in one period, and the response from Phil was there
20 is some impact in terms of production and reserves bookings,
21 because we reduced the cap ex, but I'm not sorry, because
22 sometimes you have to make a significant change to an
23 organization's culture to get where you want to be, and if we
24 cut back too hard by forcing people to improve the discipline
25 with which they spend the capital --

1 Q Looking at the last page now, the second question
2 "O&G's views on strategy and market development, if you could
3 walk through that question and answer for us.

4 A In the O&G industry, the industry is not that well
5 known, at this point in time, 2002, Exxon had a public
6 position that it was an industry going nowhere. BP said they
7 had better things to invest in. Shell was the one player who
8 was investing big in O&G and doing well. BP and others told
9 the market that Shell would have big problems with market
10 development, they would over invest before the market was
11 ready.

12 Investors typically in that period in time were
13 benchmarking what they had been told previously by somebody
14 else about the market development.

15 Other companies were putting the word on the street
16 that the profitability of such projects was low and
17 uninteresting.

18 By and large, O&G was a high risk area for
19 companies to invest significantly. That is what is driving
20 the question and discussion. Hence, strategy and the way the
21 markets were developed is the focus of the question.

22 Q What was Mr. Watts' response?

23 A We are already number one in terms of our position
24 in the O&G industry, listed the five existing projects, and
25 the growth potential for four of them, given that three of

1 those were already beyond investment decision and into
2 construction.

3 Beyond that, there are other possible developments.
4 It is not just about supply. You have to invest in shipping
5 to be able to trade. Therefore, that is the other end, so it
6 is not just a question of drilling holes. You have to
7 develop markets.

8 At that time, we were still in the development
9 stage. Therefore, you could talk primarily about strategy,
10 and not about the importance of it.

11 The trading market was in the early stages of
12 development, not something we played big at the time.

13 Q The possible list, what were the possible O&G
14 projects you were discussing?

15 A Sunrise, Northern Australia. At the time, we felt
16 we were getting close to an investment decision, a
17 disagreement on the actual development for Sunrise, that it
18 hadn't actually matured as quickly as one would have hoped.

19 Iran. That is one that has matured recently.

20 Q Do you know why Sunrise was listed as a possible
21 development?

22 A Because at the time, it was expected to be.

23 Q Did you have discussions with Mr. Watts about the
24 booking of Gorgon? When is the first time you had
25 discussions with Mr. Watts about the booking of Gorgon?

1 A I think it was probably early January 2004.

2 Q How about with Mr. van der Vijver?

3 A The first discussion I had with Walter on the
4 subject of certain bookings was in February 2003, when after
5 the strategy and full year presentation, which would have
6 been the first week in February, I don't recall the date, we
7 then went on another series of road show meetings. I had
8 been with Mr. Watts one week so I could answer questions, and
9 at the time, we made it clear that although there was
10 reasonable replacement to the oil volumes, the gas volumes
11 had not been replaced in the year of 2002, calendar year
12 2002.

13 You see progress on the project, and then you see
14 relatively large amounts of reserves booked, and in response
15 to the question, Phil would typically respond and there are
16 several projects towards that stage of the next year or two
17 years, and he would list them. Gorgon would be on that list.

18 Phil was very enthusiastic about the prospects. By
19 then, it was coming close to an investment decision.

20 Phil was particularly enthusiastic about Orman
21 Langen, which I had some concerns about. The numbers I had
22 in mind about Orman Langen were smaller. It wasn't in the
23 same league as Sakhalin or Gorgon.

24 The following day or week, within a week, I also
25 had meetings with Walter, and in response to the same

1 question, Walter didn't give the same enthusiasm to Orman
2 Langen or Gorgon. I raised the question with him on Orman
3 Langen, and he informed Orman Langen was relatively small, it
4 was not a 100,000 barrel a day project.

5 He said he booked some of those reserves, and he
6 also confirmed at the time that Gorgon had booked some
7 reserves.

8 Q Did he explain the nature of those reserves?

9 A Not really. He shrugged his shoulders in a way
10 that suggested if it was done by the previous chief executive
11 of EP, what am I to do.

12 Q Was that your understanding that Gorgon and Orman
13 Langen were booked under Mr. Watts' tenure as CEO of EP?

14 A Yes.

15 Q Did you discuss this with Mr. Watts after a meeting
16 with Mr. van de Vijver? It sounds like you have two
17 different signals being sent to the market, and that would be
18 something that would concern you.

19 A No, I do not believe I did discuss it further with
20 Mr. Watts on those specifics. I may have raised it with Mr.
21 van de Vijver to say pretty much what you just suggested,
22 that I and IR, you are the CEO, he's the ex-CEO, please find
23 the right positioning. That is not something I would have
24 perceived in and of itself being sensitive, so not something
25 I felt I had to go out and make a statement on.

1 It was just one project in the future, is it big,
2 medium or small. There are some things I could do as IR, and
3 other things were beyond me.

4 Q Did Mr. Watts continue to raise Gorgon and Orman
5 Langen as big prospects or potential bookings throughout
6 2003?

7 A Fair question. I was much more aware of it in the
8 February period. Phil himself was more limited in the work
9 he did externally during 2003. Sakhalin and Garpram became
10 the focus of what was talked about, which were big projects
11 making serious progress. It didn't really go back on Gorgon.

12 Orman Langen was a big one. Orman Langen did move
13 to final investment decision during the year.

14 Q Did you discuss these issues with Ms. Boynton, as
15 your supervisor and also a focal point to the investment
16 community?

17 A Not specifically, but it would have been typical of
18 that type of issue would have been the sort that I would go
19 back to Judy and say --

20 Q It's not something you would keep from her, is it?

21 A No, not at all. Quite the opposite.

22 Q Did you ever talk to her in a more general sense
23 about instances where Mr. Watts may be saying one thing to
24 the market or presenting one thing, and Mr. van de Vijver
25 might be heading in another direction?

1 A I would have various discussions with Judy about
2 what our policy would be on a particular issue or aspect. It
3 was always the glass is half full, meaning take the positive
4 side of the situation. Walter was always rather laid back
5 and the glass was always half empty, a natural kind of thing.

6 Judy was generally pretty good in terms of her
7 advice and her interest in not being too positive, and
8 addressing any statements about the future with appropriate
9 caveats or proviso's, even if there was no official
10 disclaimer, it could be in this kind of range.

11 Judy was very sensitive to such issues and very
12 supportive in general.

13 Q Do you recall any specific examples that took
14 place?

15 A I knew you were going to ask that. Production
16 growth would be one of them. Reserves were not one of them
17 because it was agreed, we aimed for 100 percent. That was
18 the basic message. The reserves, there was a lot of
19 discussion around Enterprise, as to what we believed we could
20 deliver or what we would say externally, what we would say
21 externally typically was rather less than we believed we
22 could do.

23 Some might want to say we could do more. It was
24 that type of issue.

25 Q Going back to this February 2003 statement from Mr.

1 Watts, where he mentioned he was more enthusiastic about
2 Gorgon and Orman Langen, could you put some meat on the bones
3 on who was present there and exactly what Mr. Watts said?

4 A They were one on one meetings in London. I don't
5 recall exactly who with.

6 MR. FERRARA: Do you recall approximately the date?

7 THE WITNESS: It would have been the second week of
8 February, during the month of February, probably pretty close
9 after. We would typically report on a Thursday, and it would
10 have been the week after the Thursday. I think it was
11 February 7th, the Thursday, of 2003. It would have been a
12 week after.

13 BY MR. PEAVLER:

14 Q What was the question or the line of inquiry that
15 prompted a discussion of Gorgon and Orman Langen?

16 A Anything to do with reserves. The communications
17 strategy in the vague area of reserves, this is the answer
18 you give, independent of what the specific question on
19 reserves was.

20 Gas has been a problem. This is what you can
21 expect to see over the next one to two years. That will make
22 a difference, without actually giving a number or a
23 particular date. I'm absolutely sure Phil wouldn't have said
24 it will make X millions this year from this project.

25 Q The question dealing with essentially where are

1 your reserve replacement numbers going to come from in the
2 future, is that the nature of the question?

3 A That was the nature of the question that was being
4 answered. The question could have been broader or more
5 specific. That is how Phil would answer.

6 Q Mr. Watts responded by identifying a number of
7 places, but included in those were Gorgon and Orman Langen?

8 A Correct.

9 Q Did he give any caveats to that, saying, well, we
10 have already booked reserves in Orman Langen, or we have
11 already booked reserves in Gorgon, so that the number would
12 be relatively small, or give any kind of caveat?

13 A I don't recall any caveats of the first kind,
14 specific to this project, we have already booked. The
15 caveats that were given were timing of the investment
16 decision is not always under our control, we need agreement
17 with governments, and when we start booking reserves, we
18 don't book all of them at once, we book them as the project
19 matures.

20 Don't expect billion dollar bookings from
21 individual projects.

22 Q Let me ask you this, was the context of the answer
23 such that these projects, Gorgon, Orman Langen, and others,
24 have not reached the level of maturity at which reserves
25 could be booked today? Do you understand my question?

1 A The context of the answer was there are reserves,
2 subject to the future.

3 Q That goes to the forward looking nature of the
4 statements you were discussing earlier?

5 A Correct. Always looking forward.

6 BY MR. CRAINE:

7 Q I'm handing you what has been marked as Exhibit
8 323.

9 (SEC Exhibit No. 323 was
10 marked for identification.)

11 BY MR. CRAINE:

12 Q The top line shows who was involved and what was
13 going on with this one on one meeting.

14 BY MR. PEAVLER:

15 Q I do have further follow up to the second week of
16 February 2003. Let me ask you something, because you
17 mentioned earlier that you had a meeting with Walter van de
18 Vijver.

19 A It was exactly the same process.

20 Q You had a follow up discussion with Mr. van de
21 Vijver, where he had clarified, well, these things had
22 already been done under my predecessor, and then he shrugged
23 his shoulders. You described that for us.

24 After that point, at which he said, well, there
25 were some bookings, was there any corrective action that you

1 took with respect to Mr. Watts' initial comments in this
2 area?

3 A The statement of the discussion with Mr. van de
4 Vijver is correct. Was there any follow up action. My
5 implication was -- I think I probably addressed it earlier
6 -- I raised it with Walter for Walter to resolve with Phil as
7 to what their story should be, rather than me necessarily me
8 following up separately.

9 Bearing in mind, I was dealing with chief
10 executives who I assumed knew rather more about the situation
11 than I did.

12 Q I appreciate that. I was just wondering if there
13 was some action that you know of, back to this group that
14 Phil had spoken with, to say we didn't mean this, we want to
15 be more clear about Orman Langen and Gorgon, in case we left
16 an impression that was not entirely --

17 MR. FERRARA: What do you think was unclear between
18 the two?

19 BY MR. PEAVLER:

20 Q Let me ask the question, was there any follow up
21 that you are aware of to the group that Phil Watts had spoken
22 with about Orman Langen or Gorgon, given the additional
23 information?

24 A It is entirely normal practice for investors to
25 call my team. Typically, take this meeting, Robin Weir was

1 the main contact for this investor, would call us after the
2 meeting to follow up on any things he was unclear about,
3 points he thought were not addressed in the meeting.

4 BY MR. CRAINE:

5 Q Would that have been noted in the file as well?

6 A Those calls were typically not noted. The only
7 time we had a serious noting of such conversations was after
8 January 9th.

9 Q Do you specifically recall learning of any follow
10 up calls or communications after the one on one meetings with
11 Mr. Watts in February of 2003?

12 A No, I don't.

13 Q You don't have knowledge one way or the other
14 whether anything like that took place?

15 A No, because the context of the question and the
16 answer was what could happen in the next couple of years and
17 if it would make a difference. People were not necessarily
18 taking away Shell will report 145 percent reserve replacement
19 because of the following transactions.

20 It's just that these projects are in the pipeline
21 and are material, and in the future, if there are
22 announcements about the status of the projects or the
23 progress, how does this relate back to strategy, and is it
24 good news or bad news. It's positioning really before the
25 event, the Sakhalin investment decision, or the Orman Langen

1 investment decision.

2 Q Earlier we were talking about kind of being placed
3 in the uncomfortable middle between Mr. Coopman and Ms.
4 Boynton, as far as they had some issues with one another, and
5 you had a good relationship with both.

6 Would you view that as being somewhat similar with
7 Mr. Watts and Mr. van de Vijver, where you were put in the
8 middle of them in a certain situation?

9 A With Judy and Frank, there was an emotional edge to
10 it, certainly on Frank's side. Tim Morrison was the group
11 controller. Tim and I were the people with whom she could
12 have an objective discussion about the EP business, and
13 understand what was going on there, and some things she was
14 getting directly from Frank.

15 The tension for me there was if I discussed certain
16 issues with Frank, they were not to be discussed with Judy,
17 plus the emotion.

18 Phil and Walter, there was no secret in the company
19 again that they were not best of friends, but the emotional
20 edge was not really there.

21 Phil was nevertheless professional in anything he
22 did, was hard driving in his apparent expectations of the EP
23 business. He seemed to me to make quite strong efforts to
24 stay out of Walter's business, to stay out of his hair, and
25 not to interfere, and to make it clear that Walter was

1 accountable for running the business and the strategy.

2 Walter's response of, you know, shrugging his
3 shoulders, just about sums it up. Yes, I inherited an area
4 that was under invested, and I just have to play the cards I
5 have been dealt, and shrug your shoulders.

6 Neither of them was looking to me as a source of
7 objective information about the other, whereas Frank and Judy
8 were. It was much more pointed.

9 Q Was Ms. Boynton supportive of you in your dealings
10 with Mr. van de Vijver and Mr. Watts?

11 A Always.

12 Q Did you feel you could bring her any of the issues
13 that arose with either of them?

14 A Yes.

15 Q Is that something you typically did?

16 A Yes.

17 Q How often would you meet with Ms. Boynton?

18 A Pretty regularly. The formal schedule was monthly
19 and then quarterly reporting, but quite significant informal
20 meetings on a variety of things, stock issues. Quite a lot
21 of issues that had nothing to do with IR, I guess is fair to
22 say.

23 Q Would you be communicating with her on a weekly
24 basis?

25 A Yes, typically.

1 Q On a daily basis?

2 A No.

3 Q Somewhere between a daily basis and once a week?

4 A A couple of times a week, maybe.

5 Q I have just one other question about Mr. van de
6 Vijver. You mentioned you had the third party folks come in
7 to assess communication skills. How did Mr. van de Vijver do
8 with that?

9 A Managing directors would exempt from the process,
10 because they were believed to know it all.

11 Q He was not a participant?

12 A Not officially. When we got to the March 2003
13 strategy presentation for EP and GP, we had been through the
14 back door and we managed to get Walter, Linda Cook, and
15 Malcolm Brindel in the same room for four or five hours, take
16 them through the same individual who had run the programs,
17 and for most of the basics, Walter actually reacted pretty
18 well to it.

19 Q Why did you decide to set up this program for them?

20 A That Walter was the least effective communicator of
21 all the MDs.

22 Q Was that a valid belief?

23 A Yes, I do think it was a valid belief. At least as
24 importantly, this was a presentation of two businesses that
25 operationally and strategically are closely linked, and it

1 was vital that we got an integrated view to the market that
2 we thought at least this was an integrated strategy executed
3 by different people.

4 At the time, Linda Cook was the chief executive of
5 Gas and Power. Malcolm Brindel was the managing director
6 responsible for Gas and Power, but not chief executive.

7 Walter, who was both a managing director and chief
8 executive of EP.

9 To put them in one room and take them through the
10 importance of either little things like body language when
11 talking together. When you talk about risks, you talk about
12 it this way, and your style of answering questions and the
13 underlying issues.

14 The only way I could get Walter into that was to
15 bring the three of them together.

16 Q Did you discuss this with Phil, involving Mr. van
17 de Vijver in this program?

18 A Yes.

19 Q What was his response?

20 A Good idea.

21 Q Did he tell you why he thought it was a good idea?

22 A He wouldn't have expressed the opinion about Walter
23 that I just had. He would have expressed an opinion about
24 alignment and things.

25 Q Other than Gorgon and Orman Langen, the disconnect

1 -- sorry.

2 MR. FERRARA: I don't mean to interrupt your
3 question. I have been listening carefully. I think both of
4 you are saying a "disconnect" between the reactions of these
5 two executives on Gorgon and Orman Langen. I'm not quite
6 sure it is fair to characterize the glass half full by Phil
7 or a shoulder shrug from Walter as being a disconnect.

8 If you want to characterize it that way, perhaps
9 you should ask more questions about really what the
10 "disconnect" is. The record to me is just unclear on that.

11 BY MR. PEAVLER:

12 Q Let me ask you this, Mr. Henry. After you spoke
13 with Walter van de Vijver, when he gave you the shoulder
14 shrug, did you think that what Mr. Watts had said regarding
15 Gorgon and regarding Orman Langen, was potentially
16 inconsistent with what Mr. van de Vijver said, that there was
17 an inconsistency between those two things?

18 A I guess the inconsistency was the enthusiasm with
19 which they spoke. One would talk over the table, this is a
20 great thing, a big project. I'm excited about it and I'm
21 going to make sure it gets delivered.

22 Walter would sat back and said, oh, yeah, there's
23 Gorgon and Orman Langen as well, a completely different
24 approach. That can give a different perspective to the
25 person who is in both meetings.

1 Q Leaving aside whether it added value, that Gorgon
2 and Orman Langen would add reserves to help the gas reserve
3 replacement, was Mr. Watts, when he was conveying yes, these
4 projects will add reserves to help our gas reserve
5 replacement ratio, is that what he was conveying to the
6 people that he met with?

7 A He was conveying that over time, that would happen.
8 Of course, it's true. Over time, it will happen.

9 Q Let me ask you, at least as things stood in early
10 2003, how was Gorgon going to add more reserves, at least as
11 you understood it at the time?

12 A It was not going to add reserves in 2003, as a
13 calendar year, but there was an implication that it would.
14 The ones that were on the slate for 2003 were Sakhalin and
15 Orman Langen.

16 I don't remember much discussion about Gorgon at
17 the time, but gas to liquids made a major step forward in the
18 year, and certainly was featured in later discussions.

19 Some of the discussions, I'm sure, included Sunrise
20 as well, because that was still in the portfolio, and one
21 day, it will be developed.

22 Q Really what I was wondering though is when you
23 spoke with Mr. van der Vijver, what did he say about Gorgon
24 with respect to the improved reserves position and how that
25 would impact the reserve replacement ratio?

1 A My initial question was on Orman Langen. He
2 confirmed it was not a major project in terms of 100,000
3 barrel a day kind of production. He said and we have already
4 booked some of the reserves, and of course, we booked some on
5 Gorgon as well. It may not be the exact words, but that was
6 the basic structure of the discussion we had.

7 Q Was Mr. van der Vijver's indication, well, these
8 are not going to be significant help to our reserve
9 replacement for gas in the future?

10 A The implication was it wasn't going to be as big a
11 help as it otherwise might have been, and that somebody else
12 had taken the credit that he would not get.

13 Q Did he give you any specifics in terms of volumes
14 at that point?

15 A Walter was not a numbers guy.

16 Q He didn't give you any specifics on what had been
17 booked?

18 A Other than confirming Orman Langen was not in terms
19 of 100,000 barrels a day.

20 Q Did he give you a sense with relation to how many
21 reserves were there in those fields as a whole?

22 Let me rephrase. Did he give you a sense or did he
23 give you any specific numbers, any idea whether there was a
24 lot left to be booked or a little, or a more general
25 reference to what those projects offered in terms of reserves

1 bookings?

2 A There were no specifics. We booked some, and we
3 booked some on Gorgon as well.

4 I will add one thing, during the previous year, on
5 two investment decisions, Block 18 and Ehra, it had become
6 clear that some of the reserves for those projects had been
7 booked earlier as well. He at the same time referred back to
8 if Block 18 and Ehra had not been partly booked earlier, than
9 the 2002 figure would have been higher. That was the same
10 discussion.

11 Q Again, I asked this question earlier. I want to
12 try to ask it differently.

13 When Mr. van de Vijver told you what he told you
14 about Orman Langen and Gorgon, and I guess he mentioned Block
15 18 and Ehra, did you in your own mind think, well, what Phil
16 conveyed to investors is not the same information. This is
17 not the same message or the same story or the same facts.

18 A First, I'm not sure I thought about it quite that
19 deeply, to be honest. To go back and think about it, again
20 now, my concern was the level of enthusiasm. Is this a good
21 thing or bad thing or I couldn't care less type thing.

22 I had the concern, had I been an investor at those
23 meetings, I would have been left with the impression that one
24 executive thought these projects were really going to happen,
25 and then the other executive, okay, they are there, but they

1 are not on the radar screen of big things to do.

2 Both of them would talk about the same projects,
3 but in quite different ways. It's his project, his baby. In
4 some cases, I guess that's what they were.

5 Q I'm not sure if that answered my question
6 precisely. I was wondering did you see there was an
7 inconsistency, a factual inconsistency, between what Mr.
8 Watts said and what Mr. van de Vijver said?

9 A Not a factual inconsistency, no, because I don't
10 believe either of them would have been giving specific facts
11 about specific bookings and specific periods. Both of them
12 are very careful never to do that.

13 They might talk about the total resources
14 associated with a field, 17 TCF on Sakhalin was four billion
15 barrels, a common number. That is resources associated with
16 the field. It is not the reserves that will be booked. That
17 is the total. It just wouldn't go beyond that.

18 The event is see progress on those specific fields,
19 and that will have an impact in the future, and that time is
20 yet to be determined. They would never insidiously give a
21 number for a specific period.

22 BY MR. CRAINE:

23 Q At a minimum, the presentation that was given, the
24 tone was different enough that you made it a point to go talk
25 to Mr. van de Vijver about his presentation and the issues

1 surrounding Gorgon and Orman Langen bookings; right?

2 A That's correct, plus the fact that I was a bit
3 concerned that Orman Langen was a bigger thing than it really
4 was.

5 Q Did you make any efforts after that to rationalize
6 between the two kind of different views or opinions, whatever
7 you want to call it, to find some middle ground, or did you
8 leave that effectively to those two gentlemen?

9 A If I was taking questions on the same subject, I
10 would have stuck to the facts. Here are the resources, and
11 when you see progress on these projects, they would see
12 reserve numbers. I was more a source of facts. An executive
13 gives you far more than facts.

14 To answer the question, I did leave it with them to
15 resolve.

16 Q Moving back to Exhibit 323, it looks like the
17 institutional shareholder was Scottish Widows.

18 A Correct.

19 Q How large a shareholder was Scottish Widows?

20 A Very, over \$1 billion.

21 Q For those of us less educated, what is Scottish
22 Widows?

23 A It's a mutual fund manager in U.S. terms, State
24 Street would be an equivalent, probably managing around 70 to
25 \$100 billion in total investment, and happen to be a member

1 of the billion dollar club, from our perspective, with a \$150
2 billion to \$200 billion market cap, where the big
3 shareholders were \$1 billion plus, and had been a long term
4 supporter.

5 Again, Robin Weir is an individual who had been
6 following the industry and Shell for at least five years if
7 not more, I suspect ten.

8 Q Knowledgeable?

9 A Very.

10 Q It looks like Deutsche Bank is involved as well.

11 A It means Deutsche Bank had party planned, but were
12 not invited to the meeting.

13 Q This looks like another instance where it was Mr.
14 Watts and yourself.

15 A And Gerard Paulides.

16 Q Looking at the third question on the first page, I
17 guess it looks like Mr. Weir asked a question.

18 A The question would have been at what point in the
19 life cycle of assets do you book reserves.

20 Q What was Mr. Watts' response?

21 A The gas requires contracts, is the easier one to
22 handle, that we would book gas when we have contracts in
23 place. Typically, referring to LNG. Oil, if a new
24 development was close to infrastructure, then it would be
25 booked earlier. Otherwise, if it was a big new project, it

1 would typically be on the final investment decision.

2 Q This is information that Mr. Watts gave to people
3 other than Mr. Weir?

4 A I couldn't say specifically yes, but in general,
5 yes, I would have expected him to have done so.

6 MR. FERRARA: I'm sorry. You used the words "final
7 investment decision." Where on Exhibit 323 do we get that?
8 You are pointing to the exhibit now. Is "close to
9 infrastructure" in your mind the equivalent of "final
10 investment decision?"

11 I'm just trying to make sure we are not confusing
12 terms.

13 THE WITNESS: What that is saying is if oil is
14 close to infrastructure, you may recognize reserves earlier
15 than you might for a green field in a new development.

16 BY MR. CRAINE:

17 Q Looking at the second page, "RRR?" What was the
18 question there?

19 A This again is cryptic, because everybody was asking
20 either what do you have to say about reserve replacement,
21 what is it going to be.

22 Rather than write the whole question out, I just
23 wrote "RRR." The general question on RRR, the answer was
24 becoming relatively standard. Explain what the numbers were,
25 what was it for 2002.

1 Then we run through the projects.

2 MR. FERRARA: "We" being?

3 THE WITNESS: Sorry.

4 MR. FERRARA: Referring to the notes on page one of
5 Exhibit 323, who is the person who the notes reflect is
6 responding?

7 THE WITNESS: This would have been Phil.

8 BY MR. CRAINE:

9 Q Are these the responses that Mr. Watts was giving,
10 that we were talking about earlier, where he was enthusiastic
11 about certain projects?

12 A Yes.

13 Q Do you recall him giving these responses,
14 generally?

15 A Generally, yes.

16 Q What have you noted here as Mr. Watts' response to
17 Mr. Weir?

18 A The first comment is on actual facts over five
19 years on oil and gas, with and without acquisitions and
20 divestments. The 117 percent is the 2002 replacement ratio,
21 including Enterprise's contribution, where we acquired
22 resources of 1.5 billion barrels of oil, resources not
23 reserved, at \$14 a barrel.

24 In 2002, oil alone had a replacement ratio of 85
25 percent, but gas had a minus one percent. This is on an

1 organic basis, ignoring the acquisition effect.

2 In gas terms, we have a significant resource life.

3 In fact, the reserve life was 15.5 years.

4 Q For gas, specifically?

5 A For gas, specifically. That's what the 15.5 years
6 refers to. It would then move into the story about gas
7 reserves replacement ratio being driven by events or
8 transactions, and here are a few of the things we are doing
9 that you can expect to see to have an effect over the next
10 few years.

11 Some of these were in progress at the time,
12 Nigeria, Trains 4, 5, 6. Two TCF each, suggested, of which
13 we owned 30 percent, and again, down the list of individual
14 projects. Sakhalin in Russia and NWS is the Northwest Shell
15 in Australia. Gorgon. China is a reference to the market.
16 FLNG Sunrise is floating LNG Sunrise, the development
17 concept. Dozo, I don't know, but 6 TCF each. Our share of
18 Sunrise quoted at 55 percent.

19 Q Dozo, is that some reference to the zone of
20 cooperation on the Northwest Shell? Is that a reference at
21 all to that?

22 A I doubt it, because that was relevant to the time
23 of development, not the concept of development, which was a
24 fundamental difference between the other partners in Sunrise.

25 Reference to Orman Langen, again, the percentage is

1 wrong there. Then moving on from the list of projects to say
2 look at the total proven and probable replacement number over
3 the last five years, 144 percent. I don't recall
4 specifically what the +1 billion discoveries means.

5 Typically, in the 2002 period, we were adding three
6 discoveries to our total resource base, not reserves or a
7 billion barrels a year. Most likely, that's what it refers
8 to.

9 That is in writing what was previously discussed,
10 of being the standard type of answer.

11 Q Mr. Watts was conveying -- walking back, the
12 negative one percent replacement ratio for gas, was that a
13 large issue with investors and analysts?

14 A Yes, because we had always been perceived as a gas
15 company, and gas reserve was part of that strategy.

16 Q How did the reserve replacement ratio for gas turn
17 negative?

18 A Good question. They never asked us that. I'd have
19 to think back to the facts, but by and large, a few
20 investment decisions taken on gas projects in that current
21 year, and I believe there were some negative revisions as
22 well.

23 Q It looks like to try to counter the negative
24 information of the negative one percent, the 15.5 years was
25 presented? Was that more favorable?

1 A Yes. It was a fact, or at least it was then. Bear
2 in mind, that was based on the reserves as reported at the
3 end of 2002. It was a fact that was public data, but it was
4 more favorable than a shortage of reserves. What we were
5 faced with was bringing them into production, that being the
6 challenge.

7 Q Looking at the projects below, was Mr. Watts
8 conveying those projects to try to show the analysts, the
9 negative one percent isn't good, we all know it, but we have
10 these projects on the way that are going to improve it in the
11 future? Is that the general gist?

12 A Yes.

13 Q And he was very enthusiastic about what he said?

14 A Yes.

15 BY MR. PEAVLER:

16 Q The specific volume figures in here, what is the
17 significance, for instance, Gorgon, 22 TCF?

18 A The significance is the size of that discovery for
19 potential development to investors, but in all senses, in all
20 these cases, it would have been best development and best
21 management of resources associated with it, from which our
22 share is X percentage points.

23 Q If I were looking at Gorgon and I saw that Shell's
24 share was two-sevenths of 22 TCF, is that what was conveyed?

25 A Yes, if those were the figures.

1 Q Assuming the figures and assuming these were
2 accurate.

3 A I would assume that --

4 Q Assuming these are accurate, my question is was the
5 22 TCF -- let me start over.

6 Assuming the figures were accurate, was it told to
7 investors, and specifically Mr. Weir, that Shell had yet to
8 book its two-sevenths share of the 22 TCF?

9 A No, it would not have been positioned in that way.
10 It was positioned as associated with this project, 22 TCF, of
11 which two-sevenths is ours. Some of it will be marketed to
12 China. Ultimately, we will produce our share and sell that
13 amount of gas. It's about 6 TCF of gas.

14 Q The reason I ask is because it's under a question
15 about reserve replacement ratio. I'm just wondering, if
16 these volumes, assuming the 22 TCF, if these volume figures
17 were given to Mr. Weir, and the Shell share information was
18 given to Mr. Weir, was the implication at least that we have
19 yet to tap into -- we have these resources that will be
20 available to add to our reserve replacement in the future,
21 specifically for Gorgon, two-sevenths of 22 TCF?

22 A That is how it would have been positioned, but
23 implicit as opposed to so much booked on certain days in
24 certain amounts. These are resources in our portfolio that
25 will eventually be monetized, and will affect the reserve

1 replacement ratio at the time.

2 That's not quite the same way you stated it.

3 Q When you talk about monetize, are you talking about
4 production issues? You are adding reserves, we are going to
5 produce these and these will then create money for us.

6 A At the end of the day, the replacement ratio
7 doesn't pay the dividend. Producing the barrels and selling
8 them pays the dividend. That is where all of the discussion
9 with an investor is going, what is the future value for you.
10 This is a step on the way to future value for you.

11 BY MR. CRAINE:

12 Q This question seems to be dealing with one
13 component, which seems to be the reserve replacement ratio;
14 right?

15 A Yes, but all answers are dealing ultimately with
16 value. Not putting words in my mouth or your mouth. I'm
17 saying that is the positioning, this was a valuable asset in
18 the future of this kind of size, this is our share, you can
19 expect to see it impact the reserve replacement ratio, and
20 production and value is a good thing to have.

21 Q With respect to Orman Langen, not trying to repeat
22 the whole question, I think you said the figure of Shell's
23 share was not --

24 A It's too high. It is 17.

25 Q Again, was the same implicit message given, that

1 Shell's share of Orman Langen is still available, in other
2 words, will be developed to deliver reserves to help improve
3 our reserve replacement?

4 A That's the same message for all.

5 Q Looking at the next question regarding Nigeria, do
6 you see that?

7 A Yes.

8 Q What was the question asked by Mr. Weir?

9 A Again, a little bit of context first. Nigeria is
10 known to be a major problem for Shell. It is known that the
11 Nigerian Government have stated the objective of doubling
12 production by 2010, and a lot of Shell's growth over the
13 decade of 2010 potentially comes from Nigeria. That is where
14 a lot of our resource base is. It was known from what we
15 ourselves reported. A lot of our reserves were in Africa and
16 Nigeria was a major country in that area.

17 Many investors asked a very typical question, we
18 know you have growth prospects in Nigeria, how solid are
19 they, can you deliver them, it's a difficult environment to
20 work in. Can we expect you to deliver what you might be
21 capable of.

22 Again, it's a typically generic question about our
23 strategy and the assets in the future.

24 The answer, as noted, is again cryptic, but would
25 have covered our operation there, on shore and off shore,

1 quite different, both operationally and physically. Off
2 shore gas was a reference to a particular project at the
3 time, bringing on the gas line, off shore gathering system.

4 Forades and Bonny projects feed into that gas
5 pipeline. EA is an off shore project that was coming on
6 stream in 2003. Deepwater Bonga was being constructed at the
7 time. Unfortunately, that slipped to 2005 now. It was a
8 very big project coming on stream, \$3 billion plus.

9 There was the further out prospect, the biggest
10 exploration discovery in 2002. Ehra and Abo, were off shore
11 prospects.

12 The risk profile associated with off shore
13 development is lower than on shore for a variety of reasons,
14 and much less subject to community disturbance or sabotage,
15 but more importantly, to funding risk.

16 A concern that all investors had was Nigeria wants
17 to grow, will OPEC allow it, will the OPEC constraint apply.
18 In general, we would always tell them what is the current
19 effect of the constraint, and this gives them an indication
20 at least going forward as to whether it's going up or down.

21 There is always a concern about why we bother being
22 on shore in Nigeria, because it's a difficult place to
23 operate. There is a decline in on shore, but it is natural
24 for us to be there because we have on the ground capability,
25 a good relationship with the government.

1 Although it's not always easy to do business, we
2 have done business for over 30 years. You need that capacity
3 on shore to be able to get access to off shore, which is
4 economically much more attractive, and to get the gas into
5 the natural gas pipes.

6 This is about strategy in Nigeria and how you need
7 all the pieces.

8 Q Were there questions from analysts about pre-
9 reserve bookings from Nigeria in this time frame?

10 A No.

11 MR. PEAVLER: Do you want to break for lunch,
12 Ralph? It's about 1:25.

13 MR. FERRARA: I would prefer that we get through
14 this document.

15 MR. PEAVLER: Let's go off the record for a second
16 to talk about this.

17 (A brief recess was taken.)

18 MR. PEAVLER: Let's recess for lunch.

19 (A luncheon recess was taken.)

20 A F T E R N O O N S E S S I O N

21 MR. CRAINE: We are back on the record at 2:00.

22 BY MR. CRAINE:

23 Q Before we took a lunch break, we were talking about
24 these one on one meetings. It sounds as if the brokers were
25 typically excluded from the meetings; is that right?

1 BY MR. CRAINE:

2 Q What is Exhibit 324?

3 A This is a record of a meeting on February 14, 2003
4 with Aegon Asset Management, represented by Martin Gibson.

5 Q What was Aegon Asset Management?

6 A It is a large Dutch fund holder who happened to
7 have their equity analyst for oil and gas based in Edinburgh.

8 Q It looks like this meeting was on 14 February 2003.

9 A That's correct. One week after the full year's
10 results and strategy presentation.

11 Q Who is Martin Gibson?

12 A He is the oil and gas analyst within Aegon Asset
13 Management who advises fund managers and portfolio managers
14 within an asset about companies in the oil and gas sector.

15 Q Was he knowledgeable?

16 A Yes. Again, he probably had at least five years
17 experience of following the oil and gas sector.

18 Q Before the lunch break, we were discussing Mr.
19 Watts' presentation of the reserve replacement ratio for the
20 previous year end, and some projects that were going to be
21 coming up; is that right?

22 A Yes.

23 Q Looking at the first question from Mr. Gibson, and
24 it is another one of these comments on reserve replacement
25 ratio; right?

1 A That's correct; yes.

2 Q Is Mr. Watts' response similar to the response we
3 were discussing in Exhibit 323?

4 A It would appear to be identical.

5 Q He was detailing upcoming projects that might
6 favorably impact the reserve replacement ratio; is that
7 right?

8 A That is correct.

9 Q I am handing you now what has been marked as
10 Exhibit 325.

11 (SEC Exhibit No. 325 was
12 marked for identification.)

13 BY MR. CRAINE:

14 Q It looks like a meeting dated 13 February 2003; is
15 that right?

16 A That's correct.

17 Q The institutional shareholder is listed as
18 Fidelity.

19 A Correct.

20 Q Via Lehman?

21 A That is a reference that Lehman's acted as the
22 party planner for that day. This was a full day spent in the
23 city of London with investors, which Lehman had arranged.
24 Mr. Alden is the head equity analyst for oil and gas.

25 Q This would be an instance, since it was in London,

1 where Mr. Alden would have set up the meeting and the party,
2 but not necessarily been present in the one on one meeting?

3 A That is correct. Fidelity would rarely allow an
4 outside research analyst into a meeting.

5 Q Who is Mario Frontini?

6 A He was the oil and gas analyst for Fidelity, a
7 specialist in oil and gas. He also managed some funds in his
8 own right. Unlike Aegon and Scottish Widows that we
9 discussed, Fidelity rotate their analysts through centers.
10 Mario was less of a knowledgeable expert on oil and gas than
11 the previous people we have discussed.

12 Q It looks like Mr. Watts was present with you and
13 Mr. Paulides.

14 A Correct.

15 Q On the top of this one, it notes "Phil." Do you
16 see that?

17 A Yes.

18 Q Would Mr. Watts have prepared remarks for some of
19 these meetings?

20 A The typical process was to prepare two to three
21 minutes of remarks, which were the key messages from the
22 previous week's presentations.

23 Q Would that be a document that was typically
24 prepared by IR or by Mr. Watts?

25 A Typically, by IR, but based on a request from Phil.

1 Q Would there be revisions to that document? Is that
2 how he presented it?

3 A Not really. Once we agreed, he would go ahead and
4 do 15 meetings, and it would be pretty much the same story
5 everywhere.

6 Q Looking at the second question there, what was the
7 question being asked of Mr. Watts by Mr. Fontini?

8 A Why is AAA so important.

9 Q What was Mr. Watts' response to that?

10 A The question is about credit rating for the group,
11 the Shell group, and the question reflects the general
12 opinion in the investor market that AAA is not important, and
13 they would rather companies pay higher dividends or pay out
14 more cash in buy backs.

15 This was a typical question as to why do you, the
16 company, believe that AAA is important.

17 Q It looks like Mr. Watts' answer is "Part of what we
18 are."

19 A Phil would have answered this question typically,
20 and this is probably being recorded here, we are a
21 conservative company, we are a company with a history of a
22 strong financial position, strong balance sheet, and it gives
23 us the ability to invest through cycle and invest in projects
24 that others can't do because they don't have that strength.
25 It reflects our conservative nature.

1 It's worth a few basis points on the interest
2 challenge, and much more importantly, it is worth the
3 equivalent of a lot of basis points in the fact that it
4 allows you to do large projects, it makes them more doable.

5 Q How does it make large projects more doable?

6 A Because it gives you, first of all, the opportunity
7 to finance them yourself. Typically, a large project starts
8 at \$2 billion and goes up to ten. There are only a few
9 companies in the business who can be part of that type of
10 investment, particularly if it is in a country seen as having
11 political risk, or with partners who are less able to
12 finance.

13 Our strong financial position enables us to bring
14 in third party project financing that helps partners as well.
15 Therefore, it enables us to pull partnerships together to
16 build things, such as Sakhalin, that others find difficult as
17 a company.

18 Q Does it also give you credibility with foreign
19 governments, make foreign governments easier to deal with?

20 A The ability to bring finance to the table does make
21 a difference, whether that comes because we are AAA or AA
22 isn't the point for a foreign government. It is just the
23 ability to finance projects that is important. Yes, it does
24 make a difference.

25 Q Looking at the second page, about the middle of the

1 page, "Enterprise, interesting addition, but not same as
2 reserve replacement ratio." What was the question there
3 posed to Mr. Watts?

4 A The previous question had been about oil products.
5 In the year 2002, we had actually made four acquisitions,
6 three in oil products and Enterprise in the upstream.
7 Advance stream acquisitions were generally well received by
8 the market as being strategic and value adding, and enhanced
9 shows competitive position.

10 Enterprise was in the words of the question, an
11 interesting addition, but not as strong. I can't tell from
12 this question as to whether the question was about
13 Enterprise's weak replacement ratio, which would have been a
14 valid reservation, or about Shell's.

15 I mentioned earlier that Phil usually took the
16 opportunity on any comment on reserve replacement to go into
17 the same answer for everybody, and you can see on this
18 question, the words "reserve replacement" became pretty much
19 the same story that he had given to the previous investors
20 that we discussed.

21 Q The negative one percent gas reserve replacement
22 ratio and then it goes on with the 15.5 years life and the
23 potential products that included Gorgon and Orman Langen, it
24 was kind of the same presentation that we have gone through
25 today?

1 A Phil had a remarkable ability to repeat the same
2 story with the same enthusiasm 15 times a day if necessary.

3 Q Was this a case where Mr. Watts repeated the same
4 story on numerous occasions on the same day?

5 A If asked the question on the same subject. I don't
6 recall every meeting, but it is very likely he gave pretty
7 much the same story word for word.

8 Q The next question appears to be "booking past
9 license." Do you see that?

10 A Yes.

11 Q What was Mr. Watts' response to whether Shell
12 booked past license?

13 A It would appear he said no, we do not book beyond
14 license.

15 Q Do you recall other instances where Mr. Watts told
16 investors that Shell did not book beyond license?

17 A Not specifics. These meetings were typically an
18 hour long. We typically did maybe 30 to 50 post-events, and
19 typically, there would be 20 questions in a meeting, covering
20 a huge range. It's highly likely that if it came up, the
21 same answer would have been given.

22 Q Do you know if Mr. van de Vijver or Ms. Boynton
23 were asked whether Shell booked past license?

24 A No, I don't know specifically; no. You may well
25 have an example.

1 Q We may get there in a bit.

2 Did you have any discussions with Mr. Watts about
3 whether Shell booked past license?

4 A The only discussion, and I can't remember if it was
5 with Phil or not, was about Nigeria. I know there was a
6 question mark about the ability to book beyond the license
7 and the conditions that needed to be fulfilled.

8 We had searched various legal opinions, and the
9 legal opinion we received ultimately said unless we did
10 something significantly wrong, the extension of the license
11 was automatic. That's the only real discussion I would have
12 had until I joined EP as CFO.

13 Q I'm handing you what has been marked as Exhibit
14 326.

15 (SEC Exhibit No. 326 was
16 marked for identification.)

17 THE WITNESS: It is a handwritten record of another
18 meeting with Martin Gibson and Aegon on 13 May 2002. This
19 was in the series of meetings following the acquisition of
20 Enterprise, attended by Phil Watts and myself, plus
21 representatives from the investment bank, as mentioned
22 earlier.

23 BY MR. CRAINE:

24 Q Looking at the second to last question on the first
25 page, about Enterprise's impact on cost of reserves, what was

1 Mr. Watts' response to how Enterprise impacted the cost of
2 reserves?

3 It's in your handwritten notes as well, 00021355.

4 A I'll work off the printed version. In context,
5 this was just after we closed the deal, so the question is
6 about how much had we paid for the reserves that came with
7 Enterprise.

8 Phil started off by giving what our general
9 expectation was within the company regarding reserves, which
10 is less than \$1.00 per barrel unit finding cost, which is
11 additions through exploration, through the drill bit, to
12 total resources, and 3 to \$4 a barrel for unit finding
13 development costs.

14 For Enterprise, we paid \$4 a barrel for TP or plus
15 probable reserves, and for proved reserves, around \$6 a
16 barrel, and we believed that was in with other deals that had
17 been in both the recent past and that were available at that
18 time.

19 Q Was unit finding development costs an issue that
20 received any significance while you were head of IR?

21 A It is closely linked to reserve replacement,
22 clearly, being a ratio. I mentioned earlier when I first
23 joined, production growth was far and away the most
24 significant indicator.

25 Unit finding development costs was on the radar

1 screen at the time, but it was secondary. It wasn't a big
2 issue.

3 As reserve replacement was lifted up the reserve
4 agenda, from the investor agenda, from early 2002, unit
5 finding development costs came with it.

6 Q How was Shell's unit finding development costs in
7 the 2002 and 2003 time frame?

8 A For a given single year, it would not be compared
9 to performance.

10 Q Is that something you discussed with Mr. van de
11 Vijver or Ms. Boynton or Mr. Watts?

12 A Yes.

13 Q When did you first begin to discuss this issue with
14 them?

15 A It would have been during 2002, because they
16 related to the investors' interest in the reserve replacement
17 ratio.

18 Q For the record, I will break apart those three
19 people and try to go a little bit more in depth into what you
20 discussed with Ms. Boynton regarding unit finding development
21 costs in 2002.

22 A It's difficult to think back specifically as to
23 what I would have discussed with each of them individually,
24 rather than by more generally what I was there to do.

25 I was there to feed back to executives what it was

1 the market thought of our company and how they valued
2 companies.

3 It was my view that by then, it was clear, that
4 both research analysts and investors managing their own funds
5 were working with relatively simple models of valuation for
6 the up stream, working from likely reserves out of total
7 capital investments, assumptions or projections they were
8 trying to work as to what the unit finding development costs
9 typically was, multiplied forward and even working with cash
10 generation or earnings potential from a portfolio.

11 Investors, of course, are always looking forward
12 for discontinuities or competitive differentiators.

13 The basic mathematical model of the business was
14 using those factors as imports, and that would have been the
15 basis of the general discussion.

16 As to what was our performance, because we
17 understood that reserves booking and development costs do not
18 always occur in the same time period, that is true today as
19 it was then, and as you look at it over longer periods, the
20 relationship improves, and we were looking for where we were
21 competitively and where we were going competitively.

22 Q Did Mr. van de Vijver or anyone in EP relay
23 challenges for them in improving the UFDC?

24 A Walter stuck to the view that we don't target unit
25 finding and development costs ordinarily, for the reasons I

1 just stated, but on developing reserves, \$4 a barrel was a
2 good place to be once you were developing. If you were
3 developing \$1 billion of reserves, you should spend \$4
4 billion on the development project.

5 Q Did Mr. van de Vijver or anyone in EP ever tell you
6 that part of their difficulty with reaching a competitive
7 UFDC was related to Mr. Watts' tenure at EP?

8 A I refer back to the discussions in February 2003,
9 where it was implied, although not explicitly so, it's a
10 logical conclusion from the discussion we had.

11 Q Other than that discussion you had with Mr. van de
12 Vijver, were there other instances where he relayed to you
13 that unit finding development costs, the challenges there,
14 were charged by Mr. Watts?

15 A It was usually left unsaid. If you go three years
16 where you spend less money, and you are dividing by a number
17 of barrels that is not related to the money you spend in that
18 period, then by definition, you get a lower unit finding
19 development cost for that period.

20 Yes, that was implicitly there in comments that
21 Walter would have made about the cards have been dealt.

22 Q What type of comments like that did Mr. van de
23 Vijver make to you?

24 A Very similar to the ones I mentioned in February
25 2003. The only specific instance I can think of, but there

1 are other times when he said this is what I have to work
2 with, and I can't say anything or do anything because it's
3 what I was given when I took over as chief executive, I can't
4 change it, and I can't complain about it.

5 Q Even though you can only specifically recall the
6 one instance that we discussed in February of 2003,
7 generally, comments were made like that by Mr. van de Vijver
8 to you in 2002 and 2003; is that accurate?

9 A Yes, and that the specific period would be leading
10 up to the March 2003 presentation, where the reserve
11 replacement and development costs or bringing the reserves to
12 production was part of the presentation.

13 Q In 2002, with Bonga and Ehra, the early bookings of
14 those came to light, did Mr. van de Vijver make comments
15 about how these wouldn't help with the reserve replacement
16 ratio or his unit finding development costs were higher for
17 something that was already booked, or anything like that?

18 A Walter didn't mention those projects until the 2003
19 discussions. My correspondence was at a lower level in 2002.

20 Q Who would correspondence in 2002 have involved?

21 A Typically, John Pay. It could have included other
22 people, within EP, but a lower level than Walter.

23 Q I'm handing you what has been marked as Exhibit
24 327, which is more Scottish Widows, it looks like.

25 (SEC Exhibit No. 327 was

1 marked for identification.)

2 THE WITNESS: I didn't realize there were so many
3 of these. It is back on the May date, May 2002.

4 BY MR. CRAINE:

5 Q Who are the individuals from Scottish Widows?

6 A Ann Heatherington and Jeff King. Robin Weir was
7 actually on leave, on holiday, at the time. We were there
8 during a school holiday, I think.

9 They are portfolio managers within Scottish Widows,
10 and they are not oil and gas experts.

11 Q They would have been less knowledgeable than Mr.
12 Weir?

13 A Less knowledgeable than Mr. Weir.

14 Q You attended with Mr. Watts, and then we have the
15 Enterprise entourage as well?

16 A That's correct.

17 Q Looking at the second question, "Do we have more up
18 side than down side on the forecast?" What was the question
19 there?

20 A The first question is about production growth, and
21 the assertion by the investor, consensus estimates, suggests
22 that Shell's growth targets are lower than BP going forward.

23 The first answer gives the facts, and the second
24 question is saying given the forecasts that are out there,
25 made by the analysts, does Shell actually have more up side

1 than down side on the forecasts after the acquisition of
2 Enterprise, can we do better than people expected.

3 The response is they are realistic projections, on
4 average, it is not a long way from our own expectations.

5 Q Looking at the last page, the second to last
6 question, what was being asked of Mr. Watts?

7 A From an investor's perspective, a low reserve life
8 is a worry because of liquidation of the business, but a high
9 reserve life is also not good, because it means there are
10 assets that are not being monetized. Therefore, cash is not
11 being used productively, as far as they are concerned.

12 This question is partly how far do we let reserve
13 life fall before we worry. It's a question to Phil really
14 about sustainability of the business and are we in a
15 liquidated business mode, and is there a point at which we
16 worry.

17 Underneath that is --

18 Q Mr. Watts' response?

19 A Yes. The response that we expect 100 percent
20 reserve replacement, but don't want the reserve life to fall,
21 per se, is the response.

22 The following question identifies why the investors
23 are concerned. Investors did not particularly like the
24 Enterprise deal. They thought we paid too much. They felt
25 that because Shell's cash flow on the balance sheet was

1 strong, there was a danger of making more acquisitions and
2 paying too much.

3 Hence, the next question, in this particular case.

4 Q Looking back at Mr. Watts' response, "Expect 100
5 percent reserve replacement ratio," were there other
6 instances where you were with Mr. Watts where he told
7 investors to expect 100 percent reserve replacement ratio?

8 A What he would have said, and I suspect this is
9 shorthand in the answer here, we aim to replace reserves over
10 a three year period. You won't get 100 percent every year,
11 because it's not something you can manage like that, but if
12 you are not replacing reserves constantly, and three years is
13 as good a time period to take as any other, then you will be
14 in liquidation. Therefore, we expect on average, 100 percent
15 over three years.

16 Q Looking at your handwritten notes, you write "How
17 far can you let reserve life fall before we worry?" The
18 answer "Expect 100 percent reserve replacement ratio, I don't
19 want reserve life to fall, per se."

20 This is what you wrote down from Mr. Watts'
21 comments?

22 A Yes, that's my handwriting. Yes, that's what I
23 wrote down.

24 Q You would have made these notes at the time Mr.
25 Watts was speaking during the meeting?

1 A Yes, although I would not make verbatim notes.

2 Q Would you make accurate notes?

3 A I would hope they were relatively accurate, but I
4 do believe what I just stated is the generic answer. As I
5 said, Phil is good at repeating the same answer 15 times, and
6 it is what Phil would have said, and therefore, shorthand for
7 me rather than writing out all the words at the time is
8 "Expect 100 percent reserve replacement."

9 Q Was that your impression of what Mr. Watts was
10 saying at the time?

11 MR. FERRARA: "That" being?

12 BY MR. CRAINE:

13 Q "Expect 100 percent reserve replacement ratio."

14 A What he was saying at the time was that we aim over
15 any period, average, 100 percent reserve replacement. Three
16 years is the period chosen. We will not deliver
17 unnecessarily in any given year, as a qualifier.

18 Q I've seen other notes of yours during other
19 meetings where that is exactly what you wrote. This, to me,
20 looks very different. This is one of the few places where I
21 have seen something like "Expect 100 percent reserve
22 replacement ratio."

23 What I am trying to understand as we sit here is
24 why you wrote that when Mr. Watts was speaking.

25 A I think I'd have to go back to the context of how

1 many meetings take place, how many questions and answers
2 there are, and how quickly I actually write. I don't take
3 shorthand or verbatim notes.

4 Q I've noticed other places in your notes where you
5 use ellipsis, where there is a longer answer and you can't
6 write quite quickly enough. This doesn't seem to be a case
7 like that.

8 Do you have any reason to believe that the notes
9 that you took on this date were inaccurate?

10 A No, but I do believe it was the last question of an
11 hour meeting, and I don't know how many questions there are.
12 Again, I was getting to the point where I was using
13 shorthand.

14 Q I'm handing you now what has been marked as Exhibit
15 328.

16 (SEC Exhibit No. 328 was
17 marked for identification.)

18 BY MR. CRAINE:

19 Q What is this?

20 A It's a record of a meeting earlier on the same day,
21 13th of May 2002, follow up meetings, post the Enterprise
22 acquisition. This one was in Glasgow, with two investors,
23 Brittanica and Abbey National, and Martin Currie. I was just
24 looking at the names as to who was from which institution.

25 Two people were from Brittanica, two people from

1 Abbey National, and one representative from Martin Currie,
2 who was not named. Attended again by Phil Watts, myself,
3 Mark Ianotti and Julian Mylchreest from CitiGroup.

4 Q Looking at the last question on the first page,
5 what was being asked of Mr. Watts?

6 A The question was "Can we say more about reserve
7 replacement after the surprise." The surprise was the
8 relatively low reserve replacement ratio that had been
9 reported in 2002, which related to 2001 performance.

10 Q That is something that concerned investors in 2002?

11 A I refer back to the earlier discussions on the
12 subject where yes, by this time, it was on the investors'
13 radar screen.

14 Q What was Mr. Watts' response?

15 A The response was that our target is 100 percent.
16 We have currently a higher reserve life, which is based on
17 publicly available statements that I believe was true at the
18 time, and reserves replacement was driven by final investment
19 decisions which are lumping, meaning they don't have one per
20 month, and that in 2001, we had the largest discovery in the
21 industry that had been reported in Nigeria, Bonga Southwest.

22 Q The statement "Reserve replacement ratio is driven
23 by FIDs." Why is that?

24 A Why was the statement made or why is reserve
25 replacement ratio driven by FIDs?

1 Q Why is reserve replacement ratio driven by FIDs?

2 A I don't want to sound facetious, but the rules
3 require a commitment to invest under reasonable certainty,
4 and FID is a commitment to invest.

5 Q That is why it was important for increasing the
6 reserve replacement ratio?

7 A Taking final investment decisions, clearly, the
8 biggest driver of reserve replacement ratio.

9 Q Looking at the next question, the lack of
10 investment, what was Mr. Watts being asked there?

11 A This again relates back to 1999 to 2001, where
12 Shell had sharply cut its capital investment relative to both
13 its own previous levels and the rest of the industry.

14 Investors at this point in time were questioning
15 what impact had that had on reserve replacement and on
16 production growth potential.

17 Q How did Mr. Watts respond?

18 A The standard response. 1998 was a year in which we
19 had the highest investment, and a couple of things happened.
20 First of all, the price fell to \$10, and partly as a result
21 of that, Shell had taken impairment charges, it was around \$4
22 billion. We nearly made a loss in that year, 1998.

23 It was a difficult year for Shell's business. The
24 strategy coming out of that was to reposition the portfolio
25 against a lower oil price world. \$14 was the price.

1 Phil's response says that, those events in 1998
2 changed the mindset in the company, and a much more rigorous
3 ranking globally of investment opportunities, and an aim to
4 introduce a permanent change in the approach to capital
5 discipline and requirements around approving investment
6 projects.

7 He acknowledges that with the wisdom of hindsight,
8 we may have been too tough, i.e., cut the investment levels
9 too hard, but we needed to change the mindset.

10 In terms of today's portfolio, there is less in it
11 because we spent less, and it doesn't refer here to the fact
12 that he usually said there are consequences, but I'm not
13 sorry, because it was vital to change the mindset.

14 Q Looking about two-thirds of the way on the page,
15 LNG, what is the risk of over supply, lower commercial
16 returns.

17 A That referred back to a previous answer on investor
18 concerns about LNG being fed by particularly BP and Exxon's
19 public statements, some less public statements, about the
20 risk of over supply and lower returns from the LNG business.

21 Q What was Mr. Watts' response to the question?

22 A His response is very similar to the previous one,
23 that we have been in LNG for a long time, we are the leaders,
24 on top of what we already have, we have future investment
25 opportunities. He mentioned Sunrise, Western Africa, and

1 Iran. Western Africa, in essence, is a reference to Nigeria.

2 To expand that to the full value chain, it is no
3 good just having supply, you have to put it into the market
4 as well, and lists various projects there.

5 Must have ships. Sakhalin, as an individual
6 project, has some great advantages.

7 The last sentence about the considerable period of
8 time before over competition reaches say predictions is a
9 reflection of what the other two were saying. Interestingly,
10 two years later, they were both investing truckloads of money
11 in exactly the same business.

12 Q What is "stranded gas?"

13 A "Stranded gas" is gas that is not closely linked to
14 infrastructure and market.

15 Q Would stranded gas be proved reserves at Shell?

16 A Typically, not, unless there were a plan to
17 develop.

18 Q If it was gas, like LNG, that would also require a
19 contract as well at Shell?

20 A Typically, yes. A long term contract as opposed to
21 short term market availability.

22 Q I'm handing you what has been marked as Exhibit
23 329.

24 (SEC Exhibit No. 329 was
25 marked for identification.)

1 BY MR. CRAINE:

2 Q What is Exhibit 329?

3 A This exhibit is a record of a meeting in April
4 2002, which was probably the first round of meetings after
5 the announcement of the Enterprise acquisition. This one
6 took place in London, with investor, Gartmore, a large U.K.
7 fund manager.

8 Gartmore was represented by Katie Flanagan, who was
9 and is the oil and gas expert or analyst in Gartmore who
10 provides advice to managers on possible investments in the
11 oil and gas sector. The other three names given for Gartmore
12 are all fund managers who eventually would take advice from
13 Katie Flanagan about investments.

14 Phil Watts and Judy Boynton present, together with
15 the CitiGroup.

16 Q Was that unusual that Mr. Watts and Ms. Boynton
17 would be available in the same one on one?

18 A No, not necessarily. It was a matter of who was
19 available.

20 Q Who would generally take the lead when Mr. Watts
21 and Ms. Boynton were in one on one's?

22 A Mr. Watts.

23 Q Looking now at the last question on the second
24 page, what was the question being asked of Mr. Watts at this
25 point?

1 A This is early 2002. Reserve replacement on the
2 investor agenda. The previous year's reserve replacement for
3 2001 had been poor. The question was this just once or will
4 it improve this year, which was then 2002.

5 Q Who responded to this question?

6 A It doesn't say, but most likely Mr. Watts.

7 Q What was Mr. Watts' response to this question?

8 A Acknowledged that 2001 was not a good year, but we
9 do expect to see good progress as we bring in major projects,
10 without being specific about times or volumes.

11 I don't have the handwritten version here. I'm not
12 sure I can decode all of the words after the example.

13 It says for example, Sakhalin, and there should be
14 a period there, late FIDs were part of volume downgrading and
15 higher oil prices. That is a reference back to the reduction
16 in production growth forecasts that had been announced in
17 September 2001.

18 One of the drivers of that is we had been looking
19 for development of projects with major resource holders,
20 members of OPEC, for example, where we had been in
21 negotiations, and those negotiations slowed down, albeit less
22 successful than originally expected, as the oil price had
23 risen back from the low teens into the mid-20s.

24 It had nothing to do with reserve replacement.

25 Q Wouldn't that have to do with reserve replacement

1 ratio in the way you described for us earlier, where an FID
2 would lead to the volume downgrade being --

3 A Yes, it would, but that statement is about volume
4 downgrade that happened six months earlier. It was still
5 part of a lot of discussions we were having at the time.
6 "Volume downgrade" relate to production, not reserves.

7 Q The next question looks like deals with profiling
8 for Nigeria. Who responded to this question?

9 A This almost certainly would have been Phil.

10 Q What was Mr. Watts' response?

11 A Again, the context from the previous question that
12 talks about Nigeria, a major part of our growth profile,
13 which was and is true.

14 Phil responded by referring to the projects that
15 have been announced after the election of the president,
16 Obasanjo. We talked about an investment program of \$8
17 billion. That is the full program.

18 In early 2002, we had talked about the next three
19 to four year program of \$7.5 billion, which included, among
20 other things, transport and supply for the LNG plant, and
21 associated gas gathering facilities.

22 Q It seems that you were in a lot of these meetings,
23 these one on one meetings with Mr. Watts; is that right?

24 A I tried to be on the front line with my customers
25 as much as possible.

24487
Henry, Simon

1 Q After the meetings were over, you would interact
2 with Mr. Watts about how performance was, or how information
3 was presented; is that fair?

4 A That is correct. Typically, we would come out of
5 the meeting and Phil would say, how did we do, anything we
6 should have done better. We would work our way through a
7 program in that way.

8 Q With the benefit of hindsight, were there ever
9 instances where you believed Mr. Watts provided the market
10 with incomplete or inaccurate information?

11 A With the benefit of hindsight, he answered a lot of
12 questions about Gorgon, and with the benefit of hindsight,
13 they could have been answered differently.

14 What I do know about Phil is that if you gave him a
15 briefing, he would go and deliver the briefing. He was not a
16 numbers guy. He wouldn't necessarily go research the numbers
17 himself. He would take what was provided. He trusted the
18 source.

19 It is speculation as to whether what he said to
20 people would have been a factually wrong impression. You
21 would have to ask them. He was always very careful not to
22 commit to specific numbers in the future, and he stayed
23 consistent with previous statements that had been made
24 publicly.

25 Judy was very similar as well, to be honest.

1 To the extent that we had feedback from investors
2 that said there's no point in meeting with Phil or Judy,
3 because all they do is give us the basic story, they don't
4 give us what we are looking for, which is the passion or the
5 excitement or the leadership they expect from chief
6 executives and CFOs. We want to hear the story from Phil
7 Watts. We know he is good at doing this kind of story, we
8 want to hear that.

9 By and large, the straight answer to your question
10 is he was acting in good faith when I was working with him.

11 Q I'm not sure that was precisely the question. I
12 think it was really more -- I'm not necessarily trying to
13 gauge his good faith, but whether in hindsight there were
14 things that he said that you recall that you now know that he
15 knew at the time were not true.

16 A You are assuming I know what he knew.

17 Q That was not very clear. Let me rephrase that
18 question.

19 MR. FERRARA: Your first question was in hindsight,
20 would he have done something different or should he have done
21 something different. He answered that. He also said at the
22 time he thought he acted in good faith.

23 I don't know what your third question is. I'm
24 sorry. Did I mischaracterize that?

25 MR. PEAVLER: How did you ask that first question?

1 Was it along the lines --

2 BY MR. CRAINE:

3 Q Do you like Mr. Watts personally?

4 A Quite an interesting question. I have difficulty
5 engaging with Phil. To like somebody generally, you have to
6 engage and share. I mentioned earlier, he was not an
7 individual who shared confidences easily.

8 Q Do you respect Mr. Watts?

9 A Yes, I have respect for his achievements. I have a
10 lot of respect for the way he dealt with people, he was so
11 focused on the process of getting things right. He seemed to
12 do the right thing. He was extraordinarily determined to
13 achieve things. It was difficult to like Phil. He was not a
14 guy you go for a beer with.

15 He was also somebody who had achieved a lot coming
16 from a background that he believed did not give him any
17 advantages, and he carried that with him.

18 He could have left that behind when he was about
19 30, but he was still running with that chip on his shoulder
20 or however you might see it.

21 He was a guy from the wrong side of the tracks. He
22 was the only guy around the top table, Brit, who was not
23 Oxford or Cambridge. He carried it. I could relate to that.

24 I have a lot of sympathy for the position he is in,
25 because genuinely, in my opinion, another guy would have

1 left.

2 Q I appreciate that. That goes to the question I had
3 asked before, and I don't want you to try to hop into Mr.
4 Watts' head, and I'm not inferring that there was any bad
5 intention by Mr. Watts when he made statements.

6 My question to you originally was with the benefit
7 of hindsight, were there ever any circumstances when you
8 believe as you sit here today, that Mr. Watts provided the
9 market with incomplete or inaccurate information?

10 A Incomplete, yes. That would be about reserves that
11 had been booked, if he genuinely knew them at the time. I
12 never saw any indication at the time I was with Phil,
13 including the time at Rockford, that suggested he was fully
14 aware of it.

15 Q At a minimum, he wasn't the CFO of EP when Gorgon
16 and Orman Langen were booked; correct?

17 A Stand back, 1996, EP was a global business for the
18 first time. It had never been a global business before.
19 There was never a chief executive of EP.

20 As a result of whatever went on in senior levels in
21 the group, there was no chief executive of EP in 1996. A
22 business committee was set up. A representative of CMD sat
23 on that business committee, and that was Phil Watts. He was
24 not the chief executive. He did not have direct line
25 authority over the managers of the executives in the

1 individual countries.

2 The business committee was widely viewed within the
3 company, not just within EP, but OP as well, as a
4 dysfunctional mode of managing a line of multinational
5 business.

6 I cannot say more on that. Phil was not the chief
7 executive until early 1999. I'm not sure off the top of my
8 head when Gorgon was booked. It was either 1999 or 1998.

9 When Gorgon was booked, Phil was not the chief
10 executive.

11 Q I'll rephrase my question. At least at a minimum,
12 at the time Gorgon and Orman Langen were booked, Mr. Watts
13 was the head of EP; correct?

14 A He was the most senior executive around the table
15 in the business committee; that's correct.

16 Q Other than the events in February of 2003 related
17 to Gorgon and Orman Langen, are there other instances where
18 you believe Mr. Watts, with the benefit of hindsight, may
19 have provided the market with incomplete or inaccurate
20 information?

21 A I would have to give an unequivocal no. I cannot
22 really think of any. We had some very what Phil would have
23 called robust debate around production growth, around return
24 on capital, around cost reductions.

25 Phil and Judy always ensured there was a

1 transparent and open discussion. Reserves that we already
2 booked never formed a part of that. Reserve replacement
3 ratio we expected to achieve going forward would quite often
4 form part of that.

5 I honestly can't think of inaccurate statements
6 Phil would have made. He was very careful about the way he
7 said things. Judy, even more careful, and reflective in the
8 comments which we got several times that we don't want to see
9 them, they never say anything interesting.

10 Q What I am trying to do is reconcile that with your
11 description of Mr. Watts being a half glass -- glass half
12 full kind of presenter. I may have misunderstood or not
13 completely understood your answers.

14 A One question we often had to Phil or about Phil is
15 what does Phil want to be remembered for. Phil got excited,
16 very excited, about individual projects, building something
17 that had not been there before.

18 He would get excited about beating the competition,
19 whatever that definition happened to be. He got excited
20 about his own achievements.

21 When he would talk about the flip side of the lower
22 capital was the return on capital as reported went up
23 significantly, from 8 percent to 14 percent, the oil price
24 nearly doubled our return on capital, a fact, not necessarily
25 good in the long term interest of the company, so we would

1 have discussions.

2 Phil would be saying we have the costs down by this
3 much, return on capital has gone up by this much. There were
4 bigger implications going forward as to levels of investment,
5 if you reduce costs here, what impact does it have on the
6 business in the next three years, but they were facts. It's
7 not as if it were inaccurate. It's whether it was the right
8 thing for the business or not.

9 The investors didn't really follow it, because they
10 didn't necessarily understand the business as we did.

11 He could get quite passionate talking about
12 individual projects that we put together over a period of
13 time that would be here in 10 to 20 years time. That is
14 where he spoke with great enthusiasm, more so than say
15 Walter, because they weren't Walter's babies necessarily, or
16 Walter didn't have the same enthusiasm for that kind of
17 activity.

18 Q Did Mr. Watts ever present one on one meetings
19 without you present?

20 A He would never do an one on one meeting without one
21 member of my team present. It just did not happen, could not
22 happen.

23 Q My question was was that person exclusively you or
24 were there instances where you wouldn't be present in an one
25 on one?

1 A Phil liked to have me with him as the most senior
2 representative from IR. Over time, he became very
3 comfortable with David Sexton in the U.S. When he had
4 meetings in the U.S., he was quite happy that David came with
5 him. We didn't use him much in Europe. Typically, I went
6 with him in Europe.

7 The other executives, it could be any one of the
8 four senior IR representatives, but Phil tended to stick to
9 myself and David Sexton.

10 MR. CRAINE: Want to take a quick break?

11 MR. FERRARA: Sure.

12 (A brief recess was taken.)

13 MR. CRAINE: We are back on the record at 3:10.

14 BY MR. CRAINE:

15 Q We have now gone through a series of the different
16 one on one meetings involving Mr. Watts. You will see the
17 same investor may be revisited after a quarter or year's
18 time; is that right?

19 A Yes, although in this period, there were quite a
20 lot of meetings post-Enterprise. There were a significant
21 number of meetings in the following February. Most people
22 who we saw post-Enterprise, we seemed to see in February as
23 well.

24 Q In the beginning of the day when we were talking
25 about the one on one's, you discussed the process where you

1 would write down the questions and answers so you could have
2 a feel for what the concerns of the investors and what was
3 addressed during your one on one meetings; right?

4 A Correct.

5 Q When you were preparing for the next meeting with
6 that same investor, what would you typically do to get ready?

7 A Preparation to meet an investor would include
8 minutes of the previous meeting, maybe the minutes of the two
9 previous meetings with that investor.

10 It would include movements on the register on that
11 investor, being buyers or sellers. It would include any
12 questions that had been re-advised by the investor, and it
13 would include the general briefing pack for the
14 communications cycle, whether it be after a strategy
15 presentation or after a quarterly results.

16 It would include what I mentioned earlier, the
17 issues briefings, plus a significant amount of general
18 briefing on assets and facts and figures.

19 Q In some of the original exhibits, we got a feel for
20 the revision process, where you would have handwritten notes
21 and then you would give them to a secretary to type them up,
22 and then you may go back and insert things and make
23 revisions; is that correct?

24 A Yes. I was less diligent than I might have been on
25 the proofreading.

1 Q After that initial proofreading and the revisions,
2 certainly after you gave your handwritten notes to the
3 secretary, were additional revisions made to the one on one
4 reports at a later date?

5 A Not that I'm aware of. They had to be revisited
6 when we actually saw the same investor again.
7 Electronically, they were stored on a shared drive. They
8 were there for access by anyone, if we chose to do so.

9 Q Between the point where it was put in the file
10 after the final revisions were made, and then the next
11 meeting when it would be pulled out, after another quarter or
12 another year, would revisions be made in the interim, or
13 would this be something just placed in the file?

14 A It would just be placed in the file. The users of
15 these would just be the IR team. The explicit record of the
16 meeting would only be ever used again or seen by anybody
17 outside IR as background briefing before the next meeting.

18 Q You would pull out the questions and answers for
19 your background briefing for the next meeting; is that right?

20 A Yes.

21 Q That would just be reference material on a going
22 forward basis, it wouldn't be something that you would make
23 revisions to at that time, would it?

24 A I can't think of any reason we would want to. It
25 would just be included in the file. Typically, we meet five

1 or six investors on a given day. There would be five or six
2 briefing notes.

3 Q Turning to your briefing Mr. Watts or Mr. van de
4 Vijver or Ms. Boynton, how would that typically be done for a
5 particular investor?

6 A They all had their own quirks. Phil would
7 typically require a couple of days ahead if possible of a
8 verbal briefing.

9 I mentioned earlier, every two to three weeks, we
10 would have a 15 to 30 minute meeting, usually at 8:00 in the
11 morning, an update on market, trends, announcements by
12 competitors, feedback we had and any interaction we had with
13 the market. We would use that if our meeting was a suitable
14 timing or we were doing something else.

15 Phil liked to prepare himself, and looked for
16 advance preparation.

17 Judy was similar, but less rigorous and
18 disciplined. With Walter, it was impossible to engage him
19 before the meeting.

20 Q With Mr. Watts, would you go through the Q&As of
21 the previous meeting with him, in order to try to prepare him
22 for the upcoming meeting?

23 A We wouldn't have time to go through that detail. I
24 would leave it for Phil. The way he worked is he would take
25 information away, internalize it, and then he would come back

1 if there were any issues. It would take a week to get
2 through. We relied really on the verbal briefing, the issues
3 with investors are, and if we had been back through --
4 typically, it would be just before we would go into the
5 meeting, say with Standard Life, we would say last time,
6 Standard Life spent half an hour on the following subject.

7 Q Would you give Mr. Watts a copy of the memo's that
8 we have been discussing on the one on one's about the last
9 meeting before you would go in for the next?

10 A No.

11 Q Would you ever give Mr. Watts copies of the one on
12 one memo's?

13 A Only in briefing for the next meeting, which could
14 be a year later.

15 Q My question is in the briefing a year later, would
16 he have an actual copy of the memo itself?

17 A Yes, he would.

18 Q Is that something you routinely provided him with
19 before the next meeting?

20 A Yes, at Phil's request. Before Phil's time, there
21 was little structure, process, or formality. It was Phil's
22 request that is what we did.

23 Q Did Mr. Watts ever come to you with any of the one
24 on one memo's and say I think this is inaccurate or this
25 wasn't my answer, or this wasn't the question?

1 A Never.

2 Q Did you provide copies of the one on one's to Ms.
3 Boynton, previous one on one memo's to Ms. Boynton or Mr. van
4 de Vijver?

5 A We followed the same process for all executives,
6 even if they were not present and had seen that investor
7 before, they would receive the notes of the previous meeting
8 with that investor.

9 You probably noticed if you have been through them,
10 in the U.S. quite often, the questions were those that were
11 asked in a full day as opposed to by individual investors.
12 We gave them whatever we had.

13 Judy would typically read them and listen before a
14 meeting, the last five minutes before we would go into a
15 particular meeting. Walter, we found it very, very difficult
16 to engage in preparation.

17 Q Did Mr. van de Vijver or Ms. Boynton ever come to
18 you and remark on the one on one memo's that there was
19 anything inaccurate in them?

20 A I don't recall that. I don't remember that
21 happening.

22 Q Is that something you think you would remember if
23 they brought it to your attention, that you provided them
24 something that was inaccurate?

25 A It depends on how strong the objection would have

1 been. I probably would have remembered that. I certainly
2 don't remember them coming back.

3 Q As we sit here today, you don't recall Ms. Boynton
4 or Mr. van de Vijver ever coming to you with any concerns
5 about inaccuracies in one on one memo's?

6 A That's correct.

7 Q You mentioned several times now that it was
8 difficult preparing Mr. van de Vijver for these one on one
9 meetings.

10 A Correct.

11 Q Why was that the case? Why did you feel that way?

12 A I mentioned Phil was an insidious preparer. Walter
13 was the exact opposite. He didn't prepare for anything.

14 Q Did you discuss Mr. van de Vijver's lack of
15 preparation with him?

16 A Inasmuch as I could. He was confident that he knew
17 his brief.

18 Q Did he always know his brief, in your opinion?

19 A No.

20 Q Going back to the same question I had asked you
21 about Mr. Watts, with the benefit of hindsight, were there
22 instances where Mr. van de Vijver provided the market with
23 incomplete or inaccurate information?

24 A With the benefit of hindsight, anything about
25 reserves.

24501
Henry, Simon

1 Q That's a fair comment. At the time it was said,
2 were there comments made by Mr. van de Vijver that you
3 thought were incomplete or inaccurate, at the time they were
4 said to investors?

5 A Incomplete or inaccurate is difficult to think, but
6 confusing, yes, definitely.

7 Q How do you think Mr. van de Vijver presented
8 confusing information to the market?

9 A Answering a simple question with a 15 minute
10 answer, and his communication style was difficult, difficult
11 for investors. It was not always clear what he said. It
12 would be quite difficult for me to go back specifically. He
13 was not a big numbers guy. It's quite difficult to say he
14 gave the wrong numbers or they were inaccurate.

15 It was quite difficult to go away and say, yes, I
16 really understand what his priorities are.

17 Q What were Mr. van de Vijver's strengths, in your
18 opinion?

19 A He had a good feel for where the value drivers for
20 the business were that we needed in the organization to make
21 it happen. He certainly believed he was a good deal maker.

22 With some people, he built quite a little
23 following. People would go the extra mile for him.

24 Q Did you ever discuss Mr. van de Vijver's confusing
25 messages to the marketplace with Ms. Boynton or Mr. Watts?

1 A Yes.

2 Q Is this something you discussed with them on
3 numerous occasions or very few?

4 A More than one, but not 20.

5 Q Somewhere between there, closer to ten,
6 approximately?

7 A Probably.

8 Q Is that fair?

9 A Maybe in a two year period.

10 Q Would this be in 2002 and 2003?

11 A Typically, yes.

12 Q What did you inform Mr. Watts and Ms. Boynton about
13 Mr. van de Vijver's confusing messages to the marketplace?

14 A I mentioned that we collected broker feedback and
15 sometimes we would share that directly, or Phil would ask for
16 it. We didn't generally share feedback on Walter with Judy.
17 I guess it was really for personal improvement purposes and
18 not as a judgment on an individual.

19 We had the discussion I mentioned earlier about the
20 development program that we put together for executives and
21 trying to help. In fact, when we did get Walter's time and
22 attention on that, he did follow up with what was regarded as
23 the best performance he had given, in terms of clarity and
24 communication, stating what it was he stood for. That was
25 back in March 2003. Phil was aware of it.

1 I can say it isn't working or the guy isn't getting
2 good feedback. The strategy and performance and the story
3 isn't particularly understood, despite the great efforts on
4 our part, it's up to you guys.

5 Q One thing that you mentioned earlier that I would
6 like to get an understanding for, the feedback sheets, and
7 you mentioned earlier you would provide those to the
8 individuals. Did you provide those feedback sheets to Mr.
9 van de Vijver?

10 A Yes.

11 Q How did he respond?

12 A He usually didn't.

13 Q In the instances that he did, how did he respond?

14 A His approach to most difficult subjects was to make
15 a joke and laugh it off and move onto the next subject.

16 Q Is that what he would typically do when you would
17 bring up the poor reviews from investors and others?

18 A So what, they don't understand.

19 Q How would you respond to that?

20 A I would take it onto the next subject in that
21 particular conversation, and I would make sure that he wasn't
22 put in front of those investors again.

23 Q Did you make an effort in the 2002 and 2003 time
24 frame to limit Mr. van de Vijver's contact with outside
25 investors?

24504
Henry, Simon

1 A Serious U.K. and U.S. investors; yes.

2 Q When did you begin doing that?

3 A His first appearance was September 2001, which was
4 not an unqualified success. It wasn't a disaster either. It
5 was clear that -- two things were clear. By then, I was
6 experienced enough to understand that investors want to see
7 the chief executive, and they want to see the chief financial
8 officer, and in cases where they see a succession coming,
9 they want to see the chosen candidate.

10 The U.K. is not dissimilar. They want the chief
11 executive, but there are second tier investors in both
12 markets and/or Continental Europe who are quite happy to see
13 any member of the management board, because they have a
14 different view of how an organization should be run.

15 The U.S. market was by and large reserved for Phil
16 Watts and Judy Boynton, and on occasion, the president of
17 Royal Dutch. In the U.S. market, we tried to use Phil as
18 much as possible. The U.K. market is where you have serious
19 investors and ones who talk to the media, to analysts, so you
20 go and have two meetings in London, and the entire market
21 knows, and that's why you have to be careful.

22 If you go to Zurich or Geneva, nothing will ever
23 leak. Walter, we typically used in Continental Europe, and
24 from time to time in the U.K.

25 Q Was this an unilateral decision you made to limit

1 Mr. van de Vijver's exposure to first tier investors in the
2 U.S. and U.K., or did you consult with others?

3 A It was at least an annual plan in terms of strategy
4 on how we would manage the markets. Several times, I
5 suggested we should be targeting individual executives on
6 specific markets, not just because they were better, but you
7 develop a relationship with the same people over time. You
8 meet three or four times, the level of trust and
9 understanding is improved.

10 Phil would never let me get away with that because
11 he believed, and Phil supported targeting him to the U.S. and
12 the U.K., and the other MDs elsewhere.

13 Q You discussed that with Ms. Boynton as well, didn't
14 you?

15 A Yes.

16 Q Did she approve of that as well?

17 A Yes, implicit support.

18 Q From a practical standpoint, Mr. van de Vijver's
19 exposure in these markets would create more work for Ms.
20 Boynton and Mr. Watts, in that they would be making more
21 appearances; correct?

22 A Yes, but it wasn't an issue. Phil particularly
23 made time available.

24 Q Mr. Watts and Ms. Boynton thought it was the better
25 thing to do to have them in front of larger investors opposed

1 to Mr. van de Vijver; right?

2 A Yes.

3 Q I asked you earlier about communications that might
4 have been incomplete or inaccurate that Mr. van de Vijver
5 provided to the market. Were there instances where Mr. van
6 de Vijver provided IR or you with incomplete or inaccurate
7 information?

8 A Walter personally barely provided us anything.

9 Q I'll ask the same question, were there times when
10 EP provided IR or you with incomplete or inaccurate
11 information?

12 A Yes.

13 Q Can you describe those?

14 A I have to go back into context. Within EP, there
15 was a CFO, initially in my time, that was Dominique Gardy, in
16 the middle of 2002, it was Frank Coopman, busy individuals.

17 They had their own controller, who had their own
18 performance reporting team, in which they had an individual
19 who from 2002 was tasked with being our focal point, plus
20 there were finance advisors in the regions, in Europe and
21 Africa, in the United States, plus all kinds of people, the
22 informal network, as we all worked 20 years in the company,
23 we knew where to go for information, and on a formal point,
24 it was within the performance reporting group under the CFO.

25 Q Was that Rhea Hamilton?

1 A Yes, Rhea Hamilton was the focal point. Initially,
2 the senior individual there was Alf Thorkildsen.

3 Q Can you spell that?

4 A T-h-o-r-k-i-l-d-s-e-n. Then from late 2002, it was
5 David Lau, L-a-u, as controller of the EP business.

6 They quite often provided us with information, and
7 we quite often sought a second source of information. We
8 didn't know if we would get the information. We would use
9 the informal and the formal routes on a regular basis.

10 EP, as a business, was not run with direct line of
11 sight from chief executive to front line managers. It's much
12 more complex an organization, which is why we had to dig our
13 way through the various views.

14 Having gotten those sources of information, you got
15 a varied quality. Sometimes, it would be raw facts.
16 Sometimes it would be what people thought you wanted to hear
17 from the raw facts. Sometimes, they would say here's what we
18 think you should be saying.

19 Typically, we would go through a period of
20 interaction where we would say we know the disclosure, we
21 know the obligation, just give us the facts. We are the
22 professionals in communication, not you. Thanks for your
23 help, but give us the data.

24 Q That was part of the double checking process you
25 were talking about earlier?

1 and Gerard Paulides.

2 This was part of the full day in London, which I
3 referred to before. It may be after this meeting that I
4 would have spoken to Walter about Orman Langen and Gorgon,
5 but it would have been on this day, because I think we only
6 did one day with Walter.

7 Q Looking at the fourth question where it's "RRR,"
8 what was the question there?

9 A Everybody asked about RRR, there was no point in
10 writing out the whole question. Typically, these questions
11 were from the 30 year old analysts, could you talk about RRR,
12 please. It's like that as opposed to I want to know why. It
13 was the typical dynamics of the meeting.

14 Q What was Mr. van de Vijver's response to Mr.
15 Bhutani's question about reserve replacement ratio?

16 A First, he had already had in his mind what he was
17 going to communicate in March, which is about reports of
18 looking at the total reserve rates and not just the group,
19 and then acknowledging that gas was where the current issue
20 was.

21 First he mentions the contract affect on cost
22 efficiency in the Far East. I think that actually just means
23 production share of contract, if you reduce your costs, you
24 are entitled to less oil in the future. That was the case in
25 Malaysia in 2002, and it was one of the negative revisions on

Henry, Simon

1 the number for 2002. That is what he meant.

2 Then he went on in the same way as Phil did to list
3 some of the things that would be coming up, that would have
4 some impact on reserves bookings in the future.

5 He mentions Guangdong reserves, which is reserves
6 associated with sales to the Guangdong LNG import terminal in
7 China, and the impact that would have on investment
8 decisions, and I don't know when those decisions might be
9 taken, but in the fullness of time, they will impact
10 reserves.

11 He mentioned Sakhalin. He talks about the total
12 reserve life, both proven and proven and probable, which goes
13 back to the theme of the coastal reserves being important.

14 He did not mention Orman Langen or Gorgon.

15 Q Looking at the next question, what is being asked
16 by Mr. Bhutani to Mr. van de Vijver?

17 A Again, the transcript is not so good, but the
18 question most likely was do you only book the gas when it is
19 being sold, and that is a follow on from the previous
20 statement about Guangdong, the Chinese sales contracts, that
21 would enable us to take investment decisions and book
22 reserves in NW shelf and Australia.

23 Q What was Mr. van de Vijver's response?

24 A It would appear here to be to ignore the question,
25 to talk about the exploration success we had, typically a

1 billion barrels a year being added to resources, back to his
2 total reserves theme.

3 He gave an example of Great White in the Gulf of
4 Mexico, which needed to go through appraisal, to get to
5 probable and commercial status.

6 He must have then talked about the exploration
7 strategy.

8 Q Did you have discussions with Mr. van de Vijver
9 ever about not answering the questions that were posed to him
10 by the analysts?

11 A From time to time.

12 Q Do you know if you had any discussions with him in
13 this time frame?

14 A Not on that specific one. It was a generic problem
15 with Walter not answering the question that had been asked.

16 Q You recall earlier in the notes we went through
17 that Mr. Watts answered that question; correct?

18 A Phil, I think, earlier on had talked about FIDs
19 being a driver.

20 BY MR. PEAVLER:

21 Q Did Mr. van de Vijver ever say anything to these
22 investors to the effect that we would have had 100 plus
23 percent organic reserve replacement in 2002 but for some
24 early bookings we took in Angola or something like that?

25 A I never heard him say that externally.

24512
Henry, Simon

1 Q Did he ever say that internally?

2 A He said it to me that day.

3 Q He said we would have been over 100 percent but for
4 what?

5 A Maybe not we would have been over 100 percent, but
6 he said it would have been much better if we hadn't already
7 booked Block 18 and Ehra, in particular.

8 Q That is Deepwater, Nigeria?

9 A Yes.

10 Q That was in response to your question that you
11 described to us earlier today?

12 A Yes, part of that, a brief discussion we had,
13 between two of the meetings, the five or six we would have
14 held on this day.

15 BY MR. CRAINE:

16 Q You were mentioning earlier that prior to investor
17 meetings, questions in some instances were submitted in
18 advance; is that correct?

19 A Yes.

20 Q Would you compile those for Mr. Watts and Mr. van
21 de Vijver and Ms. Boynton?

22 A Yes, if we had them.

23 Q If you had them, would you go through them with
24 them, to try to prep them before the meeting?

25 A Yes, if we could find time.

24512
Henry, Simon

1 Q As with Mr. Watts and Ms. Boynton, you were
2 typically able to find time?

3 A Correct.

4 Q With Mr. van de Vijver, at times, that was more of
5 a challenge?

6 A Correct.

7 Q I'm handing you what has been marked as Exhibit
8 331.

9 (SEC Exhibit No. 331 was
10 marked for identification.)

11 BY MR. CRAINE:

12 Q What is it?

13 A This is what I said about different styles of
14 questions in the United States. This is a record of meetings
15 held in April 2003, same basic communication phase, post-
16 strategy meeting, presentation of the full year results.

17 This one, in fact, would have been also after the
18 strategy presentation in mid to late March on EP and GP that
19 Walter had hosted.

20 There were a series of meetings held in Houston,
21 attended by David Sexton from IR and Walter van de Vijver.

22 This record is just the questions that were asked
23 and the answers that were given.

24 Q So we are clear, these aren't questions that were
25 submitted in advance of a presentation, these are questions

1 that were actually presented to Mr. van de Vijver during the
2 day on April 3rd and 4th, 2003?

3 A That is correct. They would have been recorded by
4 David Sexton.

5 Q Do you know if Mr. Sexton kept underlying notes the
6 same way you did, that were later transcribed?

7 A I don't know how he took his notes. I know he made
8 his own electronic copies.

9 Q Where is Mr. Sexton's office?

10 A Today, he moved to a position as head of business
11 development for the Oil Products Division in the United
12 States, so he is based in Houston.

13 Q Where was he located before he moved to Houston?

14 A New York, Rockefeller Center.

15 Q Does Shell maintain an office there?

16 A Yes, a very small office, three people.

17 Q Does Shell still maintain an office there?

18 A Yes, although they have moved from one building to
19 another.

20 Q Did someone take Mr. Sexton's place and his role in
21 New York?

22 A Yes. Last September, Harold Hatchett replaced
23 David Sexton.

24 Q It would be a better HR name than IR name.

25 Would Mr. Sexton's files be located in New York?

24515
Henry, Simon

1 A If there are any, yes.

2 Q If he maintained handwritten notes like you did,
3 they would probably be placed in the files in New York for
4 Mr. Hatchett's review on an ongoing basis?

5 A Yes, although as they changed office, I know they
6 cleared out files. David was an electronic guy. I
7 personally doubt whether he would have kept them in the first
8 place. I'm actually amazed you found files in London.

9 If there are any, they would be in that office, but
10 I doubt there would be. The move was probably in early 2003.

11 There has also been a change in personal assistants
12 since Harold took over as well.

13 Q Who was Mr. Sexton's assistant?

14 A A lady by the name of Patricia Flood.

15 Q Who was Mr. Hatchett's assistant?

16 A A lady, Monee McGuire.

17 Q Looking at the second page, the analyst dinner
18 organized by Morgan Stanley, who was your contact with Morgan
19 Stanley in the States?

20 A Doug Terreson.

21 Q Is he still with Morgan Stanley?

22 A Yes, he is.

23 Q Is he the person you dealt with at Morgan Stanley
24 throughout your tenure in IR?

25 A In the United States; yes.

1 Q You would have been present for these meetings in
2 April?

3 A No. David was quite an experienced guy. Most of
4 the executives were quite comfortable with him.

5 Q The next page, who was your contact there?

6 A To be honest, I don't recall. They were not a big
7 investor.

8 Q Would Mr. Sexton be the best person to ask?

9 A Yes.

10 Q How about the Mitchell Group?

11 A David again.

12 Q Looking at the first page --

13 A I've never heard of them.

14 Q Again, that would be most appropriate for Mr.
15 Sexton?

16 A That is correct.

17 Q What is Exhibit 332?

18 (SEC Exhibit No. 332 was
19 marked for identification.)

20 THE WITNESS: This is a record of meetings on 27
21 May 2003, again, following the EP/GP presentation in March,
22 and also now following the 2003 results that would have been
23 issued at the end of April.

24 It is a record of a meeting with Allianz Dresdner
25 Asset Management held in Frankfort, attended by several

1 representatives of Allianz Dresdner, by Walter van de Vijver
2 and Bart van der Steenstraten. In this case, the meeting was
3 arranged by Dresdner Bank. That is a different part of
4 Allianz Dresdner.

5 Attended by Paul Spedding, who is a research
6 analyst. Uwe Hohman, I think he is on the research team, and
7 by several members of the ADAM team, Frankfort based, and on
8 the teleconference by Richard Budgett, who actually was the
9 main contact with ADAM in Frankfort. The record does point
10 out that the meeting was actually driven by questions coming
11 out of London by Richard Budgett. Richard is the oil and gas
12 analyst for ADAM, experienced in the oil and gas sector,
13 again, five plus years.

14 It was attended by Bart van de Steenstraten as
15 well, who took the notes.

16 BY MR. CRAINE:

17 Q Looking at the question "Have to rely on company
18 data, difficult to judge from the outside." Do you see that?

19 A Yes.

20 Q Is this a comment you received from more than one
21 investor?

22 A This is a generic trend from investors, and
23 particularly from research analysts, whatever you give them
24 isn't enough. They need more information to fill in their
25 model, financial model, operational model for the company.

1 Q Would Mr. Schattner be the primary contact at DEKA
2 for Investor Relations?

3 A He may not have been the primary for oil and gas.

4 Q Looking at the fourth to last question about
5 reserve strategies, smoothing to avoid volatility, no
6 massaging, it is what it is, as you sit and read that, what
7 do you interpret it to mean?

8 A My interpretation is that is a comment that was
9 made rather than a question.

10 Q Do you know if it was a comment made by Mr. van de
11 Vijver or by a representative of DEKA?

12 A I would interpret -- if I look at the whole
13 sentence, everything else would be a question from DEKA.
14 This is one of the few things that isn't actually followed by
15 a question mark.

16 The decline rate, seven to eight percent, that is
17 almost certainly a statement by Mr. van de Vijver. I would
18 interpret it as a statement by Mr. van de Vijver.

19 Q What do you interpret Mr. van de Vijver to be
20 saying there?

21 A I see the comment itself, reserve strategy, no
22 massaging, it is what it is. And then the comment refers to
23 gas contracts. It is probably a catch all statement.

24 Q Did you talk to Mr. van de Vijver or anyone else
25 about this statement or statements similar to it?

1 A Having not been present, I would have taken a
2 summary after the day.

3 Q Separate from this date and this document, were
4 there times when you talked to Mr. van de Vijver or others
5 about the general comments listed there?

6 A In preparation for the March 2003 strategy
7 presentation, there might have been some discussion about
8 reserve bookings as they have been recorded and future
9 potential with Mr. van de Vijver and other members of his
10 team.

11 Q Were you present for that?

12 A I was present in several discussions.

13 Q Who else was present in those meetings?

14 A A variety of people. Preparation for one of these
15 meetings takes place over a month. There would be a series
16 of meetings.

17 It would include all of my own team, the people I
18 mentioned before from the finance team in EP. It may at
19 times have included John Pay. I'm trying to think of who was
20 running strategy at the time. Lorin Brass was head of
21 strategy at the time, I think.

22 Q Would those be scheduled meetings?

23 A Both scheduled and unscheduled. It's a busy time.

24 Q A series of these took place in February?

25 A And leading up to the March 18th or 19th

1 presentation, whenever it was.

2 Q This issue that was discussed about reserve
3 strategy and no massaging, avoiding volatility and those
4 types of statements, were any of those discussed in these
5 meetings?

6 A "It is what it is," that phrase, it comes out of
7 the actions you take. That leads at the end of the day to
8 reserve replacement, which can go up or down, depending on
9 what you have achieved during a given year.

10 MR. CRAINE: Let's go off the record.

11 (A brief recess was taken.)

12 MR. CRAINE: Back on the record at 4:30.

13 BY MR. CRAINE:

14 Q I'm handing you what has been marked as Exhibit
15 334.

16 (SEC Exhibit No. 334 was
17 marked for identification.)

18 MR. FERRARA: I want to make sure that we are all
19 clear that we are going to do some rescheduling. We are
20 going to go until a normal quitting hour tonight, 5:30/6:00,
21 we will resume tomorrow morning with this witness at 9:30,
22 going to about 12:30, because he has to leave, take a flight.

23 In the afternoon, after lunch, we will have Mr. van
24 Poppel, and on Thursday, we will have one day of Aidan McKay.
25 We must get Aidan McKay done in one day.

1 We are most appreciative of you accommodating your
2 schedule to accommodate ours.

3 BY MR. CRAINE:

4 Q What is Exhibit 334?

5 A This is a record of an one on one meeting held in
6 February 2003 in London, same day as previously discussed
7 meetings, and road show day with Walter van de Vijver,
8 attended by Shell.

9 This is a meeting with Schroder's Investment
10 Management, represented by Craig Pennington. These are the
11 notes of the meeting.

12 Q Was Mr. Pennington your primary contact within
13 Schroder's?

14 A Yes, he was.

15 Q Is he knowledgeable in the industry?

16 A Very.

17 Q Looking at the second page, the first question,
18 what was the question asked of Mr. van de Vijver there?

19 A The transcribing says "Reserve replacement ratio
20 drill bit backwards. Replaced by Enterprise Oil?"

21 Q What was Mr. van de Vijver's response?

22 A His first response referred to the acquisition of
23 Enterprise Oil, as reflects the system belief, this is nine
24 or ten months after the acquisition, that we had overpaid.
25 Walter said no regrets about the acquisition, good cash

24522
Henry, Simon

1 generation every day. Then moves onto reserve replacement,
2 should look at proved and probable to the theme of total
3 reserve, not just group. Very disciplined on reserves
4 replaced, including SFR, which is scope for recovery, a
5 broader definition of the resource base.

6 I'm not sure about the next, but talks about \$1
7 billion of oil equivalent, added to scope for recovery, only
8 book the scope of the well actually drilled, and talks about
9 projects, similar to other records of meetings on the same
10 day, Nigeria, NW shelf, reference to the Guongdong terminal
11 in China, and to Sakhalin.

12 It's pretty much the same answer he had given in
13 the other meeting with Credit Suisse.

14 Q The next question "Australia versus Sakhalin."
15 What was the question there?

16 A The context of the question is marketing, because
17 we are involved in multiple supply projects in Asia Pacific,
18 how do we give precedence to any particular project over
19 another, when it comes to a given market, the belief being
20 that is was before the final investment decision on Sakhalin,
21 so he's looking to understand how we would ensure that
22 Sakhalin marketing and contracts would be obtained.

23 Q What was Mr. van de Vijver's response?

24 A The response was that the individual supply
25 projects market through joint ventures. It says by "DV," and

1 it should have been by "JV."

2 For example, Australia is marketed by Woodside on
3 behalf of the joint venture, Sakhalin is marketed by Shell on
4 behalf of the joint venture. They would compete like any
5 straight competitors on a commercial basis.

6 Q I'm handing you what has been marked as Exhibit
7 335.

8 (SEC Exhibit No. 335 was
9 marked for identification.)

10 BY MR. CRAINE:

11 Q What is Exhibit 335?

12 A This is a record of meetings held in the United
13 States in February 2003, following the full year strategy and
14 results presentation, over a period of days, the 7th through
15 the 11th of February. That would have included the weekend.

16 The meetings would have been held in New York and
17 in Boston. They are meetings at which Phil Watts and Judy
18 Boynton were present for Shell. David Sexton would have been
19 present.

20 Q Were you present for these meetings?

21 A If my memory serves me right, I was present in New
22 York but not Boston.

23 Q Did you help prep Mr. Watts and Ms. Boynton for
24 these presentations as well?

25 A Yes, I did.

1 Q T. Rowe Price. Who was your contact person at T.
2 Rowe Price?

3 A Charles Ober.

4 Q It looks like one of the questions from Mr. Ober
5 was why are your figures weak for the last two years
6 regarding reserve replacement ratio.

7 A Correct.

8 Q Do you know how Ms. Boynton or Mr. Watts responded
9 to this question?

10 A One week later, through seeing the records, we see
11 Phil gave the same answer word for word. I would suspect he
12 gave the same answer.

13 Q That is the answer that talks about Orman Langen
14 and Gorgon as potentially being --

15 A Projects that in the future would impact reserve
16 replacement; yes.

17 Q And improve reserve replacement?

18 A Impact reserve replacement, not necessarily
19 improve.

20 Q How would booking additional proved reserves not
21 improve the reserve replacement ratio?

22 A It may not be enough to improve.

23 Q They would have a positive impact on whatever that
24 number is?

25 A That is correct.

1 Q Who is your contact at Sanford Bernstein?

2 A I'm not sure I can remember.

3 Q At Lazard?

4 A A gentleman, Peter Hunsberger.

5 Q Mr. Hunsberger asks "Reserve replacement ratio, one
6 of the 2002 numbers set forth, should I be concerned?" Do
7 you know if Mr. Watts or Ms. Boynton commented to this
8 question?

9 A It would have been Mr. Watts. I would suggest Phil
10 would have given the same answer to all investors asking the
11 same question during that period of time.

12 Q He would have noted that the potential positive
13 impact of Gorgon and Orman Langen in that response?

14 A In general, I don't remember any particular
15 response that was different for any obvious reason.

16 Q That would be yes?

17 A I can't say unequivocally in this meeting, it was a
18 yes. I don't remember thinking at any time that it was
19 different than normal. I don't know what he said at this
20 meeting, but as far as I can recall, at a meeting in that
21 period of time that I was present at, he always would have
22 given the same answer that he had given in more detail in the
23 London records.

24 Q Including Gorgon and Orman Langen?

25 A Including the full list that had been discussed.

1 Q Soros, who is your contact at Soros?

2 A I don't recall. That was the only time I had ever
3 met with Soros. I don't remember the name. Sorry, I don't
4 remember. This is the U.S. arm of their asset management.

5 Q Was it an American?

6 A No, Dutch.

7 Q It looks like Mr. Watts was asked to comment on the
8 reserve replacement issue. Mr. Watts provided the same
9 answer?

10 A The same answer.

11 Q Toward the bottom, reserve replacement ratio, how
12 much was it organic versus acquisition, will you be able to
13 do 100 percent in 2003.

14 A That would have confirmed the data and then
15 readdress the previous question -- answer.

16 Q Capital Guardian. Who was the contact for Capital
17 Guardian?

18 A Maybe Cathy Kehr.

19 Q Ms. Kehr asks we see reserve replacement ratio,
20 should we be worried about this. Did Mr. Watts or Ms.
21 Boynton respond to this question?

22 A That would have been Mr. Watts. He must have given
23 the standard response because Cathy then goes onto say, well,
24 what about the oil and gas reserve replacement ratio, which
25 isn't addressed in the response.

24598
Henry, Simon

1 Q How did Mr. Watts respond to that?

2 A I'm afraid I don't recall on that one. I could
3 only speculate that he would have talked about some of the
4 projects that had been booked during the year.

5 Q Who was your contact at Wellington?

6 A Milesh Undavia. M-i-l-e-s-h U-n-d-a-v-i-a, I
7 believe. This is moving into Boston. Capital is the last
8 one I would have attended. I may have well stayed over and
9 gone up to Boston for these meetings. Sometimes I did.
10 Sometimes I didn't.

11 Q Is Ms. Kehr still with Capital Guardian?

12 A Yes, she is, based in L.A.

13 Q Putnam? Who was your contact with Putnam?

14 A It was a lady, Lisa Svenson. I'm pretty sure I was
15 at these meetings, now that I think about it. I see a
16 question from Fidelity.

17 Putnam was Lisa Svenson, and it is now a lady,
18 Maria Drew. Lisa moved on.

19 Q For the Wellington presentation, Mr. Watts answered
20 that, the first bullet point on page two, reserve replacement
21 ratio, what do you think it will be over the next couple of
22 years?

23 A Same standard answer.

24 Q Putnam, I guess it would be the same case, on
25 reserve replacement ratio?

24599
Henry Simon

1 A Yes.

2 Q Who was your contact at Fidelity?

3 A A lady, whose name I don't recall, who has moved on
4 anyway. This is Fidelity Boston. It is a different branch
5 from the previous meeting with Fidelity in London.

6 I'm sorry. I don't recall.

7 Q In all of these, Mr. Sexton was the contact?

8 A The day to day contact was with David Sexton.

9 Q Who was your primary contact at State Street?

10 A Dennis Walsh.

11 Q Again, talking about reserve replacement ratio and
12 production growth, where all that is going, would Mr. Watts
13 have answered that?

14 A Yes. I don't think Judy Boynton was there. She
15 was present in New York, but not in Boston. Phil would have
16 addressed all these.

17 Q I'm handing you what has been marked as Exhibit
18 336.

19 (SEC Exhibit No. 336 was
20 marked for identification.)

21 THE WITNESS: I remember why I was there.

22 BY MR. CRAINE:

23 Q Why were you there?

24 A A guy came in from Fidelity, ten minutes late, sat
25 down, said to Phil, so how do you compare with John Brown and

1 Lee Raymond, are you any good.

2 Q What was Mr. Watts' response to that?

3 A Very good, that is why I chuckled. How do you make
4 a difference compared to your competitors. Phil was very
5 polite about it.

6 Q Looking now at Exhibit 336, what is it?

7 A This is a record of a teleconference meeting with
8 Capital Guardian, with Cathy Kehr, on 17th of April 2003.
9 This was a teleconference with Judy Boynton and myself.

10 We were actually in London, and Cathy was in L.A.,
11 I think, if I remember rightly. She was also joined by her
12 portfolio manager. This was a meeting specifically requested
13 by Cathy after the EP and GP presentation. She wanted to
14 talk directly to Judy.

15 Q Was Ms. Kehr asking the questions?

16 A Yes.

17 Q Was Ms. Boynton responding to Ms. Kehr's questions?

18 A Yes. Judy and I were not even in the same
19 location, although I was present. Judy handled basically all
20 the questions.

21 Q If you turn to the second page, a little more than
22 halfway down, Nigeria, what is the latest situation, when
23 will we return production. What was Ms. Boynton's response
24 to that?

25 A The question was driven by production, short term

1 production issues driven by community disturbance and OPEC.
2 If I remember rightly, it was an issue with production being
3 down, with particular episodes of sabotage, and Cathy was
4 asking in the short term, what is the impact on production
5 going to be. It's quite possible I answered the question
6 with a level of detail.

7 Q Looking at the last three questions there, the
8 first one is reserve replacement, how do we build on recent
9 performance, did Ms. Boynton answer that question?

10 A Yes, Judy would have answered all three of these
11 questions.

12 Q Do you recall how she responded to these three
13 questions?

14 A This was pretty much in the same time frame as the
15 previous discussions we had. Judy was very similar to Phil.
16 She knew the script. She would use the script. She probably
17 answered the same as Phil.

18 I doubt that she would have talked in the same
19 fashion about the individual projects. Phil was doing that
20 all by himself. It was not necessarily part of the script.
21 Judy would have reiterated the statements made in February
22 and March about the gas projects moving through the
23 development pipeline.

24 Q These three questions related to reserve
25 replacement ratio, these would have been questions that Ms.

1 Boynton was prepped for?

2 A Yes.

3 Q These would have been on her radar screen; is that
4 fair to say?

5 A Yes.

6 Q She was the one who would have responded to these
7 three questions regarding reserve replacement ratio from Ms.
8 Kehr?

9 A Yes, these belonged to the set of questions that
10 the investors did not want IR to answer. They wanted to hear
11 the executive.

12 Q In this case, that executive was Ms. Boynton?

13 A Correct.

14 Q I'm handing you what has been marked as Exhibit
15 337.

16 (SEC Exhibit No. 337 was
17 marked for identification.)

18 BY MR. CRAINE:

19 Q What is it?

20 A This is a record of a meeting held on the 10th of
21 July 2002, back in time now. These meetings were before the
22 second quarter results, a day's trip to Milan, facilitated by
23 Deutsche Bank.

24 This is a record of a meeting with San Paolo IMI,
25 an asset management company based in Milan, attended by Judy

1 Boynton and myself. The meeting was hosted by Nicole
2 Porcari, who is the energy specialist for San Paolo.

3 Q What was Deutsche's involvement?

4 A The broker who arranged the meetings. In Milan,
5 the investors were happy for brokers to attend.

6 Q Ms. Gordon would have been present for this
7 meeting?

8 A Yes. She didn't attend all of them.

9 Q Looking at the third question, reserve replacement
10 ratio. What was Ms. Boynton being asked?

11 A The question is about what projects did we have
12 that would lead to bookings. This answer reminds me really
13 of the question that is missing.

14 The West-East pipeline in China, gas pipeline, from
15 Western China, starts in the Tirin Basin and goes past the
16 Ordorfs Basin, and in total, would Shell's participation in
17 the project continued, have delivered our share of some 6 TCF
18 of gas.

19 Judy's response is a project we are working on will
20 impact reserves is in China. She also refers to Siberia
21 potential. I'm not entirely sure what she would have had in
22 mind at that time.

23 Q The next question, reserve replacement ratio is
24 weak, where will the growth come from; do you see that?

25 A Yes.

1 Q What was Ms. Boynton's answer to that question?

2 A We would have had a standard list of projects,
3 which would have included things like the Bongo project in
4 Nigeria. This is shorthand saying shorter projects. We
5 typically took a handout to share with investors which would
6 contain certain slides and information. It is likely she
7 would have referred to that list. These projects are already
8 underway, will deliver growth.

9 Q On the next page, the first question there, reserve
10 replacement ratio will improve. What was the question there?

11 A This is back in 2002, and reserve replacement was
12 on the investors' agenda. The investor was making the point,
13 sustain three percent growth per year, maintain a constant
14 reserve rate, you need more than 100 percent reserve
15 replacement, you need actually about 130 percent.

16 Q Was Ms. Boynton aware of that?

17 A Yes. It's relatively simple arithmetic.

18 Q What was Ms. Boynton's response to that question?

19 A Yes. The question as phrased, will we see the
20 reserve replacement ratio improve over time with the new
21 projects, the answer is yes, new projects will in effect
22 improve the reserve replacement ratio versus 2001, which was
23 a relatively low figure.

24 We need to replace production. Reference to the
25 fact that projects arrive in a lumpy fashion.

1 Q You were mentioning reserve replacement ratio had
2 become a larger issue on the radar screen.

3 A Yes.

4 Q The date of this was July --

5 A Mid-2002.

6 Q By July 2002, it was pretty firmly on the radar
7 screen, that reserve replacement ratio was an issue?

8 A Yes.

9 Q That's why these questions were being asked?

10 A Yes.

11 MR. FERRARA: I'm sorry. Can I ask a clarifying
12 question? With respect to the question and answer you just
13 testified about, as you sit here today, do you have a
14 recollection of what she said, or are you just reading what
15 is on this transcript?

16 THE WITNESS: I have a recollection of the type of
17 answers we were giving at that time, and Judy pretty much
18 stuck to the script.

19 BY MR. CRAINE:

20 Q Those are your contemporaneous notes from the
21 telephone conversation; correct?

22 A This was in Milan, not a teleconference. For the
23 meeting in Milan, I was present.

24 Q If you were present, you would have been the one
25 who took these contemporaneous notes?

1 A I took those notes; yes. That's correct.

2 MR. SMITH: If I could clarify, there are three
3 question marks at the end of that answer, presumably had you
4 recalled at the time what she had said, it wouldn't have
5 question marks, it would have what she said; is that right?

6 THE WITNESS: I mentioned I was not perfect in
7 proofreading my own notes. That is the secretary's question
8 marks.

9 BY MR. CRAINE:

10 Q I think that is the last one on one notes we will
11 be going through.

12 One thing that we talked about in some of the one
13 on one notes was the AAA rating. Was that considered
14 important at Shell, maintaining a AAA rating?

15 A Yes, although there were some differences of
16 opinion. It was considered important -- those who considered
17 it important and believes it was so because it was a symbol
18 of capital discipline, both internally and externally. It
19 said that we are conservative. There is a financial strength
20 here.

21 It also provided us more benefits than we
22 ordinarily shared with the market, huge amounts of cash
23 between treasury centers, between our treasury centers in
24 England and Eastern, in moving that sort of money, AAA
25 enables you to do things others can't do.

1 A Yes.

2 Q If you could explain the different sections and
3 what they show.

4 A The two basic sections, one is issues, and the
5 other is assets and projects. Each subject is split into
6 four, which is essentially a matrix. Assessment of
7 probability of questions arising, the materiality of the
8 question, in terms of its significance.

9 Q What does "High probability, high materiality" in
10 section one indicate?

11 A High probability means in an actual engagement with
12 an external party, these issues are likely to be asked. They
13 are the top 10 to 15 questions that are currently being
14 asked, and they are important.

15 Q That makes it a high probability, high materiality?

16 A That's correct.

17 Q Looking at page six, it looks like reserve
18 replacement ratio falls under that high probability, high
19 materiality. Is that right?

20 A That's correct.

21 Q Looking at the bottom, reserve replacement ratio,
22 who created the bullet points?

23 A This would have been a combination of my team plus
24 the EP team, and Rhea Hamilton typically coordinated all of
25 EP's input into this document. The final was with my team.

1 Q If you could walk through the bullet points and
2 explain why these were listed as IR responses to reserve
3 replacement ratio.

4 A There are six bullet points, which is typically
5 towards the upper end of the number of bullet points you can
6 manage on any one subject for the audience.

7 The first one states our aim, our expectation, to
8 replace production over time, which is equivalent to the 100
9 percent on average.

10 The second is an acknowledgement of the process,
11 recognize reserves as we make project development decisions.
12 These are lumpy, they come in bursts. We have a series of
13 projects maturing toward that decision.

14 The third one is to be more specific, if this was
15 late 2002, it talks about actually going to China and
16 Sakhalin, two out of three did happen in the next six months,
17 as well as smaller projects off the Gulf of Mexico and West
18 Africa, which is Nigeria.

19 The fourth item refers to SEC rules on reserves
20 disclosure, requiring conservatism in reporting numbers.

21 There is a comment, and I don't know whether we
22 have mentioned it before, it talks about rules, in accordance
23 with the rules, we normally recognize a relatively low
24 percentage of eventual expected reserves, when we first
25 recognize reserves for a given field.

1 This was something we used when we talked about
2 major investment decisions because typically an analyst
3 trying to work out what our reserve replacement ratio would
4 be, which is what many of them were doing by this time, look
5 at the Sakhalin investment decision in 2003, the reserves
6 bookings were \$2 billion.

7 Part of our role was to make sure they understood
8 we would not be booking two billion barrels when we took an
9 investment decision on Sakhalin. It doesn't work like that.

10 The fifth point is about projects that were
11 approved in 2002, and that refers to any other main fields,
12 as Angola, Block 18, Nigeria, they were all known events that
13 external observers of the company would know about in that
14 year.

15 The final comment refers to revisions that other
16 people have made, where we were partners with other industry
17 players.

18 Q In 2002, did you know Angola and Block 18 had
19 already been booked to some extent?

20 A I became aware during the year, at or around the
21 point at which the investment decision was taken. Why? Both
22 were joint ventures. One with BP and one with Exxon. It was
23 part of my role to ask questions, knowing the investment
24 decision was being made, as to what will be the impact on
25 production, capital investment, and reserves.

1 Q Did you know if EP had booked reserves on Block 18
2 in 2002?

3 A Was I aware? I did not know specifically what they
4 may have done. I was advised by my own people they were
5 waiting to see what level of reserve replacement ratio they
6 needed for the year before they decided.

7 Q Looking at the fourth bullet point, it talks about
8 the SEC rules for reserves disclosure requiring conservatism.

9 Whose decision was it to include that in the
10 response to IR questions?

11 A Ultimately, the decision would have been mine, but
12 that text came from EP, and certainly represented my
13 understanding of the SEC rules. I had no reason to question
14 it.

15 Q At that point in time, did you believe the
16 guidelines Shell applied for reserve bookings were
17 conservative?

18 A Yes, I did.

19 Q We were talking about AAA a little bit before, and
20 the importance of it for some people within Shell. Earlier
21 when we were going through the one on one's, we looked at
22 some of Mr. Watts' comments regarding the AAA rating, and
23 part of who we are at Shell, we are a conservative company.

24 Do you remember that?

25 A Yes.

1 Q Did Ms. Boynton share that opinion as well?

2 A Yes.

3 Q I'm handing you what has been marked as Exhibit
4 339.

5 (SEC Exhibit No. 339 was
6 marked for identification.)

7 BY MR. CRAINE:

8 Q It is a string of e-mails talking about a
9 presentation to S&P. Are you aware of a presentation to S&P?

10 A Typically, the relationship with the rating
11 agencies is such that once a year, in the April/May time
12 period, there was a meeting arranged with both S&P and
13 Moody's. It was typically a half day meeting where the
14 agencies will go through with a group of executives important
15 issues for them.

16 I used to attend both meetings as head of IR,
17 although I wouldn't attend all the meetings. I was there
18 primarily to talk about the group strategy, because I could
19 talk about all of the group, and most executives will only
20 talk about one or another part of the group.

21 I could explain and certainly answer any questions
22 on what messages had been given to the outside world. I
23 didn't actually talk directly with any debt investors.

24 Those meetings took place over the years. This is
25 rather detailed. This is correspondence leading up to the

1 meeting in 2003.

2 Q Beginning in 2002, would you have attended the S&P
3 and Moody's meetings?

4 A Not in 2001, because I wasn't in IR then. 2002 and
5 2003 and 2004, yes, I did take part in meetings. There were
6 also occasional update conferences, and as well, from time to
7 time, I would participate in those, usually at the request of
8 the treasurer or the head of treasury operations, who is
9 copied in these e-mails, Michiel Moolenaar.

10 Q What was Mr. Buschman's role?

11 A He worked in Michiel's team. Michiel Moolenaar was
12 the head of treasury operations. He was the group's point of
13 contact. Mr. Buschman was relatively junior.

14 Q To whom did Mr. Moolenaar report?

15 A He reported to Ken Dean, who was head of finance
16 services. Finance services was an internal service provider.
17 The group treasurer had a very significant say over
18 activities in treasury operations. The group treasurer --
19 Ken Dean was head of finance services, and did not attend
20 these meetings, but the group treasurer was the real host of
21 the meetings with credit agencies.

22 Q Who was the group treasurer in this time frame?

23 A At this time, it was Neil Gaskell.

24 Q Looking at the second page, there is an e-mail from
25 you to Mr. Buschman and Gerard. Do you see that? It is

1 copying Mr. Moolenaar.

2 A Yes.

3 Q Where you asking to see a copy of the presentation
4 to understand the flow, and "As you know, the reserve
5 replacement issue is not as simple as the quoted S&P
6 perception, we will need to consider carefully how we discuss
7 it with them, some education may be required, but if they
8 have already done their homework, that may be
9 counterproductive."

10 What did you mean by that?

11 A Typically, before the meeting, either Moody's or
12 S&P would send a detailed list of questions, particularly
13 S&P, of the questions they wanted to cover and that they
14 expected us to address.

15 They would have included -- I don't have the copy
16 so I can only speculate -- the timing of this is just after
17 the EP/GP strategy presentation, one where we had gone to
18 great pains to talk about reserves, the importance of the
19 process and the strategy.

20 Q This was a large concern for the EP business?

21 A It was high on the radar screens.

22 Q It was high on the radar screen of S&P and Moody's
23 as well; correct?

24 A I couldn't say how high, but it was on their
25 screen. The flow of this correspondence, I can see I would

1 have had in mind -- I'm saying the replacement issue is not
2 as simple as the perception.

3 Q In the last sentence you write "Some education may
4 be required, but if they have already done their homework,
5 that may be counterproductive." What were you trying to
6 convey there?

7 A Good question. The first piece is easy. What we
8 have learned over the last couple of years is it is not easy
9 to communicate on that booking process, the details, and if
10 people already have firm ideas in their mind, which are often
11 not accurate, externally or internally, whatever, you have to
12 establish common ground. Other than proved reserves, there
13 is no other common definition.

14 To be honest, I would have to see the S&P notes to
15 know what the context of the latter sentence is referring to.

16 Credit rating analysts are not as knowledgeable as
17 the equity analysts in the oil and gas business, and
18 sometimes they were rather simplistic in their approach to
19 reserves and other things.

20 Q Did it concern you that they had too much
21 information or data regarding EP's business, and it might
22 affect or impact their decision to lower the AAA rating?

23 A No, not at all.

24 Q If you look on the front page, "A copy of the S&P
25 presentation was sent in an e-mail yesterday." Or was

1 included yesterday in an e-mail.

2 Did you receive a copy of the S&P presentation
3 beforehand?

4 A Before the 15th?

5 Q Before the presentation.

6 A Yes. Usually, I would comment on it.

7 Q On the top there, your assistant notes that -- one
8 of your lieutenants?

9 A Yes.

10 Q Notes there was a standard set you used extensively
11 and successfully. Do you know what he is referring to there?

12 A Part of the presentation was the strategy and how
13 it is being communicated to the market. We used to share
14 what are the issues, what are concerns with equity and the
15 market. It was obviously important to the debt market as
16 well.

17 Gerard is just saying this has been prepared by Tom
18 Buschman, he's a relatively low level individual in treasury
19 operations who collected material from various points in the
20 company, and Gerard is saying don't deviate from the standard
21 set.

22 It is possible we were struggling for commitments,
23 and either Gerard or I would tell them to deliver it. If it
24 was a standard set, either of us could have delivered the
25 standard set.

1 Q What did you interpret the story line by EP to be?

2 A EP as a business, we are often quite sensitive
3 about anything that was said.

4 Q The story line that you are talking about, is that
5 the story line with respect to reserve replacement? Is it
6 referring to reserve replacement ratio, the story line, or to
7 something else?

8 A To the overall strategy.

9 Q I'm handing you now what has been marked as Exhibit
10 340.

11 (SEC Exhibit No. 340 was
12 marked for identification.)

13 BY MR. CRAINE:

14 Q It looks like this is the final version of the
15 presentation; is that right? The S&P presentation.

16 A Yes. Sometimes things change overnight. It is
17 probably the final.

18 Q If you look at the third page --

19 A The third page of the presentation?

20 Q Of the document itself, the exhibit.

21 Who is Emmanuel Dubois?

22 A He is the head of ratings for oil and gas for
23 Standard and Poor based in Paris. Emmanuel Dubois-Pelerin.

24 Q Was he present at the presentation to S&P?

25 A Yes. Emmanuel was our primary contact with S&P.

1 For a credit rating, not from an IR perspective, in treasury
2 operations, Standard and Poor had a small equity research
3 team as well, with whom I had very little contact.

4 Q Looking at this letter, it appears that Mr. Dubois
5 was listing the areas that they wanted to focus on; is that
6 right?

7 A Yes.

8 Q Looking at the last two bullet points on the first
9 page, reserves, long term view, is one of the areas that Mr.
10 Dubois would like to focus on. Is that right?

11 A Yes.

12 Q Looking at the larger description below reserves
13 bookings, what concerns did Mr. Dubois express that he wanted
14 to discuss and what were discussed when you met?

15 A He is expressing concerns about low reserve
16 replacement in the year 2001 or 2001 and the competitive
17 positioning there being relatively poor, in fact, in a three
18 year period, explaining what they as an organization focus
19 on, and why.

20 Q Was that a concern he expressed in your meetings
21 with S&P as well?

22 A Yes.

23 Q These meetings with S&P, where did they take place?

24 A Shell Center in London.

25 Q You noted you would have been present in 2003; is

1 that right?

2 A I believe so. I would certainly be invited and I
3 would be involved in preparation, but most meetings, I
4 attended. I have a great memory that Gerard attended one
5 rather than me, and I'm not sure which one it would have
6 been. Chances are, I was at the meeting.

7 Q Mr. Dubois would have been there as well?

8 A Yes, he was the prime contact.

9 Q Who else from Shell would have been in attendance
10 at the presentation in 2003?

11 A Neil Gaskell as treasurer. I believe in this
12 particular year, Frank Coopman would have attended, at least
13 part-time.

14 Usually, there would be a meeting on the same day
15 but not necessarily, with Judy Boynton and sometimes with
16 Phil Watts.

17 Q Would Ms. Boynton or Mr. Watts have attended the
18 S&P meeting?

19 A Not mainly with the presentation. They would have
20 had a separate side meeting, maybe 30 minutes, 60 minutes,
21 for product discussions. Group treasury would have attended,
22 but I would not.

23 Q Would Mr. Dubois have been there as well?

24 A Yes, he would.

25 Q Were you present for that meeting with Mr. Watts

1 and Ms. Boynton?

2 A I never attended one of those.

3 Q Looking now at page 11 of the presentation, who was
4 involved in the creation of this slide?

5 A This slide was taken directly from the March 2003
6 presentation. This was already public. The preparation
7 would have come from the EP team that did the preparation for
8 that date, which probably is covered in an earlier question.

9 Reserves data would have come from John Pay, and it
10 would have been approved, supported, signed off on through
11 the EP executive line. They certainly would have been signed
12 off on by Walter.

13 Q Mr. Watts and Mr. van de Vijver would have signed
14 off on the reserve slides?

15 A Mr. van de Vijver would. Mr. Watts, in his
16 capacity as chairman of CMD would have seen the presentation
17 before it was given in March, from which this is extracted,
18 but wouldn't necessarily have been given every individual
19 slide and talk about it.

20 Q This was a very important slide?

21 A Yes.

22 Q This is something that Mr. Watts would look at?

23 A I'm sure he would have looked. I was not present
24 in any session where Phil himself questioned it. I was
25 present at several sessions where Walter and his team were

1 working to develop this material that was used in March.

2 Q We will get to that in a second. If Mr. Watts
3 didn't like what he say in one of these slides on reserves,
4 do you think he would have let somebody know about it?

5 A Yes.

6 Q That's undoubtedly true; yes?

7 A Yes.

8 Q Going back to these meetings with Mr. van de Vijver
9 and his team to create this slide, you said there were
10 several meetings related to the creation of this; is that
11 right?

12 A About a month leading up to an external
13 presentation, there were a variety of meetings with a variety
14 of attendees. This is the end result. There would have been
15 a variety of drafts and different ways of taking the same
16 data and showing it in different ways and forming the basic
17 message. The aim was to link it to a coherent story or
18 strategy.

19 This was the best plus two or three other slides in
20 that time where the key message is around total reserves over
21 a longer period than one year, and competitive costs.

22 Q "EP, A Healthy Reserve Base," that is a title you
23 came up with; right?

24 A This would have been the IR team. Most likely, we
25 had an impact on the slide titles.

24552
Henry, Simon

1 Q You did or you didn't?

2 A Most likely, we did. We looked for consistency
3 across the different sources of material we were being
4 provided. One of our roles was to make it look as if it all
5 came from the same place.

6 Q Do you recall the previous title of this slide
7 before it was changed by IR?

8 A No, I do not.

9 Q Do you recall if it was different than this?

10 A No, I don't. This could have been the original.
11 We just had a day or two before final.

12 Q Did you believe EP had a healthy reserve base at
13 the time this presentation was created and presented?

14 A Yes.

15 Q Were there discussions or comments from others that
16 EP's reserve base had issues or may not be healthy?

17 A There were always two points of view. That
18 particular question, the overall strategy of the reserves
19 base wasn't really questioned. The issue was at what rate
20 was it being added and contributed to the ratio.

21 Therefore, the issue is what are we doing to turn
22 it into proved reserves and are we doing that quickly enough
23 in other areas, such as Nigeria, where we are not doing it as
24 quickly as we should, given the barrels under the ground.

25 Q Do you recall if there was e-mail traffic in this

24552
Henry, Simon

1 February/March 2003 time frame about EP's reserves and the
2 slides, the presentations, that were being created?

3 A Probably more than you could copy.

4 Q Would those help you get a feel for the
5 conversations that were taking place?

6 A I'm sure they would, but there was significant
7 discussion, and I will say generically, to focus on
8 replacement ratio, past and forward, not on point in time
9 what is being booked.

10 That was a question on the balance sheet, to make
11 sure it has been done properly.

12 This issue is the dynamics of the things you do
13 going forward and what happened in the past to get you to
14 where you are.

15 Q We have talked a lot about in the U.K., there is
16 Shell and BP, and that's it?

17 A I had to deal with it. It was a big motivator for
18 Phil in particular.

19 Q Looking at this slide, the only other comparison is
20 with Exxon Mobil. Do you know why that was the case?

21 A I think in the colored version, BP is on the slide.
22 I may be wrong.

23 Q I think even if it were in color, you see the word
24 "Shell" and you see the words "Exxon Mobil." There are no
25 other companies.

1 A I'm fairly sure BP was on here, although I stand to
2 be corrected. BP and Shell are the typical comparisons. I
3 could stand to be proven wrong.

4 Q Looking at page 19, I won't go through this at
5 length, but it is entitled "AAA Philosophy," and notes that
6 AAA is very important to Shell; is that right?

7 A Yes.

8 Q Then it lists some additional reasons why it was
9 important to Shell, other than the ones we already discussed
10 earlier.

11 A Not so much the reasons, it's the things that
12 impact -- this not an Investor Relations' slide. These are
13 additional issues that rating agencies would look at, but
14 equity investors wouldn't necessarily. Operating leases,
15 pension liabilities.

16 We used a similar slide in IR.

17 Q All these aspects are important to Shell, to
18 maintaining a AAA rating; correct?

19 A Correct.

20 MR. FERRARA: If you are done with this slide,
21 Patrick, since you know this case better than I do --

22 MR. CRAINE: That's not true.

23 MR. FERRARA: You do recognize that the headline,
24 "Healthy Reserves Base," is not a reference to the right-hand
25 part of the slide necessarily that concludes both probables

1 and proved.

2 MR. CRAINE: Yes, there is another e-mail that goes
3 with it.

4 MR. FERRARA: The reserves on the proved side are
5 five to ten years.

6 MR. CRAINE: Right. It relates to another
7 document.

8 MR. FERRARA: Okay. Since my client is sagging in
9 his chair, it is getting late in the day, since we are going
10 to pick up tomorrow, I'd rather have him fresh. For him,
11 it's past midnight.

12 MR. CRAINE: These relate and will be relatively
13 quick, the S&P material. I'll wrap those up and we will be
14 done before 6:00.

15 MR. FERRARA: We appreciate it. Thank you.

16 BY MR. CRAINE:

17 Q I'm handing you what has been marked as Exhibit
18 341.

19 (SEC Exhibit No. 341 was
20 marked for identification.)

21 BY MR. CRAINE:

22 Q I'd like to discuss first the second e-mail, the
23 bottom e-mail on the first page, from Mr. Moolenaar to Ms.
24 Boynton, copying yourself, regarding the S&P annual meeting
25 held on 25 April 2003.

1 Do you see that?

2 A Yes.

3 Q In the first paragraph, it notes "Usually, S&P
4 communicates before an annual meeting that they have some
5 specific concerns."

6 Was that something that hadn't occurred prior to
7 2003, to your knowledge?

8 A I wouldn't necessarily have the knowledge. I was
9 not a point of contact or not the prime point of contact for
10 Standard and Poors. They always in my experience said these
11 are the things we want to talk about, but that's not the same
12 as saying we have got concerns, which was the theme of the
13 April 22nd letter.

14 Q In 2002 and 2001 when you were involved, you didn't
15 see specific concerns raised by S&P, did you?

16 A Not that I recall. I would have seen the
17 questions, the areas they wanted to cover and the reasons.

18 Q Do you have any reason to doubt that Mr.
19 Moolenaar's statement in Exhibit 341 is inaccurate or false?

20 A Absolutely none.

21 Q It looks as if they have noted that the AAA rating,
22 while not necessarily at risk, but based on the outlook, it
23 may at some point in time go negative.

24 Was that your understanding in 2003 regarding S&P?

25 A Yes. He would be my point of contact as to what

1 the rating agencies were saying, both S&P and Moody's.

2 Q It looks like Mr. Moolenaar is relating that some
3 of the concerns of S&P are continuously poor upstream reserve
4 replacement, consequently high finance development costs; is
5 that correct?

6 A Yes, that is correct.

7 Q Concerns about the lower reserve replacement ratio,
8 is that another one of their concerns?

9 A Yes, the same thing.

10 Q Looking at the top e-mail, Mr. Gaskell is noting
11 that Emmanuel -- I guess that would be your contact at S&P;
12 correct?

13 A Emmanuel Dubois-Pelerin; yes. Correct.

14 Q Is under pressure internally, but felt we had given
15 him much further insight, some food for thought.

16 Were you involved in any discussions or did you
17 learn of any discussions about Emmanuel being under pressure
18 internally at S&P regarding Shell's rating?

19 A Through the individuals copied on this note. I am
20 not copied on this one.

21 Q That was my question, whether or not you were
22 verbally or otherwise made aware that was the case?

23 A At some point, I was aware; yes.

24 Q In the last sentence in that first paragraph, Mr.
25 Gaskell notes "The more we offer, the more they will see us

1 nearer to BP than to Exxon."

2 What is your understanding of his concern there?

3 A Concern is that Exxon is a AAA company with a track
4 record of marginal investments and not making it, and
5 therefore, being in slow self liquidation over a period of
6 time.

7 BP had a track record of marginal investments and
8 making it, and finding a way over time to adjust either the
9 matrixes it uses for its accounts to ensure nobody could
10 quite tell whether it was a good investment or not.

11 Investors and rating agencies would tell you that
12 the reason BP is AA was not because of its basic matrixes,
13 but because --

14 Q Is that why Shell was trying to liken itself to
15 Exxon?

16 A Exxon and Shell had very similar histories in the
17 way we had operated and performed for many years. Exxon was
18 viewed as a better benchmark than BP.

19 Q That is why Exxon was included in the healthy
20 reserve base slide we were just talking about?

21 A Exxon is the benchmark, so we would always use it,
22 despite the U.K. over focus on BP, the industry benchmark
23 globally on operational statistics and financial statistics
24 was Exxon.

25 Typically, we would show either Exxon and BP or we

1 would expand the position to include Chevron, who are by far
2 the largest five companies.

3 Q You mentioned earlier that Mr. Watts and Ms.
4 Boynton would become involved at some point in the meetings
5 with S&P and Moody's; is that right?

6 A It was a side meeting on the same day, with the
7 same rating representatives, but not the same Shell
8 representatives.

9 Q I take it they would be briefed before that meeting
10 about the presentation that was given and what was likely to
11 be asked during the smaller session?

12 A I would assume so, but that would be the
13 responsibility of the treasurer, not me.

14 Q Who would that have been in 2003?

15 A Neil Gaskell.

16 Q Do you know if information about these meetings
17 with S&P and Moody's was conveyed to the CMD?

18 A No, I don't know.

19 Q I'm handing you what has been marked as Exhibit
20 342.

21 (SEC Exhibit No. 342 was
22 marked for identification.)

23 BY MR. CRAINE:

24 Q It's the same meeting we had just talked about in
25 Exhibit 341. It looks like Ms. Boynton is thanking Mr.

1 Moolenaar for the summary, and noting that she plans on
2 covering it with CMD, and then following up with S&P.

3 Did you have any discussions with Ms. Boynton about
4 this?

5 A Not the specific issue, but several times about AAA
6 and the financial framework, the financial management
7 parameters we produced to drive the group.

8 Q Is that something you think she would have relayed
9 to CMD?

10 A Discussions that she and I had.

11 Q No, the issue with S&P.

12 A It suggests that she intended to, and there is no
13 reason why she shouldn't. I don't know. I honestly don't
14 know. My discussions with her were on broader financial
15 management.

16 Q I'm handing you what has been marked as Exhibit
17 343.

18 (SEC Exhibit No. 343 was
19 marked for identification.)

20 BY MR. CRAINE:

21 Q It looks like the same e-mail string that we have
22 been discussing in the last two exhibits, and it was
23 forwarded onto Mr. Watts at this point.

24 She mentions that she plans to cover it in
25 highlights tomorrow. Do you know what "highlights" are?

1 all, would you have been involved in the Moody's presentation
2 as well as the S&P?

3 A Yes. Typically, we used the same material; yes.

4 Q Looking at the second page of this e-mail, under
5 the "Key Issues" heading, it notes the themes coming from
6 Moody's questions in the meeting were similar to the ones S&P
7 expressed about concerns of lower organic reserve replacement
8 ratio and the upstream operations over the last two years.
9 It goes on to mention the low organic reserves replacement.

10 Was it your understanding these were concerns of
11 Moody's as well as S&P's?

12 A Yes.

13 Q Did you discuss these concerns with Ms. Boynton or
14 Mr. Watts?

15 A Not specifically related to the credit rating, the
16 issue of replacement ratio generally, I would have discussed
17 with both of them.

18 Q Would typically the same presentation be given?

19 A By and large. The piece that I was usually
20 involved in was the strategy of the business, performance,
21 equity market issues.

22 The rating agencies would come to our Investor
23 Relations' presentations and often brought a copy with them
24 to use to ask questions.

25 Q Would Mr. Watts and Ms. Boynton hold additional

1 meetings with Moody's after the presentation as well?

2 A Usually, yes.

3 MR. CRAINE: I think this is probably a good
4 breaking point for today. Do you want to get started at 9:30
5 tomorrow?

6 MR. FERRARA: Yes.

7 BY MR. CRAINE:

8 Q Is there anything you would like to clarify that we
9 have discussed today?

10 A Give me a chance to think. It's been pretty
11 straightforward.

12 MR. CRAINE: With that, we are off the record at
13 5:45 p.m., and we will see you in the morning.

14 (Whereupon, at 5:45 p.m., the interview was
15 recessed, to reconvene the following day, October 20, 2004.)

16 * * * * *

17

18

19

20

21

22

23

24

1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of:)

4) File No. FW-02742-A

5 ROYAL DUTCH SHELL GROUP)

6 WITNESS: Simon Henry

7 PAGES: 201 through 305

8 PLACE: Debevoise & Plimpton, LLP

9 555 13th Street, N.W.

10 Washington, D.C. 20004

11 DATE: Wednesday, October 20, 2004

12

13 The above-entitled matter came on for hearing, pursuant
14 to notice, at 9:50 a.m.

15

16

17

18

19

20

21

22

23

24 Diversified Reporting Services, Inc.

25 (202) 467-9200

1 APPEARANCES:

2 On behalf of the Securities and Exchange Commission:

3 PATRICK K. CRAINE, ESQ.

4 DAVID L. PEAVLER, ESQ.

5 JASON S. LEWIS, ESQ.

6 Securities and Exchange Commission

7 Fort Worth District Office

8 Burnett Plaza, Suite 1900, 801 Cherry St., Unit 18

9 Fort Worth, TX 76102

10 (817) 978-1406

11

12 MIKE PRANGE, Financial Services Authority

13 25 The North Colonnade, Canary Wharf, London E14 5HS

14

15 On behalf of the Witness:

16 RALPH FERRARA, ESQ.

17 COLBY A. SMITH, ESQ.

18 Debevoise & Plimpton, LLP

19 555 13th Street NW, Washington, D.C. 20004

20

21 GEOFFREY H. COLL, ESQ.

22 LeBoeuf, Lamb, Greene & MacRae

23 125 West 55th St., New York, NY 10019-5389

24

25

1 APPEARANCES: (Continued)

2 LISTA M. CANNON, ESQ.

3 Richards Butler

4 Beaufort House, 15 St. Botolph St., London EC3A 7EE

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

C O N T E N T S

WITNESS:		EXAMINATION
Simon Henry		205
EXHIBITS:	DESCRIPTION	IDENTIFIED
345	Email chain re Nigeria release	205
346	Email chain re November slide pack	270
347	Henry email to van de Vijver re March 6th meeting	277
348	Email chain re CMD session on EP/GP Presentation, March 18th	279
349	Hamilton email to Harper re Slide bits and pieces	286
350	Pay email to van de Vijver re CSFB Global Oil/RD/Shell reservations)	290

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

2 MR. CRAINE: We're back on the record at ten until
3 10:00 on October 20th.

4 And again, in front of you, today we've got a copy
5 of the formal order and the Form 1662. I'll remind you that
6 you're still under oath today and you're welcome to look at
7 those if you have any question.

8 THE WITNESS: Thank you.

9 Whereupon,

10 SIMON HENRY

11 having been previously duly sworn, was recalled as a witness
12 herein and was examined and testified further as follows:

13 EXAMINATION

14 BY MR. CRAINE:

15 Q I'm handing you what's been marked as Exhibit 345.
16 Do you recall sending and receiving this string of emails?

17 (SEC Exhibit No. 345 was marked for
18 identification.)

19 A Just give me a moment to consider.

20 Q Oh, sure. We're going to be walking through a lot
21 of exhibits today, so to the extent you need to read through
22 anything at any time, just let me know.

23 A Yes, I believe I recall the discussion.

24 Q And who are the individuals involved in the thread
25 other than yourself? And maybe it would be easier just to

1 look at the top email.

2 A The top. Lew Watts was working as an executive in
3 the gasoline power business, responsible for, I believe, the
4 Africa region and maybe North America. And he was the senior
5 executive linked with the investment decision on Trains 4 and
6 5 to Nigeria LNG. But he didn't work in the EP business. It
7 was part of a separate business but clearly there was an
8 operational link between the two activities. Phil Davis was,
9 I believe, a technical resource within the EP Africa group,
10 would have reported to Brian Ward as the executive
11 responsible for BP businesses in Africa. And Michael Harrop
12 was my head of IR in the UK and Ireland at the time.

13 Q When?

14 A This is March 2002.

15 Q And then Harrop is spelled with two r's and one p I
16 think. I'd like to, well, first of all, what was the issue
17 that was being discussed in Exhibit 345?

18 A The issue was an imminent decision and announcement
19 of final investment decision on the LNG trains in Nigeria.
20 And going back to yesterday's chronology, this was early 2002
21 at the time when reserves was becoming quite an issue with
22 the investment community. And so whether it was myself or
23 Michael Harrop who originally raised the question of if we
24 take final decision off the LNG plant, what would be the
25 impact on reserves bookings if any.

1 Q And going along with the point you just made, it
2 looks like in your email here which is in the middle of the
3 first page, you note with I think respect to reserve
4 replacement ratio, 'This is a very sensitive point in the
5 market at the moment and it would be sad to score an end goal
6 on such a positive announcement for the group.' Is that
7 right?

8 A Yes.

9 Q And at this point in time, had you conveyed to Ms.
10 Boynton and Mr. Watts that this was a very sensitive point in
11 the market at the moment?

12 A The general issue, yes. The specific issue of
13 Nigeria LNG, I couldn't recall whether I discussed it with
14 Phil and Judy directly.

15 Q And when you talk about the general issue, that's
16 the reserve replacement ratio?

17 A That investors themselves at that time had a
18 concern about reserve replacement ratio. That was the case
19 from the end of 2001 and in fact whether it would be full
20 year results and the fact that we reported a low volume at
21 that time.

22 Q And just so we're clear, was that something that
23 you conveyed to both Ms. Boynton and Mr. Watts?

24 A I conveyed it on the market like they did.

25 Q Looking at your email more specifically that we're

1 just addressing before, what are you trying to convey to Mr.
2 Watts and Mr. Davis here?

3 A This is to Lew Watts not Philip Watts.

4 Q Right. Thank you for clarifying that, that's my
5 fault.

6 A I was confirming with Lew and Phil Davis what we
7 had understood and generally what we were saying to investors
8 about when we book reserves as we have been previously
9 advised through EP. And this was a non-standard announcement
10 given that it was the LNG plant that was taking an investment
11 decision and wanted to understand if the same rules applied.

12 Q And you just said we, and in the email here you
13 note, 'We have always discussed with investors that for gas
14 in particular, the point at which they become bookable,' and
15 I guess that's proved reserves you're talking about, is that
16 right? Is FID?

17 A This is almost in hindsight, yes. And to be
18 honest, at the time, I'm not sure I would have been able to
19 give you a good definition of the difference between proved-
20 probable or reserves generally but reserves become bookable.
21 I would imply from what I've said that which would be
22 externally reported and therefore proved.

23 Q And when we're talking about reserve replacement
24 ratio, we're talking about proved as opposed to the others,
25 correct?

Henry, Simon

1 A Yes, that's correct.

2 BY MR. PEAVLER:

3 Q You mentioned that, as you understood it from
4 someone anyhow from EP that this was how reserves are booked.
5 Who in EP specifically had given you such an understanding?

6 A This would have been in the version of the IR
7 briefing notes at the time. Otherwise, I'm not sure I could
8 have been so specific, which would have derived from the EP
9 organization within, as discussed yesterday, most likely the
10 performance and reporting group which at the time reported to
11 Dominique Gardy. And they, I think this was before Rhea
12 Hamilton was actually involved directly. If Rhea actually in
13 terms of timing was involved, Rhea would have been the source
14 but I see she's not copied on the email so probably it was
15 not Rhea. And it would have come to us most likely through
16 the group of Alf Thorkildson and the original source would
17 mostly have been John Pay or whoever was hired as the
18 reserves coordinator at the time.

19 BY MR. CRAINE:

20 Q And these IR points we're discussing, these were
21 reviewed and approved by Mr. van de Vijver as well, correct?

22 A I can't say, but he probably knew they were there.
23 But they would not ordinarily be high on his priorities for
24 reviewing and approving.

25 Q Well, if you're preparing him for these one-on-

1 ones, you're going through the IR points from the EP group,
2 correct?

3 A That's correct but I did mention yesterday Mr. van
4 de Vijver was not particularly assiduous in reviewing before
5 meetings let alone in approving them in the first place. So,
6 I just can't say that he approved them.

7 BY MR. PEAVLER:

8 Q Was he given the opportunity to approve them?

9 A I would imagine so within EP, yes.

10 Q Well, let me ask you this, if you prepared and you
11 had prepared these IR briefing notes, would you send them out
12 and make them available so that people would be able to
13 answer questions from them about EP without the head of EP at
14 least having the opportunity to review them?

15 A My assumption would always be that the head of EP
16 had had an opportunity. I just cannot say I know he did so.
17 And his normal mode of operanda suggests that he probably
18 wouldn't.

19 BY MR. CRAINE:

20 Q So, you're relying on your perception that Mr. van
21 de Vijver had a lack of diligence with respect to IR
22 activities to make this statement, is that correct? That's
23 what I'm understanding upon proceeding. Please explain it
24 for me.

25 MR. FERRARA: That's not a fair question.

1 THE WITNESS: My direct experience of Walter was
2 that he did not read detailed information before he needed to
3 use it. That's my direct experience. The information that
4 we're talking about undoubtedly came from the EP business,
5 there's nowhere else it could have come from. And it would
6 have come through the part of the business that reported to
7 Dominique Gardy. I would imagine Dominique had played, had
8 given some kind of approval. And it was typical for Walter
9 to delegate that level of approval into the organization.

10 BY MR. CRAINE:

11 Q And my question is if he didn't read and he didn't
12 prep the IR materials the way that you would like, didn't
13 that lead to problems in meetings with investors and
14 analysts?

15 A Replay yesterday's discussion about confusion, yes.
16 And in terms of facts, they were not the common ground in
17 discussions we had. So, I do believe he left the investors
18 confused because that's what they told me. But that is not
19 the same as saying he gave misleading or incomplete
20 information.

21 Q Which anticipates my next question, were there
22 instances where because he didn't review or prepare the way
23 you would have liked, that he gave information that was
24 different than others at Shell during these meetings with
25 investors and analysts?

24575
Henry, Simon

1 A I can't think of specific instances where he did.
2 And I can think of several instances where I wish he'd given
3 more specific information based on what, the details that had
4 been provided in briefing.

5 Q You note in here that when you talk about the
6 information that has been given to investors with respect to
7 gas at the point of which reserves become bookable is FID,
8 who is the we that we're talking about? Does that include
9 Mr. Watts, Ms. Boynton and Mr. van de Vijver?

10 A It's the general we for the Shell group which would
11 have been my team plus the briefing notes that we would have
12 given. If I wind back the clock to 2002, there was very
13 little discussion about this level of specific at the time.
14 The specific came later on in the period in the review.

15 Q But in 2002 as you went in to these one-on-ones and
16 you went into these meetings, is this statement, We book gas
17 reserves at FID, was this statement something that was
18 conveyed to investors by Mr. Watts, Ms. Boynton and Mr. van
19 de Vijver?

20 A I don't recall specific instances but if it's in
21 this email, chances are it was based on the briefing notes.
22 What I can say is, I'm repeating yesterday, before February
23 2002, I don't recall any questions on reserves per se. From
24 2002, the level of interest and knowledge at both sides of
25 the table increased. This is early 2002. And therefore, the

1 quality of the discussion and the specificity of the
2 discussion would be much lower than it would be say a year
3 later.

4 Q And what I'm trying to do is expand this email to
5 the entire year of 2002, that statement, you know, We booked
6 reserves for gas at FID. During the year of 2002 and as it
7 gained more prominence, was the statement made to the market
8 by Mr. Watts, Ms. Boynton and Mr. van de Vijver?

9 A It's a difficult one to recall on specifics. I
10 think the various notes that we reviewed yesterday did not
11 refer to that specific statement.

12 Q I think they did. There were instances that it
13 did.

14 A Instances that talked about FID, but that's the
15 best I could say on it. It's two years ago. We had a couple
16 hundred of these meetings at the time in the year and I just
17 could not say I remember a specific instance where this
18 specific comment was used.

19 Q So, when you're talking about this, 'We have always
20 discussed with investors,' is that we just the IR department?
21 Who is that we?

22 A Certainly the IR department but the we would have
23 meant anybody talking to investors which was basically
24 limited to IR and the managing directors, with occasionally
25 low level executives but at that point in time, that was not

1 common.

2 Q And that group would include Mr. Watts, Mr. van de
3 Vijver and Ms. Boynton?

4 A Correct, it would.

5 BY MR. PEAVLER:

6 Q When you say "always discussed", is that going back
7 to the time you started as head of IR?

8 A I think in the context of was reserves something
9 that we discussed at all. I don't know what we would have
10 said during 2001 because I really don't discuss the issue, I
11 don't remember the issue being discussed. I talked about
12 production growth and not reserves. The always in this case
13 would have gone back to the early February Q-4 year end
14 statement about our reserve replacement ratio for 2001.

15 BY MR. CRAINE:

16 Q After receiving this email and being involved in
17 this thread in Exhibit 345, did you go to EP and ask when we
18 book or follow up at all?

19 A Probably not because Lew is confirming pretty much,
20 he's basically answering the question, he's confirming that
21 you are right, reserves become bookable at FID, but because
22 there are different investment decisions for the other three
23 and the gas liquefaction, then the timing at which reserves
24 will be booked could differ, without giving any specifics.

25 Q Looking again at that, at your statement in the

1 middle thread, 'This is a very sensitive point in the market
2 at the moment," and then going on to, 'You know, it would be
3 sad to score an end goal around such a positive announcement
4 for the group." What did you mean by that?

5 A The two LNG trains themselves were a very positive
6 announcement because they were effectively supplying gas to
7 Southern Europe and the United States, an area where it was
8 known that we were under-represented in our abilities to
9 supply gas to very attractive markets. So, in business
10 sense, a strategic sense, it's a great announcement. The
11 home goal would be, if we were saying here is a good
12 investment but it isn't going to impact at all positively one
13 of the key metrics the investors look at because investors
14 having seen the announcement would say good news, what
15 reserves would you book?

16 Q I'm handing you what's been marked as Exhibit 213.
17 I'm going to be starting on the second to last page to that.
18 And the email on the middle of the page, the one from
19 van der to Pay?

20 A Right.

21 Q That copies you, do you see that?

22 A Yes, I do.

23 Q And that's, 'One of the more knowledgeable US
24 analysts keeps pestering my colleague in New York with
25 questions on the booking of gas reserves in relation to FID

1 sale contracts regarding LNG Development." Who was the more
2 knowledgeable US analyst that's being referred to here?

3 A It is not quoted by name. I expect from the nature
4 of the question that it was quite possibly Mark Gilman.

5 Q How do you spell Gilman?

6 A (G-i-l-m-a-n).

7 Q Do you know where he was working at the time?

8 A At the time he was with First Albany.

9 Q Do you know where he is located now?

10 A He's not with First Albany and he moved on to a new
11 employer this year, in 2004. I don't recall exactly who he's
12 with now.

13 Q Is he still in New York?

14 A Yes, he is still in New York and he's still an oil
15 and gas energy analyst.

16 Q And it seems like you're not certain that this was
17 Mr. Gilman?

18 A No, I'm not certain it was Mr. Gilman but the fact
19 that, I put it together, both the nature of the questions and
20 the fact that the question came through to Bart van der
21 Steenstraten.

22 Q If it weren't Mr. Gilman, who would be your next
23 logical guesses?

24 A Next logical guess would be either Doug Terreson at
25 Morgan Stanley.

1 Q How do you spell Terreson?

2 A (T-e-r-r-e-s-o-n), at Morgan Stanley based in
3 Houston. Or Fred Leuffer, (L-e-u-f-f-e-r) at Bear Stearns
4 based in New York.

5 Q And had Mr. Terreson and Mr. Leuffer been, Leuffer
6 pardon me, were they with Bear Stearns and Morgan Stanley in
7 the March 2003 time frame?

8 A Yes, and they still are.

9 Q Did you ever have any discussions with any of these
10 three individuals, Mr. Gilman, Terreson or Leuffer regarding
11 the issue being noted here in this email?

12 A Just to confirm this issue, the issue in the email
13 is the timing of booking of gas reserves related to LNG
14 Developments. And I don't recall directly having a
15 discussion at this time about that, but I have had over the
16 years discussions with all three of them on the general
17 subject of reserve replacement ratio.

18 Q The next statement is 'Phil Watts apparently has
19 been quoting we do not book associated gas reserves until
20 closing sales contracts," do you see that?

21 A Yes, I do.

22 Q Was it your understanding that Mr. Watts was making
23 those statements to the market?

24 A This is March 2003, so it's between some of the
25 meetings that we discussed yesterday and February '03, and

1 just to head off the EP strategy presentation 2003. So, in
2 the context of Nigeria Trains 4 or 5, these comments are
3 consistent with the statements that Phil was making in the
4 meetings that I did attend in February 2003.

5 Q So that would be a yes to my question?

6 MR. FERRARA: Could you repeat the question?

7 THE WITNESS: Could you just repeat the question?

8 I'm sorry.

9 MR. CRAINE: That's all right.

10 MR. FERRARA: The reason I asked you to repeat the
11 question, the first time you asked the question you cited
12 Phil as commenting upon gas reserve bookings whereas the
13 statement here is on the gas reserves that are associated
14 with LNG projects which is a subset of all gas projects. I
15 think you left out the associated in your head.

16 THE WITNESS: On those subset, it's Nigeria,
17 correct.

18 MR. FERRARA: So, if you could reframe your
19 question and let him answer that?

20 BY MR. CRAINE:

21 Q One other clarification because we're going forward
22 and Mr. Watts we're talking about obviously is Phil Watts as
23 opposed to Lew Watts.

24 A Correct, we're now back on Phil Watts.

25 Q And you know, in conjunction with the small piece

1 of that one email, that was Lew Watts that we were talking
2 about. But going forward, I don't think we'll be talking
3 about Lew Watts anymore and my questions will all be relating
4 to Phil Watts.

5 A No, I don't believe so, he left the company shortly
6 afterwards.

7 Q And the question I had asked is looking at the
8 statement, 'Phil Watts apparently has been quoting we do not
9 book associated gas reserves until closing sales contracts,"
10 do you see that?

11 A Yes.

12 Q Is that a true statement?

13 A That Phil has been quoting, he was apparently been
14 quoting, yes, I'm sure it is a true statement. And in the
15 meetings that I attended earlier in February, Phil did
16 discuss Nigeria Trains 4 and 5 for sure and the prospects and
17 the likelihood of booking reserves associated with Trains 4
18 and 5 based on the sales contracts.

19 Q And specifically Mr. Watts made the statement 'We
20 do not book associated gas reserves until closing sales
21 contracts"?

22 A I can't say if he used that statement because I
23 know him using the statement in the context of Nigeria.

24 Q Do you have any reason to doubt what Mr. van der
25 Steenstraten has written here?

1 A Absolutely not.

2 Q Looking at the notes below where, I guess these are
3 questions that would be good to have an answer for and that
4 notes also for March 26th or March 27th, what was the
5 significance of March 26th and March 27th?

6 A March 26-27 were the dates of the planned EP-GP
7 strategy presentation, 26th in London, 27th in New York. So,
8 that was an open meeting where we knew there would be
9 publicly broadcast questions and answers.

10 Q Looking at number A, it looks like Mr. van der
11 Steenstraten's question is, 'Do we indeed book gas reserves
12 in relation to LNG Developments only if we have long term
13 sales contracts in place?' Did you have discussions with
14 others about this issue?

15 A Did I have discussions with others? I think, I
16 would have had discussions with Bart and potentially John Pay
17 around this particular issue, Nigeria 4 and 5.

18 Q And looking at the more general question, if you
19 look at Mr. Pay's response that copies you, looks like his
20 answer is 'In the past we have booked EP proved reserves in
21 several instances where the onward sales contracts were not
22 yet fully in place.' Do you see that?

23 A I do.

24 Q And then he, Mr. Pay notes an example being
25 Northwest Shelf?

1 A Correct.

2 Q Is that something that was discussed that you know
3 of other than what we've seen in this email here?

4 A I don't recall for me personally any substantive
5 discussions around the Northwest Shelf which is an already
6 operational plant selling to a fairly liquid market.

7 Q So, that would be no, you don't recall any
8 additional discussion?

9 A I don't, not with myself. You didn't clarify
10 actually discussions with whom.

11 Q Just that you knew of, period.

12 A No, not that I know of. Not Northwest Shelf.

13 Q And I'm not specifically about Northwest Shelf, I'm
14 asking about the statement, 'In the past we have booked EP
15 proved reserves in several instances where the onward sales
16 contracts were not yet fully in place." Are you aware of any
17 discussions regarding this statement?

18 A For me, not until I was in EP in 2004.

19 Q So, not while you were working with IR?

20 A No, not while I was working with IR.

21 Q And then it looks like you had responded to Mr.
22 Pay's email where he notes that 'In the past we have booked
23 EP proved reserves in several instances where the onward
24 sales contracts were not yet fully in place," is that right?

25 MR. FERRARA: Sorry, where are you on --

1 MR. CRAINE: Here in the email right above where it
2 looks he's responding to Mr. Pay's email.

3 MR. FERRARA: This is on page 2?

4 MR. CRAINE: Yes.

5 MR. FERRARA: This is the email from Simon to Pay?

6 MR. CRAINE: Right. We're kind of walking up the
7 thread.

8 MR. FERRARA: Okay.

9 BY MR. CRAINE:

10 Q What were you trying to convey to Mr. Pay and
11 others in your response?

12 A The email chain kicks off referring to comments
13 that had been made in meetings with investors about Nigeria
14 Trains 4 and 5 being possible or potential contributors to
15 reserves bookings in future periods after early 2003. John
16 in his email is explaining that while there may be some
17 upside, some of the reserves had been previously booked based
18 on a different market, domestic and regional demand. And I
19 am going back stating that the two statements are potentially
20 inconsistent and that if there is not significant booking to
21 come from Trains 4 and 5, that would be a disappointment
22 relative to the expectations of the outside world when it
23 came to reserve replacement ratio for the year '03 because
24 they would have known that we would have taken the investment
25 decision.

24586
Henry, Simon

1 Q Is that what you're noting then as 'worrying
2 relative to what has been said"?

3 A Yes.

4 Q And when you're saying 'what has been said", I
5 guess that's what has been said to the market or investors?

6 A In the previous couple of months.

7 Q And then you note that it would have been, you go
8 on to say that 'Definitely one of the areas where analysts
9 will be expecting reserve replacement ratio contribution this
10 year even if Phil," is that Phil Watts? Yes?

11 A Yes.

12 Q 'Had not already been talking about it. Walter
13 also raised this in his recent meetings with investors." Was
14 that an accurate statement?

15 A That Walter had talked about Nigeria Trains 4 and 5
16 in the meetings that I had attended with him in February,
17 yes, it is an accurate statement.

18 Q And that Mr. Watts had as well?

19 A Yes.

20 Q And turning now to the first page, there is an
21 email that you sent, it's the second thread on the first
22 page. What were you trying to convey to Mr. Pay and others
23 here?

24 MR. FERRARA: This is Henry to Pay?

25 MR. CRAINE: Yes.

1 THE WITNESS: This is an email from myself to John
2 Pay and in fact copying my team asking John to complete a set
3 of assets on which wanted to be clear about facts effectively
4 for preparation ahead of the meetings we just discussed,
5 March 26-27. And I'm referring for the first time in this
6 particular email trail to Orman Langen which I think is
7 consistent with our discussions yesterday. In the meetings
8 I've been with Mr. Watts in February, he had been positive,
9 enthusiastic on Orman Langen as a future investment decision
10 that would impact reserves positively, and again, in
11 reference to the fact that I then spoke with Walter who had
12 told me that some reserves had already been booked.

13 BY MR. CRAINE:

14 Q These were the discussions we were talking about
15 yesterday where Mr. Watts was touting Gorgon as well as a
16 potential development?

17 MR. FERRARA: Sorry, touting?

18 MR. CRAINE: Yes, I think that's accurate. I mean,
19 he's enthusiastically beating across the table how great it
20 is is what I heard yesterday.

21 MR. FERRARA: I heard, with great respect I heard
22 that he was optimistic and talked about the glass half being
23 full. But touting is --

24 MR. CRAINE: Well, okay. Fair point.

25 THE WITNESS: To be clear, Phil was always

1 enthusiastic about projects he saw as his projects. Sakhalin
2 was his, Qatar was his, Orman Langen was his. Gorgon was not
3 his, so I never saw him particularly enthusiastic about
4 Gorgon but he would certainly list it in the potential
5 projects. But he would wax lyrical on the projects that I
6 mentioned including Orman Langen.

7 BY MR. CRAINE:

8 Q And these Orman Langen discussions that you're
9 talking about here, these are the same areas where Gorgon was
10 discussed, right?

11 A Correct. And the reference to Walter reflects a
12 discussion I had with him on the 21st of February.

13 Q And that would be when you were noting that Mr.
14 Watts had said something that might be perceived one way and
15 that -- let me start that question all over.

16 That would be the discussions we were talking about
17 yesterday where you drew Mr. van de Vijver aside and then
18 asked him about statements that Mr. Watts had made earlier,
19 right?

20 A That's correct.

21 Q Looking at the email response from Mr. Pay to you
22 and others, what was your reaction when you received this?

23 A I'm just reading the final email.

24 First reaction was pleased that certain facts and
25 numbers are being cleared up in a way that we could ensure

24589
Henry, Simon

1 that any statements made to the market would be accurate in
2 the sense of not increasing expectations beyond the company's
3 ability to deliver. And probably pleased to get to the end
4 of the, particularly digging through those details ahead of
5 the March 26th-27th presentation.

6 Q Did this email concern you in any way?

7 A It concerned me because it implied that from
8 positive actions by the company, the benefit in reported
9 metrics was likely to be less than I or a market observer
10 might have expected. Therefore, given that focus, how future
11 metrics would play out is concerning in that respect.

12 Q Did you convey these concerns to Mr. Watts and Ms.
13 Boynton in the March 2003 conference?

14 A I don't recall doing so. Mr. Watts and Ms. Boynton
15 were not involved directly in the presentations at the end of
16 March. But we would have, I expect, incorporated it in the
17 briefing papers which they have received, so they would have
18 received it any way even though they were not directly
19 engaged. I don't recall discussing the specifics with them.

20 Q So, they would have received packets of, Mr. Watts
21 and Ms. Boynton would have received packets of information
22 that would contain your concerns that you just conveyed but
23 you're not, you don't specifically recall discussions you may
24 have had with them regarding these?

25 A It's probably unlikely I would have had discussions

24590
Henry, Simon

1 actually at the time with them on such a specific issue. And
2 just to put this in context, the investors have many concerns
3 and issues to discuss. Reserves is merely one of them. It
4 is not the one be all and end all. And if I've got 25 things
5 to discuss with Judy, they would typically be financial, with
6 Phil they would typically be strategic. And with Walter,
7 they may well have covered these issues.

8 And in terms of briefing, we went through some
9 briefing notes yesterday and saw the format you might expect.
10 I would expect a similar format to have addressed this.
11 Probably we'd provide those about don't overstate
12 expectations or don't create too high an expectation even
13 though there are investment decisions to come and it would
14 bear that there are some reserves but less than one might
15 expect.

16 Q And in the briefing, in this first quarter of 2003
17 time frame, reserves would have been in the high probability,
18 high materiality portion of the materials, correct?

19 A Yes, it would.

20 Q Looking at the first paragraph of Exhibit 213, 'my
21 pleasure in a not so pleasurable sort of way,' what did you
22 interpret that to mean?

23 A I don't know if the phrase translates but my
24 pleasure is the 'pleased to be of service' although John is
25 acknowledging, as I read it, the fact that he is confirming

1 that what reserves there are to be booked will be less than I
2 might typically have expected.

3 Q Then he goes on to say 'Note: Orman Langen was
4 booked with a risk discount in two chunks, 1999 and 2000."
5 What's booking with a risk discount?

6 A I'm not a hundred percent sure but typically
7 discounting for risk as we use it for most parameters is to
8 say that an event that has not yet happened has a certain
9 probability of success like your drilling an exploration
10 well, you may have a 30 percent probably of success based on
11 technical work, and you may in the success case expect say a
12 billion barrels of oil. If we risk this expectation across
13 the portfolio, we'd only take the expectation weight of 30
14 percent to the billion into our total expectations. So, I
15 would, the phrase is typically used to say at the time in '99
16 and 2000, we had a 20 percent probability of Orman Langen
17 being developed and so we took 20 percent of a certain number
18 of reserves. And then, maybe a year later, we had a higher
19 probability and therefore would have booked more reserves.

20 Q You're head of the reserves committee at Shell now,
21 right?

22 A Yes, I am.

23 Q Would you book reserves with a risk discount now?

24 A No.

25 Q Why wouldn't you book reserves with a risk

1 discount?

2 A Well, that's, let me say I would not book reserves
3 with a risk discount before a commitment to develop. I might
4 still do so around the technical probability. That is the
5 basis of working out the reserves, I expect.

6 Q Now, Mr. Pay's comment here is about booking with a
7 risk discount in two chunks with Orman Langen. He notes
8 'It's something that we would certainly not do now. It's
9 either reserves or it isn't. Discounting is not something we
10 do.'" What did you interpret that to mean?

11 A A change of process between '99 and 2003. In the
12 same way that you can change an accounting policy say over a
13 period.

14 Q Given the fact that you've seen Mr. Watts recently
15 note Orman Langen in presentations, is this something you
16 followed up on?

17 A With Mr. Watts directly, I don't recall doing so,
18 no. I mentioned yesterday I got back to Walter and I rightly
19 or wrongly felt I had done what I needed to do to ensure that
20 CMD levels in the company were aware that there was a
21 potential disconnect between the statements being made. And
22 Walter clearly had certain facts that I didn't know whether
23 Phil had or not but I wasn't going to take it back myself and
24 make an issue.

25 Q Is there any doubt in your mind that you conveyed

1 this to Mr. van de Vijver?

2 A I definitely conveyed it to Mr. van de Vijver in
3 February that Phil was talking in a very different way about
4 Orman Langen. As I recall it, when Walter told me that some
5 had already been booked, that was the first time I had heard
6 that any reserves were being booked in Orman Langen. In
7 fact, John Pay is confirming that in this particular email
8 train a couple of weeks later. I'm fairly sure, probability
9 60 percent I said to Walter I think he should talk with him,
10 it's between you as to how you solve that out.

11 Q So, you had that discussion with Walter, and then I
12 guess you got this email regarding Orman Langen. Did you
13 receive additional information regarding Orman Langen between
14 your discussions and meetings with Mr. Watts and van de
15 Vijver? And I guess your discussion with Mr. van de Vijver
16 was around February 21st, is that right?

17 A February 21st, yes. That's two weeks before this
18 email train.

19 Q And in that two-week interim before this train, did
20 you have discussions with others about Orman Langen?

21 A I don't recall. As you see in my contribution at
22 the end of two, three pages of email, this is almost jogging
23 my memory to say while we're on this particular subject, can
24 I follow up Orman Langen with what I perceived to be, well, I
25 think correctly the experts on bookings in Shell.

Henry, Simon
24594

1 Q And then my question for you is after you get your
2 answer from the person you perceive as the bookings expert at
3 Shell, look, we booked this with a risk discount, it's
4 something we don't do but it happened in the past, things
5 have already been booked, did you go to Mr. Watts at that
6 point in time or any point later and bring this information
7 to him?

8 A I don't recall going directly with any information
9 specific to this. I would always indirectly provide all
10 subsequent briefing notes on IR material which most likely
11 reflected the sentiment of you don't effectively over-promise
12 on expectations from these projects. Indirectly, Phil would
13 always have received that.

14 Q And in your experience, would Mr. Watts have
15 reviewed that?

16 A In my experience with Phil is that yes, he would
17 have reviewed it. And certainly the, you mentioned the high
18 probability/high materiality --

19 Q And that's where this information would have --

20 A Mostly likely where that information would have
21 been.

22 Q Looking at the last paragraph, 'To summarize, with
23 apologies to Monty Python, apart from NLNG Train 4 and 5,
24 Gorgon 570 million BOE! and Orman Langen, there are no
25 significant issues concerning gas reserves bookings," what

Henry, Simon
24595

1 was your reaction when you read this sentence?

2 A I go back to my first reaction, relief that we're
3 closing, and there's nothing else that was likely to lead to
4 a future disappointment that I was aware of, and that we
5 would be able to manage communications accordingly.

6 Q And this information that is conveyed by Mr. Pay,
7 was this information that was conveyed to Mr. Watts and Ms.
8 Boynton? The fact that these issues were out there?

9 A Not by me. And I don't recall in detail whether
10 this detail would have been in the IR briefing notes on
11 specific projects. It's possible but not necessarily likely.

12 MR. FERRARA: If you're finished with this
13 document, may I ask a clarifying question?

14 MR. CRAINE: Go ahead.

15 MR. FERRARA: Simon, in this collection, this
16 string of emails, it seems there are two subjects being
17 discussed particularly by John Pay. One is a retrospective
18 subject, this is what we've done in the past. Two is a
19 prospective subject, this is the way everybody conducts
20 themselves going forward. I'm curious from the IR
21 perspective, where is your concern focused on? What's
22 happened in the past or what you're going to be doing going
23 forward? Is that a distinction that you draw on your mind as
24 an IR person or not?

25 THE WITNESS: That's an excellent question. Our

24596
Henry, Simon

1 focus was always on going forward, not necessarily what's
2 been done in the past. And in terms of what had already been
3 booked, I was of the impression until quite a bit later that
4 there was a process for booking reserves that would be
5 similar in principle to closing financial accounts. The
6 balance sheet, for example, I didn't question a balance sheet
7 from three or four years ago because I was familiar with the
8 processes that would have been in place. If somebody had
9 said to me we have changed an accounting policy and the way
10 we have treated a certain item before we will now treat
11 differently, it happens all the time. There's a lot of
12 discussion with auditors and the due process. And in
13 general, this is all material in the disclosure anyway.

14 So, it's a basic process for historical data
15 reporting externally, 12, by this time 15 years maybe of
16 professional experience. I was not in a position to question
17 what had already been booked. And what I was very concerned
18 about was the going forward position and the connection
19 between announced events and ultimately reported data. And I
20 wanted to be as clear as possible about the future impact on
21 metrics of events that happened. That was my job basically,
22 to help the market understand future impact not just on
23 reserves, but mid-year earnings, production and the balance
24 sheet and anything we enhanced.

25 MR. FERRARA: Sorry. Had someone of authority

1 advised you that they were going to de-book, then that
2 decision would be a future event that you'd focus on?

3 THE WITNESS: That would be a, yes, clearly a
4 significant piece of information that we would have to
5 consider the disclosure on.

6 MR. FERRARA: Right. Okay.

7 BY MR. CRAINE:

8 Q And so, I take it in Exhibit 213, particularly
9 looking on the front page, what you're trying to do is get a
10 handle on what historically has happened and been booked so
11 you can deal with it in meetings in 2003 and going forward?

12 A Impact on metrics going forward, yes, not to
13 question what had already been booked. That's correct.

14 Q And you're aware that if something has already been
15 booked in the past, it can't be booked again?

16 A Well, yes. You wouldn't book something twice and
17 the principle of should things be de-booked or revisions,
18 positive and negative, I was familiar with positive and
19 negative revisions as well.

20 Q And your concern with Gorgon and Orman Langen and
21 some of these others is that the market was going to have a
22 perception that reserves were going to be booked at FID,
23 correct?

24 A Correct.

25 Q And that the market might be let down because

1 bookings had already been made in the past that the market
2 might not necessarily be aware of?

3 A Correct.

4 Q I'm handing you what's been marked as Exhibit 254.
5 Do you recall the email thread that we're looking
6 at that's been marked as Exhibit 254?

7 A Yes, I do.

8 Q Looks like the Re: line is 'Gorgon communications
9 to staff," is that right?

10 A That's the subject.

11 Q And turning to the second page in the middle, there
12 is an email from you to Ms. Hamilton and Mr. Coopman and
13 others. What were you trying to convey to them?

14 A This email chain starts with some notes from Shell
15 Development in Australia about an announcement on the Gorgon
16 Development by Chevron Texco, the operator of Gorgon. And if
17 I remember it correctly, it was about obtaining some
18 permissions which made the development of Gorgon more likely
19 and actually probably would move it up the pecking order in
20 terms of priorities for development. And it came to me in
21 general because any such communications related to material
22 assets would go to both group IR and group media to ensure
23 that there was consistent use of the material and preparation
24 on questions.

25 My email in the middle of the thread is to Rhea

1 Hamilton copying my team and Frank, Frank Coopman, raising a
2 point about Gorgon that I was already aware without
3 necessarily having the details that some reserves had been
4 booked for Gorgon ahead of FID of course because even this
5 announcement was still some way from an FID, final investment
6 decision.

7 Q And then that some reserves you're talking about is
8 the 600 million BOE that you --

9 A I had a figure in mind, the 600 million BOE. I was
10 looking for Rhea to confirm with the same objective we just
11 already discussed, if this announcement was made albeit in
12 Australia, there were still chances of questions coming in to
13 my team in London about Gorgon and the likelihood of booking
14 reserves. And then there was a second part of my email which
15 again looks to be a trait of saying, while we're on the
16 subject, here is another -- asking about Sakhalin. And the
17 reserves, the profile or the timing of reserves recognition
18 for a large project and me trying to ensure I go up the
19 learning curve in terms of how quickly reserves will be
20 booked again and the words here in email so we can then show
21 we don't set expectations too high.

22 Q For someone without the oil and gas expertise that
23 you have, is that 600 million BOE a large or small volume?

24 A It's a large volume.

25 Q What would losing that 600 million BOE have done to

1 the reserve replacement ratio for 2003?

2 A Around 40 percent.

3 Q Which is also a large percentage?

4 A Well, this is clearly a large --

5 Q Did you convey this issue with Gorgon to Mr. Watts
6 and Ms. Boynton?

7 MR. FERRARA: I'm sorry, which issue now?

8 MR. CRAINE: You know, the Gorgon and 600 million
9 BOE booked before FID.

10 THE WITNESS: No, I didn't.

11 BY MR. CRAINE:

12 Q And this is very close in time to where Mr. Watts
13 is talking about Gorgon in your one-on-ones, right?

14 A Yes, the same week.

15 Q Is there a reason why you didn't inform Mr. Watts
16 that 600 million BOE were booked before FID, were already on
17 Shell's books?

18 A I can't think of a specific reason other than this
19 was just before the meetings, the main meetings I think I
20 held with Phil. Phil was ex-chief executive of the business
21 and chairman of the CMD and he was talking about a project
22 which although it didn't come with the same enthusiasm as the
23 others, I assumed he knew more about it than I did.

24 Q So, you assumed he knew that the 600 million BOE
25 had already been booked and that's why you didn't relay it to

1 him?

2 A Well, I guess, yes.

3 Q And if you had thought that there was any way that
4 Mr. Watts didn't know that the 600 million BOE had already
5 been booked, would you have not told him?

6 A I would like to think I would have told him if I
7 thought that there was something that he didn't know that he
8 should know or otherwise. I do not recall telling him. And
9 you asked why I didn't tell him, it was not always the
10 easiest thing to do to tell him things like that but I don't
11 recall in this case that being necessarily an issue.

12 Q Well, if there was a large volume that had been
13 booked before FID that de-booking would have caused a 40
14 percent drop in the reserve replacement ratio, that's
15 something you would have told Mr. Watts if you didn't think
16 he knew it, isn't it?

17 A If I felt or believed that a de-booking or a
18 negative revision was likely to happen, then yes, I would
19 definitely have advised him whether I thought he knew it or
20 not because that would have been part of my --

21 Q And if he'd been telling the market that there were
22 certain volumes that may be booked in the future for Gorgon,
23 he would need to know about volumes that had been booked in
24 the past that couldn't be rebooked, correct?

25 A Correct. But he never did give specific data for

24092
Henry, Simon

1 Gorgon or specific time period. And I was of the impression
2 that there was more to come from Gorgon, they would just be
3 less than one might expect.

4 Q But this was an issue that was on your radar
5 screen?

6 A The fact that when Gorgon was bought or when a
7 final investment decision was made, that the reserves that
8 would be added would be less than you might expect, yes, it
9 was on my radar screen. Where was it on the radar screen?
10 Somewhat lower than other reserves replacement issues because
11 we didn't expect a final investment decision for at that time
12 maybe another two years. Still some time off.

13 Q And just absolutely cutting to the chase, in
14 February of 2003, you thought that Mr. Watts would have known
15 about the booking, initial booking of Gorgon or the fact that
16 Gorgon was on the books, right?

17 A I thought he would have known more than I did in
18 general. So, I'm saying yes.

19 Q That would be a yes, he would know about Gorgon?

20 A I would have thought that he should have known
21 about Gorgon. I honestly, because the way he carefully chose
22 his words around most things and it didn't really cross my
23 mind that he might not know.

24 Q So, it's something that you assumed he would know?

25 A I would assume that as ex-chief executive, he would

1 have known.

2 Q On the top in the bolded area, and this is another
3 email draft that's actually I believe drafted by Mr. Pay,
4 it's on the page --

5 A That's correct. This part was drafted by John Pay.

6 Q Now, in the bolded area, I think he's talking about
7 Sakhalin and he is noting that, 'I believe it's more likely
8 that we will exploit flexibility on the rules for booking and
9 limit the 2003 impact to a maximum of 37 percent.'" What did
10 you interpret exploiting flexibility on the rules for booking
11 to mean?

12 A That the company's experts on the rules for booking
13 believed that there was flexibility within the rules to make
14 choices about what was booked in any given year.

15 Q And then what would exploiting that mean?

16 A It would mean making choices within the rules that
17 in practice given the string before, smooth their bookings
18 over a period.

19 Q And that would be to try to please the market?

20 A Not necessarily please the market. In this case,
21 to --

22 Q Or not displease the market?

23 A To give an accurate, is the fact that didn't show a
24 large negative revision if it were to be determined that
25 Gorgon would require one.

1 Q And the only group that cared about the information
2 conveyed in the reserve replacement ratio was the market,
3 right?

4 A Well, we talked yesterday about the credit rating
5 agencies, the market, and one could argue anybody engaged in
6 the industry would have an interest in reserve replacement
7 from a company the size of Shell.

8 Q Turning to the first page, looks like Rhea
9 Hamilton's response in the thread to you and others, it looks
10 like she is confirming what you talked about with some of the
11 numbers with Gorgon. And then she notes with Gorgon that the
12 reserve replacement, looking at the bolded area, do you see
13 that, 'Therefore, the reserve replacement ratio impact will
14 at best be zero in the short to medium term.' And then she
15 notes, 'This is something of an IR time bomb.'

16 A I note the words though I don't believe they're
17 Rhea's. These were John Pay's. This is still in the area of
18 John Pay.

19 Q Oh, you're right, I apologize. Did you find these
20 two sentences by it looks like Mr. Pay to be accurate?

21 A The first statement that the RRR impact will at
22 best be zero in the short to medium term I have to presume
23 was accurate because he was the expert on the subject.

24 Q Cutting into your expertise, the 'this is something
25 of an IR time bomb,' do you believe this was accurate?

1 A Here he was wandering outside his own area of
2 expertise. It is, clearly it was an issue for us such that
3 at the point at which Gorgon was booked, sorry, if an
4 investor FID'ed, if there had not been a negative revision
5 before that point, then there would be a negative reaction in
6 the market at the point in which reserves for that year were
7 made public.

8 Q Did you convey this to -- go ahead.

9 BY MR. PEAVLER:

10 Q Why is that?

11 A Because the booking or, well, the investment
12 decision of a major project like Gorgon would be expected by
13 the market to impact reserves of the companies involved. And
14 particularly in this case, there were two other high profile
15 companies that were involved. And I have no idea what
16 bookings they might have made but the market would have
17 expected reserves for all three.

18 Q And the absence of booking by Shell when your
19 partners are making sizeable bookings would in your view have
20 produced negative reaction about Shell in the market?

21 A If that had happened, yes, there would have been a
22 negative reaction in the market.

23 BY MR. CRAINE:

24 Q Did you come to know that Shell's partners in fact
25 had not booked Gorgon?

1 A Not until a much later date of 2004, no. We never
2 actually know what they've done on any one field. We
3 sometimes hear in the corridor.

4 Q So, would you agree with Mr. Pay's comment that
5 this is something of an IR time bomb? Do you think that's an
6 accurate statement?

7 A It's an overstatement but, yes, it's an IR issue
8 for the future, all other things staying equal.

9 Q I'm handing you what's been marked as Exhibit 214.
10 For your benefit, I'm going to start on the second page.

11 A Okay.

12 Q Do you recall receiving and participating in this
13 set of email thread?

14 A Yes, in fact I initiated this one.

15 Q And why did you initiate this one?

16 A This is now April 2003 following the EP/GP
17 presentation and we're seeing sell side research analysts
18 doing quite a bit of detailed work and analysis around
19 historical performance on reserve replacement ratio. In
20 particular, this email follows a request from the analyst at
21 Credit Suisse First Boston.

22 Q Who is that?

23 A His name is Rod MacLean, (M-a-c-L-e-a-n).

24 Q Are you certain that this follows his request?

25 A Yes. This particular request came to me.

1 Q And what was Mr. MacLean inquiring about?

2 A He had been back through probably documents
3 including annual reports and the 20-F returns. I've noted
4 that in 1996, we had changed our policy for reserves booking
5 and which I've actually, I think, repeated here in the email.
6 He noted that reserves bookings had increased over a period,
7 over the period following 1996 although we hadn't disclosed
8 how much was due to the change in definition. And he asked
9 if the '97 or '98 performance had been changed in definition,
10 so was it real, and asked specifically about other eastern
11 hemisphere which in geographical terms is basically east of
12 Suisse in the data that we recorded. And given that in the
13 previous year of 2002, we have made negative revisions in
14 other eastern hemisphere of gas, he wondered if the two were
15 connected that there had been bookings then that were now
16 being reversed.

17 And he was actually doing a piece of a comparative
18 analysis of a five, ten-year competitive performance between
19 the old majors. He was looking basically to understand
20 better what had driven bookings in those periods. So, I
21 started this correspondence asking John Pay to clarify the
22 history back in that period in three areas. For the record,
23 what was the impact of the change that we'd enhanced, did the
24 impact have an impact, did that issue have an impact over
25 years subsequent to '96, and was there anything else that was

1 booked in that period, '96 to '98, that would explain the
2 reserves bookings at other eastern hemisphere of gas. And
3 the email goes to John Pay as the expert.

4 Q And it looks like, just distilling what he asked,
5 if you look at that last large paragraph on the bottom,
6 basically he's saying that 'Our claim on ten-year figures is
7 overstated because we just changed definition and benefitted
8 from it.'" Was that the crux of what he was asking about?

9 A I think he was aiming to get to what he would
10 regard as a clean comparison, one that was impacted by actual
11 events like discoveries or acquisitions rather than what was
12 impacted by changes in reporting definitions. And that's
13 something that I've always spent a great deal of time on when
14 it comes to earnings statements, taking out one -- or
15 reporting changed items, trying to get a direct comparison,
16 so is the reserves equivalent to that.

17 Q Did you respond to his inquiry? And this is Mr.,
18 by his I mean Mr. MacLean.

19 A Mr. MacLean. This actually, if I recall rightly,
20 the request came in in the middle of April which was
21 technically a close period leading up to Q-1 reporting which
22 would have been at the end of April. I'm not sure I did
23 respond in anything like the detail he had asked the
24 question.

25 Q Do you recall if you responded at all?

1 A He actually did publish a report and I spoke to him
2 about the report which would have included some discussion
3 thereafter. I don't recall if I had specifically responded
4 on the details of his question. It's not uncommon that we
5 didn't respond on extremely detailed questions on receiving
6 them.

7 Q Would you typically deal with Mr. MacLean by
8 teleconference or in person?

9 A Telephone typically.

10 Q Do you respect Mr. MacLean?

11 A Yes, he is an excellent analyst.

12 Q Looking at Mr. Pay's response, and before we do
13 that, were there any other analysts that ever asked similar
14 questions to Mr. MacLean about the '96 to '98 changes?

15 A Of me, no, although I will note and put on record
16 that Jeremy Elden of Lehman Brothers came up to me in January
17 2004, afterward made the announcement about recategorization
18 and said, you know, now you mention it, I knew about Gorgon
19 anyway back in 1997. So, the increase in other eastern
20 hemisphere ran you up and Mike Harrop told me it was global.
21 And so, no secret at the time. That's the only other analyst
22 who I'd had discussions with about bookings in the mid 90's.

23 It was more typical that people, analysts would
24 talk to my team than to me direct. It just happened that Mr.
25 MacLean was a leading analyst who had had, long had quite

1 strong views about Shell's position and we just spent quite
2 some time with Rod directly talking about the strategy and
3 the performance of Shell just so that his understanding was
4 better. So, he would have contacted me directly.

5 Q Did you ever learn that Mr. van de Vijver had had
6 discussions with analysts about the booking of Gorgon?

7 A Mr. van de Vijver?

8 Q Or Mr. Watts?

9 A Not that I'm aware of, not prior to January 2004.

10 Q Looking now at Mr. Pay's response, what was your
11 reaction when you received this? Old news, new news?

12 A I recall this was, well, for me it was new news.
13 This was before my time to put it mildly. And it was helpful
14 to underpin bookings in the past because we were well aware
15 if you went back over a 15-year period, there were two
16 periods in which Shell had good reserves bookings. And in
17 between those two relatively short periods, it was quite
18 typical to be below a hundred percent. And therefore, this
19 at least helped me to understand what had driven that
20 particular three, four-year period where the reserves
21 bookings were much more positive.

22 Q Did any of Mr. Pay's response concern you?

23 A Just give me a moment just to remind me of -- I
24 looked. There are no particularly new concerns here.

25 There's reference to Gorgon obviously but I was already aware

1 of Gorgon. Most of the rest of this was useful information
2 for me but just filling in the gaps in the history.

3 Q Point 6 is where he talks about Australia and
4 Gorgon, and then after, and it looks like this is in
5 conjunction with all of his statements, Mr. Pay notes, 'I
6 would not share any of this detail with the external
7 community, certainly not on an individual basis.' Do you
8 know if any of the information in Mr. Pay's email was shared
9 with the external community in 2003?

10 A Just to just go back on the previous time, what
11 concerned me usually about John was him taking data and then
12 telling us how to communicate it. That wasn't his job. You
13 may or may not have on file instances where I've reminded him
14 of that.

15 Q Right. And separate and apart from relationship or
16 anything, my specific question is as you look through these
17 issues 1 through 6, in 2003, were these conveyed to the
18 external community?

19 A Let me come back to that. The individual details
20 of individual fields would not have been conveyed because
21 neither we nor anybody else in the industry talked about
22 individual fields typically. That may have changed in the
23 past year or so but that was not the case at the time. I
24 only recall Rod MacLean asking this and it would only be on
25 the back of that question that anything really would have

1 been stated. You may or may not have this report but I don't
2 recall him actually referring to it in the report which does
3 suggest that I didn't go back to him before the report
4 itself.

5 Q Other than comments that you may have made to Mr.
6 MacLean, would any of the information conveyed to you from
7 Mr. Pay in items 1 to 6, were any of those passed on to the
8 market?

9 A Formally and practically, I don't believe so. It's
10 possible that I could have received questions during the year
11 about various parts of the world which I may have used this
12 as background information for my team --

13 Q But as we sit here today, you can't specifically
14 recall whether or not --

15 A That's correct. We just didn't talk about
16 individual countries or individual bookings in general.

17 Q And you don't have your, you don't have any
18 specific recollection of anyone on your team discussing the
19 items listed in 1 through 6 in Mr. Pay's email?

20 A I don't, but in practice it's much more likely that
21 they would have had that discussion than me because that was,
22 their role was more that way inclined. However, the one
23 thing they would never have done is give a piece of
24 information to a single individual if they felt it was a
25 piece of information that if one person knew it, the whole

1 market will know it. And that's what usually precluded them
2 from giving any of the specific detail.

3 Q And I appreciate your specific detail but I'll give
4 you my question one more time, and it's just do you have any
5 knowledge of you or anyone on your team, other than what you
6 may have noted to Mr. MacLean, passing on the information in
7 items 1 through 6 of Mr. Pay's email to the market?

8 A No, I don't.

9 MR. CRAINE: We'll go off the record and take a
10 quick five-minute break. We're about the halfway point.

11 (Off the record.)

12 BY MR. CRAINE:

13 Q We're back on the record at 11:20. I'm handing you
14 what's been previously marked as Exhibit 176.

15 Do you recall receiving this email?

16 A Yes, I do.

17 Q What is EB business day/business week?

18 A I misspelt EP business day/business week. In May
19 each year, we bring together around 300 of the most senior
20 executives in the Shell Group usually in Houston for what we
21 call business week. It's a once-a-year get together of the
22 top 300. And typically there is a full day on group
23 business. Each business will then have a full day with its
24 leadership team of, in the case of EP around 120 people. And
25 then they're usually following side meetings and functional

1 meetings, finance for example.

2 And in 2002, IR and the guys with me was arranging
3 for an external speaker on the group day to talk about
4 exceptions of the company in the market, current issues that
5 investors had. And we had invited Fergus MacLeod who was
6 actually on a contract to us, he's the next research analyst,
7 leading research analyst. We had invited him to the group
8 day. And having invited him to talk on the group day, I was
9 in this email string asking Walter van de Vijver and Dominick
10 Gardy whether they thought it would be a good idea for Fergus
11 to join the day with the top 120 or so EP leaders to give a
12 more insightful or in-depth review of that external
13 perceptions of EP.

14 Walter then comes back and effectively declines.
15 And I was checking with, the last email is me just checking
16 with Judy that she agrees that Walter has said no finally and
17 she doesn't want to reopen the discussion with him.

18 Q And then, below that you note, 'Comments from
19 Walter, all valid for Fergus' contribution,' what were you
20 trying to relay to Ms. Boynton there?

21 A Fergus was going to speak to the group anyway and
22 the comments that Walter was making about the EP business and
23 its performance relative maybe to market expectations were in
24 fact all things that Fergus should probably pick up at the
25 group day anyway, not just things you would reserve for EP

1 that were relevant to the group.

2 Q Looking at the third bullet point there, and it
3 looks like someone before this got to us, was a little
4 overzealous with a pen. The statement with the bracket and a
5 star by it, that looks like Mr. van de Vijver is relaying to
6 you and Ms. Boynton that it may be appropriate but, and then
7 one of the comments is the latest is the embarrassment on
8 reserve replacement, some of which driven by reserve bookings
9 that should not have been made. What did you interpret that
10 to mean when you received this email?

11 A This dated March 2002 which was about six weeks
12 after the announcement on the 2001 reserve replacement ratio
13 which was an embarrassment because it was a low figure, 50
14 percent or so. And I would have interpreted and still do
15 interpret that phrase to refer to that embarrassment.

16 Q And how about the driven by reserve bookings that
17 should not have been made, what did you interpret that to
18 mean?

19 A Exactly what it says, that this is effectively
20 coming from the individual as far as I was aware who was
21 responsible for the bookings.

22 Q Who was that?

23 A Jay Stanton, the EP business, the EP CEO. This was
24 before and there was not much correspondence or specific
25 detail with IR to what it was that Walter was referring.

1 Q And looking specifically at that statement, reserve
2 bookings that should not have been made, what did you
3 interpret that to mean?

4 A That in Walter's opinion, reserve bookings have
5 been made in the past that in his opinion should not have
6 been made. And to put this email in context, this was not
7 about reserves replacement, this was about the representation
8 of external views at an EP day. And the comment that I would
9 have followed up with and felt most touched about was the
10 fifth bullet, not the third bullet. The third bullet, I
11 probably would have given not a second thought at the time.

12 Q So, when you read it, your perception was that, you
13 know, Mr. van de Vijver believed that there were reserve
14 bookings that should not have been made and you didn't think
15 much more of it?

16 A Correct. And this was just a long way for Walter
17 to say no, that's what I thought. And also, how take in this
18 fifth bullet, his perceptions of IR.

19 Q The next bullet, the fourth bullet discusses a PDO
20 failure missed by Xcom, what did you interpret that to mean?

21 A I didn't really know at the time.

22 Q So, you got the, I guess these are what you're
23 referring to as the comments from Walter?

24 A This was the long way of saying no. And maybe for
25 him to share information that would be otherwise, it just

1 gave him the conduit to share information. The purpose of
2 the email was not to find out more about what Walter thought
3 about EP, nor did I particularly take it forward in that
4 context.

5 Q And then looking at the top, 'Comments from Walter
6 all valid for Fergus' contribution," why did you write that
7 to Ms. Boynton after receiving these comments from Mr. van de
8 Vijver?

9 A I looked through it and said Walter has mentioned
10 business development, reserves replacement, operation
11 performance, technical competency, sheer water on bridges for
12 both issues at the time and the number of targets. And all
13 of those were issues that I would have expected Fergus
14 MacLeod to have covered in his brief level of presentation
15 which both Judy and I would have discussed with Fergus before
16 the presentation was actually made.

17 Q And then, later you were talking about, we were
18 talking about earlier, later Ms. Boynton responded to your
19 email, correct?

20 A It's not shown here but quite possibly. It's more
21 like, Judy was not a big user of emails. It's more likely
22 she rang me up.

23 Q And basically said, what is it?

24 A Forget it.

25 Q And in your experience with Ms. Boynton, did she

24618
Henry, Simon

1 read the emails that were sent to her?

2 A In my experience, generally yes. My experience
3 with others is generally no.

4 Q So, for Ms. Boynton, yes, your experience was that
5 she would?

6 A By and large she read and came back on emails. But
7 she didn't come back by email. She'd have them printed out,
8 if -- email that would be printed out. She'd ring me up if
9 she felt it was worth talking about.

10 Q So, yes, she would typically read emails?

11 A Typically, yes.

12 Q I'm handing you what's been previously marked as
13 Exhibit 243. Do you recall receiving this email from Ms.
14 Hamilton?

15 A Yes, I do.

16 Q The first question in the suggested Q&A's regarding
17 major new reserves booking is noted as a dangerous question,
18 why was this perceived as a dangerous question?

19 A The date of this email, just one email, is October
20 2002 and would have been in exchange in advance of making the
21 third quarter 2002 earnings announcement. So, this would
22 have been part of the preparation of material briefing Q&A's
23 basically and these would have been Q&A's to go in the
24 briefing material related to reserves replacement. This is
25 ten months nearly through the year of 2002 and the likelihood

1 of questions from investors about expected reserve
2 replacement for 2002 was high given they would expect us to
3 have a pretty good idea by then. An expected question, so
4 what will we be booking this year?

5 Rhea has put in parenthesis a point about the
6 investors would probably know about certain investment
7 decisions, Angola Block 18 and Ehra and would expect reserves
8 to be added from there. And there may be other, she actually
9 refers to a Chinese project, WT2E is the West to East
10 pipeline and that again investors might expect reserves from.
11 So, she is advising and correctly that it's a dangerous
12 question because this is one of those areas where
13 expectations of investors may be higher than the likely
14 delivery.

15 Q And this would be an area where reserves were
16 booked before FID in Angola Block 18 and Ehra?

17 A That is correct. And the reason the investors
18 would know about investment decisions and also possibly
19 reserves that were booked is that one is a joint venture with
20 BP and the other is a joint venture with Exxon, and Shell was
21 not the operator of either. So, announcements would have
22 been made by both those other companies.

23 Q And do you know if BP had already booked reserves
24 on Angola Block 18?

25 A No, I don't, but I do recall speculation by people

24690
Henry, Simon

1 working in the joint venture about choices that BP were
2 making about whether or not to book reserves.

3 Q Was it ever discussed that BP had not booked Angola
4 Block 18 yet?

5 A I vaguely recall discussions about not knowing
6 whether they have but thinking they were keeping it up their
7 sleeve depending on whether they needed it or not.

8 Q Did anyone at Shell ever give you information that
9 BP had not booked Angola Block 18?

10 A I don't recall if they confirmed it but I don't
11 actually recall it being confirmed one way or another because
12 until the day, we don't actually know.

13 Q When we were talking yesterday, you discussed that
14 in 2002 you learned about Angola Block 18 and Ehra were areas
15 where FID was reached and reserves had already been booked
16 previously, right?

17 A That's correct, yes.

18 Q When did you first learn that in 2002?

19 A Roughly the middle of the year, after about the
20 time the investment decisions were being made because I would
21 have asked the question to be prepared around any
22 announcement of the investment decision. So, this is a
23 couple of months after that.

24 Q And did you have conversations or relay that
25 information to Mr. Watts and Ms. Boynton?

1 A I don't recall doing so. The first point I
2 remember it being mentioned was when Mr. van de Vijver
3 mentioned it to me February 21st, 2003.

4 Q To the extent it's an issue, it's something you
5 would have included in the IR review materials?

6 A Yes. Those could have been the ones that we
7 reviewed yesterday.

8 Q And that would have been passed on to Mr. Watts and
9 Ms. Boynton?

10 A Yes, although this was a Q-3 teleconference
11 earnings statement which I hosted. So, although the
12 information would have gone to them, it would have been much
13 lower on their priorities than if they had been making the
14 announcement.

15 Q But this isn't something that you actively kept
16 from them?

17 A No.

18 Q I'm handing you what's been previously marked as
19 Exhibit 183. This is related to that quarter 3 time period
20 we were just talking about, is that right?

21 A That is correct. The Q-3 earnings announcement for
22 2002 is this correspondence at the end of October.

23 Q And it looks like you in this communication copied
24 Ms. Boynton, right? Or pardon me.

25 Looking at the top of Exhibit 183, it looks like

1 it's from you to Mr. van de Vijver and then it copies Ms.
2 Boynton and others, is that right?

3 A What happened here is Rhea Hamilton had
4 initiated --

5 Q Can you answer my question first and then you can
6 move on to your --

7 A The top email is me responding to an email from
8 Walter van de Vijver and I copied Judith who was not copied
9 in the original from Walter van de Vijver.

10 Q And then in the email from Mr. van de Vijver to
11 yourself that you responded to and copied Ms. Boynton, I'd
12 like to look at point number 3, 'Reserve replacement ratio
13 excluding M&A is an issue. If we would not have booked
14 aggressively prematurely, we would have been over one hundred
15 percent organically and we do not yet have any story." And
16 this is some of what you told us yesterday that you were
17 hearing from Mr. van de Vijver, is that right?

18 A That's correct. That's a statement that he
19 reiterated in February and then he was looking back, here
20 he's looking forward in the quarter. It's same statement
21 basically.

22 Q And yesterday you were talking about general
23 statements similar to this that you had heard from Mr. van de
24 Vijver, this would be a specific example of it, right?

25 A Yes, although he is not listing a project at this

1 particular point.

2 Q And then you forwarded Mr. -- why did you include
3 Ms. Boynton in on your response?

4 A Two reasons. One general in that this is
5 correspondence about Q-3 earnings and I thought the group's
6 CFO should have been included and hadn't been previously.
7 And secondly, there was an ongoing discussion at that point
8 in time about production growth as being understood based on
9 the latest business plan looking forward five years. That
10 was being concluded at that point in time. I was aware that
11 Judy and I had been involved in discussions about that
12 production growth, and therefore, as there are references in
13 this email chain to production growth, I felt Judy should be
14 engaged in that in an open and transparent fashion.

15 Q So, the long and the short of it is you thought
16 this is information that Ms. Boynton should have?

17 A Should have, yes. Correct.

18 Q I feel we're getting to a milestone now. This is
19 going to make everyone feel a lot better because --

20 A This is the last one?

21 Q This is a document that I've lugged around a bunch
22 of different places that takes about 40 seconds to cover.
23 I'm handing you what's been marked as Exhibit 244.

24 First of all, who is Raheen Khan?

25 A Raheen Khan worked in the performance and reporting

Henry, Simon

1 group that I've previously mentioned which ultimately
2 reported to Frank Coopman as CFO of EP. Raheen worked
3 directly for David Lau, the controller of EP and he was the
4 leader of the performance and reporting group.

5 Q Please describe the process that is being described
6 and dealt within Exhibit 244.

7 A This is advance preparation, the email is dated 14
8 November, so advance preparation for a strategy, group
9 strategy presentation on Q-4 earnings announcement that was
10 planned for February the 6th, 2003. This is merely two
11 months, three months ahead of the actual date of a particular
12 presentation. And we were just beginning to think about how
13 that presentation may look, what the content would be and
14 what messages about strategy would be.

15 Q And then Mr. Khan notes on the top of the exhibit,
16 'Simon has described this as a progress report against
17 previously declared strategy and target framework.' Is that
18 how you would have described this to EP?

19 A Yes.

20 Q And if you could tell us what you specifically
21 meant by that?

22 A Historically, the group had done a big strategy
23 presentation in December to the market. And there was a
24 tendency to describe a new strategy or a new set of metrics
25 every year because of the need to make it seem worthwhile up

1 in the meeting. We had changed the communication strategy to
2 say don't hold a separate meeting, don't make a big thing.
3 You laid out a strategy for your tenure in office, December
4 2001, you don't go out and change the strategy or a set of
5 metrics every year, you should combine with the end year
6 results, and when you combine position it has an update of
7 performance against the strategy that you laid out. And that
8 was our advice to Phil and all the managing directors and
9 they agreed with that.

10 So, it was fundamentally different from the way we
11 had done what we termed group strategy presentations
12 previously. That's why his comment.

13 Q And I take it Mr. van de Vijver was involved in
14 this process as well?

15 A Yes.

16 Q Have you ever had discussions or heard Mr. van de
17 Vijver refer to something he describes as the box?

18 A Yes.

19 Q When is the first time you heard Mr. van de Vijver
20 relating this description of the box to you?

21 A Probably mid 2002. About that time.

22 Q What is your understanding of the box as Mr. van de
23 Vijver described it to you?

24 A Formally it's his view of four particular
25 performance targets which he felt were mutually incompatible.

1 I could achieve two, if you achieve two, you couldn't at the
2 same time achieve two of the others. And informally, he
3 regarded it as the structure by which he chose to make his
4 excuses for not delivering.

5 Q And were the parameters of the box, were those
6 items that were previously promised to the market that Mr.
7 van de Vijver felt that he needed to fulfill? Where did the
8 parameters of the box come from?

9 A The parameters of the box came from Mr. van de
10 Vijver's own business plans which were then talked about
11 externally with the market.

12 Q Did Mr. van de Vijver ever have discussions with
13 you or your team about relieving a pressure of the box by
14 removing some of the parameters that were out on the market?

15 A Yes.

16 Q When did he first start having those communications
17 with you?

18 A Middle of 2002.

19 Q What generally was he relaying to you in the middle
20 of 2002 about this?

21 A His thoughts on the EP strategy, the way he managed
22 the business, quality of the assets in the portfolio, the
23 financial and operational performance he felt could be
24 delivered from them. And then, if we were to do that, added
25 that benchmark against, in his view market expectations, in

1 my view, competitive positioning.

2 Q How did you respond to Mr. van de Vijver's
3 comments?

4 A We had occasional discussion, had more detailed
5 discussion with his team, to be honest, with Frank Coopman
6 and others in his team. But my view was always that the
7 market didn't define these targets and the investor relations
8 didn't define these targets. They were performance
9 parameters that were based on business plans which Walter is
10 chief executive of the business that signed off previously.
11 If he now felt they were not deliverable, then that should be
12 communicated. And again, in my opinion on what was a ranking
13 of priority, what was the market really -- about is one of
14 the four things that he talked about. Market really didn't
15 care about it in my opinion.

16 Q How did he rank the items that --

17 A Well, the items were return on capital, production
18 growth, reserve replacement and unit costs. I rank first was
19 return on capital, and second would be production growth,
20 third reserve replacement, and fourth unit costs. Unit costs
21 was the one I said the market doesn't care. And to preempt
22 the question, why was reserve replacement third? Because
23 we'd only ever set a hundred percent, and for me this was not
24 a target or something the market imposed. It was something
25 if you don't achieve, you liquidate in the business.

1 So, it's ridiculous to imply that investor
2 relations is fixing the target for you. If you don't replace
3 your reserves, you go out of business. So, it wasn't part of
4 the box for me, it was just fundamental to strategy. Return
5 on capital and growth and how do you balance the two, I agree
6 to that. It's not easy to improve both.

7 Q And you said you had ongoing discussions with Mr.
8 van de Vijver about the, hearing him talking about the box
9 and some of the issues related from that mid 2002 time frame?

10 A Up to and including late 2003, early 2004,
11 sporadically through CMD or if I met -- we'd cover it
12 together.

13 Q And I imagine that the discussions of the box and
14 of the larger topic of metrics for EP would come to a head or
15 at least, you know, become front and center when you were
16 working on things like Exhibit 244 where there was, you know,
17 ongoing strategy, is that right?

18 A That's correct. I think maybe two minutes of
19 context, the Shell Group prepares an annual business plan
20 that looks at a performance over the next five years that is
21 prepared each summer. It's first aggregated for review by
22 CMD in September, typically approved by them in late October
23 after various challenge or peer review sessions, and is
24 approved by the boards the beginning of December. This
25 correspondence, 14th of November, is towards the back end of

1 that process, so we're taking data from a formal business
2 plan prepared by the businesses and looking at how that
3 compares with external statements in the market.

4 And we're talking three to five years and I'm not
5 talking about current quarter at all. When we're then
6 positioning, do we have to go and say, well, our strategy was
7 angled at achieving this standard on this metric and what we
8 are achieving is a different standard and this is why and you
9 have to decide what you need to say and then set the
10 expectations correctly. So, that's all part of what was
11 going on at this point in time.

12 Q And as you recounted some of your discussions with
13 Mr. van de Vijver beginning in the middle of 2002, it seems
14 to me like you were almost giving an education in IR as far
15 as trying to build credibility in the marketplace and the
16 things to work on an ongoing basis. Am I perceiving that
17 right?

18 A Part of my role was indeed to give some education
19 to Walter as to what the market was thinking any given time.
20 Or perhaps more generally, what would persist through time
21 over any strategy that's delivered over three or five years,
22 you have to start today if you think to deliver against it.

23 Q Was attempting to build credibility in the
24 marketplace or building credibility in the marketplace one of
25 the areas that you discussed with Mr. van de Vijver in 2002

1 with respect to the parameters of the box?

2 A Yes, I spoke some about building credibility and
3 not necessarily about parameters of the box as I focused on
4 two of them. And I had quite different views about one of
5 them to Walter anyway, and therefore, we had different views
6 about how you do build credibility.

7 Q Did you ever have discussions with Mr. van de
8 Vijver in 2002 where, you know, he was looking for ways to
9 get away from the parameters in the metrics like we've
10 discussed and you relayed to him, you know, look if you build
11 credibility in the marketplace and you start meeting these
12 metrics, then it will be easier for you at some point in time
13 to change them but if you're not meeting them, the market is
14 going to react poorly if you all of a sudden totally changed
15 course? Did you have conversations somewhat like that?

16 A Yes, you sound like me.

17 Q If you could describe kind of your comments to
18 Walter and the guidance you were giving Walter and his
19 reaction for us?

20 A I'm really having difficulty thinking exactly when
21 would those discussions have taken place. But I suspect all
22 of them was over an extended period of time. Yes, it's much
23 easier to change a framework if the market looks you in the
24 eyes and said this guy has done it before, I understand and I
25 believe. If you don't have a track record and you keep

1 saying last year I said I'd do this, this year I said I'll do
2 that, then you can't expect credibility. So, you need to
3 build credibility first and then you move on.

4 Q And those conversations in those issues probably
5 would have hit the front runner in November with these
6 strategy presentations and things like that, right?

7 A Yes, they would.

8 Q I'm handing you what's been previously marked as
9 Exhibit 246. What is Exhibit 246?

10 A This is an email from Frank Coopman to Walter van
11 de Vijver in November 2002, so contemporaneous with the
12 previous discussion. And copying myself, David Lau and Kerry
13 Powell who was Walter's executive assistant. It refers to
14 the first draw man or draft of the EP messages for the
15 February 2003 presentation. And it has an attachment, a
16 brief attachment on the key themes that were being proposed
17 as the basis of the investment case for the EP business.

18 Q And this would have been about the same time you
19 were having the conversations with Mr. van de Vijver about
20 goals and metrics and credibility?

21 A Correct. And specifically, Walter had said go fix
22 things with Frank. So, Frank's team and my team had had a
23 day's workshop together plus subsequent follow up, and this
24 was coming out. And Frank refers to, here's the draft after
25 input from the usual suspects, that's the two teams.

1 Q That would be IR and EP?

2 A That's correct.

3 Q And this would have been shortly after the meeting
4 that you had with IR and EP teams?

5 A Yes, probably a week or so. Certainly just after.

6 Q And this document that Mr. Coopman created was as a
7 result of those meetings or the meeting, pardon me?

8 A That's correct.

9 Q Under the second point, 'It is noted that the
10 combined set of past promises was constraining EP's value
11 growth ambitions," do you see that?

12 A Yes, I do.

13 Q What did you interpret that to mean?

14 A That in an environment where you stick with a
15 constant return on capital and continuous reductions in unit
16 costs, you will probably choose to forgo certain investment
17 opportunities which would potentially create value for the
18 group.

19 Q And this was in line with the general discussions
20 you were having with Mr. van de Vijver in this time frame?

21 A That is correct.

22 Q I'm handing you what's been marked as Exhibit 346.

23 Looks like you're, in the middle email, the lower
24 email, it looks like you're forwarding a November slide pack,
25 is that right?

24682
Henry, Simon

1 (SEC Exhibit No. 346 was marked for
2 identification.)

3 A This is December 2002 just before Christmas where I
4 am forwarding to all of the CMD a slide pack on results,
5 meaning actual results in November and the latest estimate
6 for the year from group reporting.

7 Q Looking at the second paragraph of your email where
8 another pen happy person has boxed in the area I'd like to
9 talk to you about. Do you see that?

10 A I do.

11 Q What were you trying to convey here?

12 A May I please have a moment to read?

13 Q Sure.

14 A It was just something out here, looks like I'm
15 replying to my own email. Our typical quarterly process is
16 in the middle of the third month of the quarter, so in
17 December for Q-4, to take actual results for two months plus
18 an estimate for the third month to compare that, basically
19 the earnings estimates, against what we perceive the market
20 estimate to be. And the market estimate is gained from two
21 sources, one the owners directly, and secondly, within IR we
22 run our own independent financial model of earnings for the
23 group based on externally available information, so things
24 that had happened in the quarter.

25 In the first slide pack, typically every quarter we

1 would send to CMD our view of any differences between what we
2 expected the external market to calculate the earnings as and
3 what we ourselves as a group were doing. We'd identified it
4 from source and decide on what action may need to be taken
5 including additional information being put into the market,
6 disclosure if necessary. This is a typical statement around
7 that time of the quarter saying our own latest estimate
8 coming from the businesses is 12 percent below the external
9 estimate. 12 percent is about the level where the market
10 gets quite disappointed. We don't know that the market
11 estimate is 12 percent at the time, we're guessing. Well,
12 not guessing but we're doing our own estimates of their
13 estimate.

14 I'm making the point that the disappointment that
15 that may cause when you add to the fact that by this time we
16 were already fairly clear that the annual reserve replacement
17 was likely to also be a disappointment. And that would
18 increase the profile of the Q-4 results on February the 6th
19 which as you recall was a combined strategy and earnings
20 presentation. What we had hoped to do is have a relatively
21 clean Q-4 and take up a very small part of the presentation
22 in time and effort on earnings of Q-4 and spend most of the
23 presentation on strategy. In here I'm effectively saying
24 look, but Q-4 might be a bigger issue and we have to spend
25 more time on it, and maybe there are things that the market

1 should know because the level of diligence amongst analysts
2 vary. Some of them tend to know everything that's happened
3 operationally, some of them don't.

4 And here, I'm highlighting a couple of things such
5 as refinery shutdowns in the United States which typically
6 are announced locally, so it's easy enough to find out. But
7 most people don't bother. So, it's not a part of disclosure
8 issue for us to remind people that they can look in place X
9 and see the information. There are other things that we
10 would have known had happened in the quarter but were not in
11 the public domain that we could not put into the public
12 domain without making a formal stock exchange release. And
13 so, we always had to make that choice. Also saying here that
14 Chemico was in gas and power probably above mark estimates
15 but that one may make up for EP being below.

16 Q And in that paragraph, you note, 'When added to the
17 reporting of annual reserve replacement ratio,' what was the
18 issue of the annual reporting of reserve replacement ratio at
19 this point in time?

20 A By this point in time, we were expecting putting
21 Enterprise to one side a figure below a hundred percent for
22 the second consecutive year. Enterprise added in as an
23 acquisition made it above a hundred. In IR we were fairly
24 clear that would be ignored by the market and they'd look at
25 the underlying organic replacement ratio.

1 Q I'm handing you what's been marked as Exhibit 249.

2 And I'll be starting with your bottom email on the
3 first page that runs over to the second. You write that
4 'Shell has a stronger story than it is giving itself credit
5 for.'" What did you mean by this statement?

6 A This is another email prepared for the same
7 February 2003 preparation. This particular story is about
8 exploration. The way we always measured exploration success
9 is by additions of barrels to scope for recovery. And I was
10 in that email looking to confirm the level of barrels that
11 had been added to scope year on, year out in previous six
12 years. And that's what I was referring back to, data that
13 had already been given to the market anyway. And it was my
14 view that the data supported quite a strong story in terms of
15 exploration success and adding barrels to our total resource
16 base.

17 Q And then it looks like you add a caveat at the
18 bottom, 'At the very least, analysts may well come armed with
19 these figures and questions when will all this exploration
20 success show up in reserve replacement ratio.'" What was your
21 concern there?

22 A The concern was that by and large this data was
23 public. We were going to be reporting a low reserve
24 replacement ratio and any good analyst such as some of the
25 analysts we've already mentioned could take one piece of

1 data, exploration success, another piece of data, low reserve
2 replacement ratio, and say how these are inconsistent, what
3 is it that you're not doing to turn exploration success into
4 reserves bookings. And at least in part here, I was trying
5 to understand if although we had added the scope in some
6 years heavily, has it been dissipated in later years because
7 projects have not gone forward.

8 Q It looks like at the top of this email thread and,
9 you know, in fairness to you, I don't see your name as a
10 recipient on it, Mr. Pay describes the lumpy reserve
11 replacement and notes in the bottom, 'It would have been a
12 much smoother trend if we had not booked massive volumes
13 ahead of true technical and commercial maturity in '89 and
14 '90, and be if we had not done the same in '96 to '98. You
15 can only raid the larder for a brief time. You then have to
16 live with the consequences for a few years."

17 Did you ever learn of this in 2003?

18 A I'm just trying to think back. We had the
19 discussion earlier about the email explaining what had
20 happened in '96 to '98. The sentiment to only raid the
21 larder, we hadn't necessarily had that discussion. But I was
22 aware because of the correspondence with Rod MacLean about
23 the '96-'98.

24 Q And then Mr. --

25 A But I hadn't appreciated it being described as raid

1 the larder.

2 Q The email here seems to copy Mr. van der
3 Steenstraten, right?

4 A Yes.

5 Q And he's one individual that you described
6 yesterday as one of your lieutenants?

7 A That's correct.

8 Q Do you know, did he convey this information to you
9 after he received it from Mr. Pay?

10 A I just don't recall specifically.

11 Q Were there discussions within IR about the issues
12 generally being discussed in Exhibit 249?

13 A Exploration, yes. And we kicked this one off in
14 terms of our analysis of past performance and how it might
15 help support a stronger story on reserves booking. In fact,
16 well, at this point, if we had genuinely handed all those
17 resources to exploration, wasn't this a great opportunity to
18 turn it into proved reserves? So, we felt there was a
19 strategic performance there, a positive issue.

20 Q And then how about the lumpy reserve replacement
21 and the similar historical information? I guess you've
22 discussed that that was a topic with the inquiry you
23 received. Were there other instances where this was
24 discussed?

25 A My own team, Mr. Harrop in particular, had raised

1 the issue of two periods of high bookings with, this is going
2 back the 15-year period which actually is referred to here by
3 John Pay and I think I mentioned it an hour or so ago. '89-
4 '90 and '96-'98 were periods of high bookings and in between
5 it was quite typical for Shell to add less than a hundred
6 percent reserves. Mike Harrop had made that point several
7 times. I was aware of the history although not necessarily
8 the reasons behind it.

9 Q Which, I guess the language may not be as colorful
10 but it's a situation where if you have unusually large
11 reserve bookings in one year, then you know, the consequences
12 of that is at times it will trail off and be lower later?

13 MR. FERRARA: Sorry, what will trail off?

14 MR. CRAINE: The reserves bookings and reserve
15 replacement ratio. I'm just trying to make sure I understand
16 what Mr. Harrop had told you or the two of you had discussed.

17 THE WITNESS: He simply plotted 15 years of reserve
18 replacement ratio which had two peaks. And in between the
19 two peaks, it was typical for a lower than a hundred percent
20 replacement ratio, although the average over the period was
21 above a hundred percent. I guess the two peaks were quite
22 high.

23 BY MR. CRAINE:

24 Q And when did Mr. Harrop do this research?

25 A It would have been before this point in time, most

1 likely during 2002 as a result replacement was becoming more
2 of an issue. Actually by this time, I think Mr. Harrop was
3 just moving on from IR so it must have been during middle of
4 2002 probably.

5 Q Is that something he did on his own initiative or
6 something that was requested he perform?

7 A On his own initiative.

8 Q I'm handing you what's been marked as Exhibit 347.

9 Exhibit 347 appears to address this EP and GP joint
10 presentation that we've touched on from several points. Is
11 that right?

12 (SEC Exhibit No. 347 was marked for
13 identification.)

14 A That's correct. This is about a meeting two or
15 three weeks before the presentation preparation. In fact, it
16 refers to the meeting I talked about yesterday of getting
17 Walter, Malcolm and Lindra in the same room with our third
18 party advisor on communications with the market.

19 Q And this was the communicating with the market
20 class that you had wanted Mr. van de Vijver to take?

21 A Correct.

22 Q And in this email, looking at the area below, it
23 looks like you drafted a segment called Market Issues for EP.
24 Is that right?

25 A That's correct.

1 Q Looking at number 2, you list the item 'Clarity on
2 reserve bookings process and credibility of 'don't worry'
3 statement. Great desire for transparency on projects that
4 will mature in the next few years particularly gas." What
5 market issue were you trying to describe there?

6 A The list of issues here is what are investors
7 saying to us at the moment, what do they want to hear in this
8 particular presentation. And so, this bullet number 2 is
9 saying, it's summarizing what we'd heard from investors in
10 the various meetings we'd just been to which were many, many
11 and varied. They wanted more clarity on the booking process,
12 at what point the reserves booked. And I'm not entirely sure
13 what I meant by credibility of 'don't worry' statement, but I
14 could surmise that it is 'give confidence' any one year. It
15 it doesn't necessarily mean you have a big problem. You have
16 to look at it over a few years and we've got a lot of
17 projects in the pipeline.

18 And then the second part is to say that there is
19 and always is a great desire for a lot of transparency on
20 individual projects, how they will mature, when they mature,
21 production reserves, investment announcement and I'm sure
22 return for investors.

23 Q And these were concerns that you've heard expressed
24 from many of the investors that you had met with?

25 A Between the 7th of February and the 4th of March, I

24642
Henry, Simon

1 had probably been in about 40 or 50 meetings with investors.
2 So, this is essentially summarizing what I had heard first-
3 hand personally from investors.

4 Q And you thought that was important and that's why
5 you were passing this on to the EP and GP leadership?

6 A Correct. I wanted to make sure that they
7 understood what the audience was turning up with in their
8 mind as questions. It may be the first time questions were
9 likely to be answered.

10 Q I'm handing you what's been marked as Exhibit 348.
11 Why were you chuckling?

12 (SEC Exhibit No. 348 was marked for
13 identification.)

14 A The phrase at the front -- I'll let you ask the
15 question.

16 Q Which phrase at the front was making you laugh?

17 A The buyback message as a diversion.

18 Q Why did you find that funny?

19 A Because this relates to, again, preparation for the
20 March EP meeting. My comment relates back to the
21 announcement on February 6th or 7th, the year end
22 announcement where one of my concerns going in to that
23 particular presentation had been the message around
24 production volume growth. I had a different opinion to that
25 of the CMD as to how we should have communicated. And as it

Henry, Simon

1 happened, the day before the presentation conference had met,
2 had changed the policy on buybacks. And because at the very
3 last minute changed the message in the policy on share
4 buybacks, created a problem, a communications problem for us
5 that completely swamped any other message on the day.

6 So, the only thing that took the headlines was
7 buybacks and the fact that our management didn't seem to know
8 what we wanted which is because -- previous afternoon. And
9 therefore, any other potential weaknesses in the story were
10 diverted because of buybacks and this is me being somewhat
11 sarcastic about we thought up the buyback message. It
12 destroyed the day for us in terms of effective communication.

13 Q And the sentence before that, 'I'm just mindful of
14 the volume message fiasco which was a non-optimal solution,"
15 what were you talking about there?

16 A In the previous quarter, we had had the discussions
17 about the business plan and the future volume projections.
18 And during 2002, I'll have to give you the history, I
19 mentioned before the change of that investor focus to
20 reserves replacement ratio which was no accident. My friends
21 in BP. And through the year, we work in joint ventures with
22 BP, we knew BP had production problems. In the middle of
23 August, I put out in our mid-year headline on our earnings
24 statement, earnings and growth firmly on track. Beginning of
25 September, they put out their first production growth

1 warning. Beginning of October, they put out their second.
2 Beginning of November, they put out their third production
3 growth warning.

4 We knew it was happening. We actually recruited
5 Fergus MacLeod in middle of the year -- to handle the
6 communications. But essentially, they had taken production
7 growth off the agenda as being the big thing in advance so it
8 was really not hammered in the market.

9 Q Why was it a volume message fiasco?

10 A I had taken the view that our CMD should have taken
11 the invitation from BP to say nothing about future volumes,
12 walked through the open door and said thank you very much.
13 They had taken a different view and insisted that they would
14 still have a volume growth expectation out in the market.
15 And they had done it by changing the date period over which
16 they would refer to and they would include acquired volumes.
17 And it was done transparently, talking about future
18 projections, and then they went back. It was a bit too cute
19 for me even though it was factually accurate. I regarded
20 this as a fiasco because it was bad communications and a
21 completely missed opportunity to walk away from a particular
22 and fixed target when they had the chance. BP opened the
23 door. So, that was why I thought it was a fiasco and -- my
24 views. And it would have been taken negatively on the day if
25 share buybacks hadn't come up.

24645
Henry, Simon

1 Q So, there was a larger fiasco then?

2 A A larger, bigger fiasco, accurate statement.

3 Q And then in the next sentence, you note, 'This time
4 the approach to reserve replacement ratio is rather sub-
5 optimal amongst others.'" What were you trying to convey to
6 Ms. Boynton here?

7 A This was about a week before the actual
8 presentation with EP and GP. And at the time, there was a
9 draft presentation going around, and I personally felt
10 similar to what had happened the previous year, there were
11 things that could be said or should be said and they were not
12 being taken up.

13 Q What were those things?

14 A I was ultimately the, I guess the head of IR
15 responsible for communications. I didn't own the business.
16 I didn't own the statements that had been made. I would be
17 doing communication but in my opinion, some analysts at the
18 time would have driven a hole through, it says it's loaded
19 with holes, some of the messages and the consistency and
20 coherence of the story. Nonetheless, this is a week before
21 and, it's ten days before and we're still working through
22 closing that. So, I was concerned there was going to be a
23 meeting in which I wouldn't be present and I didn't want
24 anybody to say that IR supported the story.

25 Q Would it be fair to say that you didn't trust what

1 EP would do if you weren't there?

2 A It would be fair to say that they might stand up
3 and say IR are fully supportive of this story when I wasn't.
4 And I wanted to be absolutely clear that I didn't at that
5 point in time.

6 Q And what with respect to reserve replacement ratio
7 did you want to add or clarify or change from what EP was
8 originally presenting?

9 A I think, if I recall, there's usually about five
10 different versions of this at any particular point in time.
11 Just issues about transparency and what level of aggregation
12 or disaggregation you show the data with. I just felt that
13 where they were at that time was not going to be particularly
14 helpful.

15 Q Did your point of view meet resistance?

16 A Eventually we got to what we agreed was as good as
17 you could do with the data and the underlying performance
18 that we had in terms of explanation of the reserves booking
19 process and the performance that we'd had over the five, ten-
20 year period.

21 Q Did you have discussions with Mr. van de Vijver
22 about your concerns here?

23 A Mainly indirectly through his team. I don't recall
24 talking to him personally directly after the session we just
25 mentioned with --

24647
Henry, Simon

1 Q And then, you go on to state and you alluded to
2 this a moment ago, 'I don't want anyone to think I support
3 the EP presentation. It is loaded with holes and some of the
4 messages are incomplete.' Was that an accurate statement
5 when you wrote this?

6 A I would imagine so, otherwise I would not have
7 written it.

8 Q How did Ms. Boynton respond to this statement and
9 your concerns about EP and the reserve replacement ratio
10 presentation?

11 A I don't recall. This by my standard is barely a
12 motive since she probably said she would represent my views
13 in CMD and encouragement to resolve the issues at the working
14 level with EP.

15 Q And the holes you're discussing in the examples you
16 give, existing business portfolio, Nigeria exploration or
17 naive reserve replacement ratio, what were you trying to
18 explain there?

19 A I was just giving examples of where I felt the
20 presentation could be improved. Typically the presentations
21 were put together from ten different sources in the
22 organization. And therefore, when you actually look back,
23 the coherence of the story would the set of messages be
24 clear, taken away or relevant to the audience and I'm saying
25 no, it wouldn't, they wouldn't. For example, I just listed

1 what are the particular issues that exercise investor's minds
2 today. I would be saying here, I don't think some of them
3 were addressed.

4 Q What did you mean by 'Hopefully, you can hold the
5 fort on this"?

6 A Hopefully, you can avoid saying finance agrees to
7 this presentation as it is at the moment and not be
8 railroaded by the rest of CMD.

9 Q And were you concerned that that might happen?

10 A Yes.

11 Q Why were you concerned that that might happen?

12 A Because I was never clear what level of influence
13 Judy had at CMD.

14 Q And if someone would railroad it through CMD, would
15 that someone be Mr. van de Vijver?

16 A It could have been any of the other MD's. Judy
17 wasn't actually a managing director at the time of close.
18 Technically, she didn't have a vote.

19 Q Can you listen to my question please? If someone
20 were going to be railroading an EP presentation through the
21 CMD, would that someone you're talking about be Mr. van de
22 Vijver?

23 A Most likely.

24 Q I've handed you what's been marked as Exhibit 349.
25 And that's entitled, the Re: line is Slide bits and pieces.

Henry, Simon

1 Do you recall participating in this email chain?

2 (SEC Exhibit No. 349 was marked for
3 identification.)

4 A Yes, I do.

5 Q And it looks like Ms. Hamilton is commenting that
6 these are last minute comments from you I guess related to
7 this line, is that right?

8 A That's correct. Yes.

9 Q And looking at your original email, I'd like to
10 look at the third paragraph and I think you sent this to Mr.
11 Coopman on 20 March 2003. It says, 'RRR slide still headed
12 'Do we have an issue?' I had suggested a healthy reserve
13 base. Same answer, different conclusion without creating a
14 major storm. I did wonder if this was a rare case of
15 interpretation.'" And then you go on to say, 'It is just far
16 too negative. I could guarantee at least one analyst report
17 that is actually entitled 'Do we have an issue with RRR?'
18 You can bet your life we do. Best not to load the gun for
19 them.'" Do you see that?

20 A Yes, I do.

21 Q And when we were talking about that healthy
22 reserves base slide yesterday, would that be the heading that
23 you're suggesting here?

24 A Thank you for reminding me. Yes, this is exactly
25 the heading of that slide.

24650
Henry, Simon

1 Q And then you mentioned yesterday that the SMP
2 slides were taken from the strategy slides?

3 A It's the same slide, yes.

4 Q First of all, why did you recommend this change
5 from 'Do we have an issue'?

6 A Frank, those words came from Frank. Frank is a
7 glass half empty guy, and particularly around this. And I
8 had suggested the change for the reason I state in the email.
9 It's, you might as well lead with your chin, invite the
10 headline.

11 Q You note here that the proposed title was far too
12 negative. Had you heard comments at Shell internally that
13 external messages regarding reserve replacement ratio from EP
14 had been negative or unduly pessimistic?

15 A Sorry, could you just repeat the question?

16 Q You mentioned that this title is far too negative.
17 When you were working at Shell, did you hear comments that
18 the presentations or information sent externally by EP to the
19 market was too negative or unduly pessimistic?

20 A I didn't usually have that comment. Normally, it
21 was the other way around.

22 Q And my question for you is did you hear from others
23 similar comments, not necessarily from yourself but, you
24 know, Mr. Watts or other people working at Shell that the
25 presentation that EP was giving regarding reserve replacement

1 ratio was much too negative? And to put it in context, you
2 told me Mr. Coopman is a glass half empty person. Mr. van de
3 Vijver is a glass half empty person. Mr. Watts was a glass
4 half full person. Were there comments, hey, these empty
5 glass people --

6 A Actually, I heard comments from both Mr. Watts and
7 Mr. van de Vijver about this presentation being too negative.

8 Q And what was Mr. Watts' comment about this
9 presentation being too negative?

10 A Usually about focusing on the good things and not
11 spending a lot of time reminding the market of points in
12 which we might be weaker.

13 Q What were Mr. van de Vijver's comments?

14 A Never specific. It was don't like it, go away, do
15 it again.

16 Q And were those glass half empty comments as you
17 would interpret them?

18 A Walter's view is always that we weren't being
19 positive enough. It was a better business than we thought.
20 But he was never specific about where we should be better
21 over something else --

22 Q So, Walter was commenting --

23 A Phil would be much more specific.

24 Q So, Walter was commenting at this point in time or
25 in 2002 or 2003 that you weren't being positive enough about

1 the reserve replacement ratio?

2 A No, about the whole presentation always. Not just
3 this presentation, any other as well.

4 Q Were there ever any instances where Mr. van de
5 Vijver said that things weren't positive enough about how the
6 reserve replacement ratio was being portrayed?

7 A Not specifically that I can recall. We had a lot
8 of discussion about transparency and being as clear as
9 possible around this particular presentation, but not
10 positive or negative. It was just to say what is good from
11 the underlying data and can we emphasize this or not
12 emphasize that. But it wasn't, it's one of the few areas
13 where he was a bit more specific and spent more time on.

14 Q And after Mr. Watts told you that this presentation
15 was too negative, did you relay Mr. Watts' concerns to Mr.
16 van de Vijver or did you yourself talk about these concerns
17 with Mr. van de Vijver?

18 A Mr. Watts would have made that comment in the CMD
19 review anyways, so that would have been around the table.

20 Q And these comments about this presentation being
21 too negative would have taken place in the first quarter of
22 2003 then, is that right?

23 A This discussion, that's correct.

24 MR. FERRARA: How are we doing?

25 MR. CRAINE: We're in the home stretch. We've only

1 got a few exhibits. Maybe ten minutes.

2 BY MR. CRAINE:

3 Q I'm handing you what's been marked as Exhibit 350
4 which looks like the report from Dr. MacLean from CS First
5 Boston?

6 (SEC Exhibit No. 350 was marked for
7 identification.)

8 A That's correct. Yes, that's correct.

9 Q I guess you received this and forwarded it on to
10 EP, is that right?

11 A Yes, that's typically what I would with analyst
12 reports where the subject was of particular interest or it
13 was from an analyst and Rod MacLean was in both categories.

14 Q And when you forwarded this, you marked in red 'Any
15 comments, Walter,' do you see that?

16 A Yes.

17 Q Eventually you did read this report from Dr.
18 MacLean, right?

19 A Yes. Yes, I did.

20 Q That would have been in the middle of 2003
21 sometime?

22 A Yes.

23 Q In looking at the first page now, it looks like Mr.
24 Pay has responded to your email or the presentation that you
25 forwarded on, and in parens, your name is in the recipient

1 lines, do you see that?

2 A Yes, but I think he's referring to the fact he sent
3 them to me separately so I would have been familiar with
4 this.

5 Q Okay. And he notes that the estimate for Sakhalin
6 seems to be over the top.

7 A Yes.

8 Q And then proposes a way for IR to deal with it
9 within -- of bookings, is that right?

10 A Yes, that's correct.

11 Q You received those comments from Mr. Pay generally,
12 right?

13 A In other emails as well. That was not news.

14 Q Then on the next paragraph, he talks about the 300
15 million BOE for LNG Trains 4 and 5.

16 A Yes.

17 Q And then goes on to note, 'although the analysts do
18 not know about our probable de-booking of oil reserves and
19 SPDC that will wipe this out,' was this relayed to you by Mr.
20 Pay or anyone?

21 A I vaguely remember the correspondence, but as his
22 next sentence says 'working on ways to avoid the de-booking'
23 and he's the guy responsible for it, it wasn't, it wouldn't
24 really register on the radar screen until it was a confirmed
25 de-booking at which point, as we've discussed before, it

1 would be potentially booked.

2 Q Have you ever heard of potential de-bookings before
3 this May 2003 time frame?

4 A Not real de-bookings of oil reserves and SPDC. I
5 was aware of negative revisions that had taken place
6 elsewhere in the past. I knew about the principle.

7 Q Did this raise any concerns for you?

8 A To leave a mental bookmark to say must follow this
9 up later in the year to see whether it will impact this
10 year's although that is clearly in the hands of the people
11 responsible for the process.

12 Q Did you apprise Mr. Watts or Ms. Boynton of this
13 potential issue?

14 A No, I would not. That would be not really in the
15 IR region.

16 Q Potential de-booking and an impact on the reserve
17 replacement ratio might affect IR, correct?

18 A If it were to happen, yes. But in terms of
19 managing the process up to that point that it is decided that
20 it will happen isn't an EP line issue.

21 Q Looking at the last paragraph there, and he notes
22 that 'It seems to be a well informed summary but as things
23 stand at the moment, it's difficult to see how we will make
24 to a hundred percent reserve replacement ratio unless we
25 manipulate the Sakhalin bookings heavily in favor of 2003,"

1 was that something that Mr. Pay relayed to you?

2 A The challenge of making a hundred percent reserve
3 replacement was of the present. I don't recall actually when
4 it first might have been said for 2003. But it's there all
5 the time about do you have enough projects coming through in
6 the current year.

7 Q So, that would be a yes, he relayed that to you?

8 A During the year of 2003, he certainly relayed it to
9 me. Whether it was before or after this, I don't know.

10 Q And then he goes on to note, 'The estimate of a
11 greater than a hundred percent reserve replacement ratio for
12 future years is not currently supported by the portfolio of
13 projects we have coming through the funnel.' Is this
14 something that Mr. Pay or others relayed to you in May 2003?

15 A During 2003, yes. I'm not sure May was the first
16 time. The first time I would recall would be more I believe
17 later in the year.

18 Q This would have been before Project Rockford, then?

19 A Yes. This was relevant because you are talking
20 several years that will impact on it.

21 Q And you don't have a recollection one way or
22 another if in May 2003 Mr. Pay informed you of this?

23 A No, I don't.

24 Q Would Mr. Pay be a better person to ask about that?

25 A Could be, yes. I just can't date the

1 conversations.

2 Q I'm handing you what's been marked as Exhibit 265.
3 It looks like Mr. van de Vijver sent an email, 11 November
4 2003, to a lot of the members of EP and yourself. Do you see
5 that?

6 A Yes.

7 Q In looking at the last paragraph there where he
8 notes, 'And one final word on 2003, it will be an enormous
9 blow to the group's credibility in the market if we do not
10 deliver on reserve replacement ratio this year," do you see
11 that?

12 A Yes.

13 Q Do you recall having conversations like that with
14 Mr. van de Vijver in November of 2003 or before?

15 A Yes.

16 Q If you could describe those communications that you
17 were having with Mr. van de Vijver?

18 A In early November, Walter made a presentation at a
19 Merrill Lynch conference in New York. And we would have
20 discussed that or did discuss at that conference the
21 expectations for performance in EP, both current year and
22 going forward. We were revisiting the discussion about the
23 box and the strategic framework one year on, same discussion,
24 same timing, same thought about communicating at the February
25 2004 presentation. I'm fairly sure that in such a

1 discussion, I would have made the point to him about the
2 importance of a good reserve replacement ratio to report it
3 for 2003.

4 Q I'm handing you what's been previously marked as
5 Exhibit 257. On the front page there, you see where Mr. van
6 de Vijver is writing to Mr. Coopman and his team on the 15th
7 of June of 2003 that "reserve replacement ratio, IR pushing
8 us on exceeding a hundred percent." From your communications
9 with Mr. van de Vijver, why do you think he would have
10 written that?

11 A I do say this that I'm flattered by the fact that
12 the CEO of the largest business in the group felt that IR
13 could push him around. I think, as I inferred earlier, the
14 box was used as an excuse and IR was used as a way of saying
15 this has to be done but I'd like to use somebody else as the
16 reason why it needs to be done. If you look at the attached
17 document it is certain IR pushing EP as just the consequences
18 of not delivering a need to be considered.

19 Q And I guess this would kind of fall in line with
20 some of the discussions we were having earlier about your
21 meetings with Mr. van de Vijver on emphasizing and, you know,
22 to build credibility in the market you need to meet the goals
23 that are out there?

24 A That is correct.

25 Q Did you ever have discussions with Mr. van de

1 Vijver about his ambition or desire to one day become
2 chairman?

3 A Yes.

4 Q When did you have those discussions with him?

5 A During 2003, we had discussions about the
6 prominence or profile he had with the investment community
7 and how as the, whatever he thought or the board thought, the
8 market thought he was the nominated successor. So, he was
9 the heir apparent as far as the market was concerned. He was
10 merely being prepared for a long period as chairman of CMD,
11 and we needed to position him in terms of who he met and the
12 type of events he appeared at. Suitably over a period
13 without getting too much of the crown prince syndrome, the
14 fact that Phil in particular would have objected to greater
15 prominence for Walter too far in advance, he didn't actually
16 express his ambition, it was more me saying this is what the
17 market expects. And I would be saying if that's what you
18 think is going to happen, we're going to have to work on this
19 and you're going to have to handle Phil and others.

20 Q How did he respond to those comments?

21 A He seemed to agree with the sentiment that he was
22 the heir apparent and in fact agreed that we needed to find
23 suitable communication opportunities for external parties to
24 get to know him better, for him to get to know them better,
25 and that we should work together constructively.

24680
Henry, Simon

1 Q So, Mr. van de Vijver's ascendancy to chairman is
2 something that, would it be fair to say that the two of you
3 viewed as not an if but a when?

4 A We knew when.

5 Q When was when?

6 A It would have been the middle of next year because
7 Phil was retiring. That's July 1st, 2005.

8 Q So, that was your understanding that that was the
9 time period you were grooming him for?

10 A That was the time period that somebody would
11 replace Phil and the chances were that it would be Walter,
12 yes. That's correct.

13 Q And he seemed, that seemed to be his understanding
14 as well?

15 A He didn't deny it.

16 Q And wrapping up, I'd just like to walk through the,
17 kind of the segue into Rockford. When is the first time you
18 realized the gravity of the reserve situation at Shell?

19 A Middle of December 2003, we had again a senior
20 executive get together, about a hundred people, just some
21 hundred. At the cocktails, Frank came up to me, whispered in
22 my ear, 'We've got a bit of a problem with reserves.' And I
23 said oh, and said Frankie, don't tell me anymore because the
24 more you tell me, the more I'm, you know, going to be
25 obliged. He did actually qualify, said we'll be doing some

1 work to understand what it is. He did mention Nigeria and
2 then at that point I said, go ahead, do the work, then come
3 back and we'll talk properly. As soon as you have involved
4 me with real facts and hard data, we have to consider
5 disclosure.

6 Q Did he ask you not to share this information with
7 others or --

8 A What he said is don't tell anybody else at all.
9 But I think he also mentioned it to Mary Jo Jacobi who is
10 head of the external affairs at the time. Frank and I had a
11 pretty good personal relationship so it was this is what
12 we're working on, it's going to come your way through a
13 formal route and just be aware.

14 Q Was your good relationship from when you worked
15 together from 1996 to 1998?

16 A Yes.

17 Q Would you consider --

18 A Sorry, correct. Yes.

19 Q Did you develop a friendship during that time?

20 A A mutual trust. Frank was the kind of guy --

21 Q After you received this information from Mr.
22 Coopman, what if anything did you do?

23 A Based on that discussion, nothing. But Judy then
24 raised the issue a week or so later at which point she
25 basically confirmed what Frank had said. So, she was putting

24682
Henry, Simon

1 me on standby. This was by the 19th of December or so, she
2 had me on standby, cancel Christmas but we'll come back and
3 engage you in terms of details next week and it's probably
4 Christmas eve or something when I first got data and
5 information about what was really going on. In the
6 intervening week, the two billion had gone from two to three
7 billion and just confirming again what kind of audits were
8 being done Nigeria and all that.

9 I think actually your question was when did I
10 appreciate the gravity, I think it was that meeting really
11 where I appreciated the gravity. And I had a brief
12 discussion with Judy about the consequences.

13 Q And what did you inform Ms. Boynton?

14 A About the consequences?

15 Q The consequences.

16 A Well, this is one of them. There was always the
17 change of leadership and I said there will be SEC
18 investigations, that this is clearly, if what you're telling
19 me comes to pass, this is devastating and epochal event for
20 the group.

21 Q What was her response?

22 A A wry smile and, yes, I agree with you.

23 Q What if anything did Ms. Boynton task you with
24 doing?

25 A At that point, nothing. A few days later, I

1 started to get more detailed information that was available
2 on Project Rockford and the first task was to prepare a
3 communications plan. And I said, do you want me to include
4 beyond January then whatever it would have been when we made
5 the announcement then after the 9th because to commit between
6 now and May 1st announcement is one thing but believe me it's
7 going to run. And she said no, take it out, likely steps,
8 what could happen and run through the possible consequences.

9 Q Was there any discussion of the tone of the
10 document or how candid you could be?

11 A With Judy, yes, I asked about it, I expressed the
12 question. I said, how candid do you want me to be? And she
13 said tell it as it is, so Mary Jo Jacobi and I were jointly
14 tasked, and we did.

15 Q You told it as it is?

16 A Yes.

17 Q Were you ever asked to challenge the document when
18 you told it as it was?

19 A Yes.

20 Q By whom?

21 A In CMD because we took the document, the
22 communications and documents to CMD. And where it was, there
23 was a concern expressed that because the document was not
24 intended to go to conference, to the boards, to GAC, the big
25 board of committee, that if we painted too black a picture,

1 it would become a self-fulfilling prophecy.

2 Q Were you present at the CMD meeting?

3 A Yes.

4 Q Who expressed these concerns about painting things
5 too darkly?

6 A -- Vanderveer, Walter and Phil.

7 Q Anyone else besides those three individuals?

8 A Not that I recall.

9 Q What was done as a result of Mr. Vanderveer, Mr.
10 Watts and Mr. van de Vijver's concerns about the tone of the
11 document?

12 A We changed the words will happen to might happen
13 broadly speaking. These are possible consequences rather
14 than these are inevitable consequences.

15 Q So, were there only one, the way you're making it
16 sound, one or two words were changed. Am I perceiving that
17 correctly?

18 A It was not a big change. Just make more
19 conditional in terms of what good and what we felt is likely
20 to happen post the initial announcement.

21 Q Would it be fair to say as a result of Mr. Watts,
22 Mr. van de Vijver and Mr. Vanderveer's comments, the document
23 was toned down?

24 A It was toned down in terms of the likelihood of
25 serious consequences.

1 Q So, yes, it was toned down?

2 A Yes.

3 MR. CRAINE: Well, I've run about 15 or 20 minutes
4 past when I said we would be done. So, I appreciate you
5 being patient and coming back today and letting us wrap
6 things up. We have no further questions for you here today.
7 If anything comes up and we need to communicate with you,
8 we'll contact your counsel.

9 Is there anything you'd like to clarify on what
10 we've spoken about either yesterday or today?

11 THE WITNESS: Nothing I would like to clarify.
12 Just a point on logistics to follow up as to whether it needs
13 to be face to face. Maybe we can arrange later --

14 MR. FERRARA: We'll worry about that.

15 MR. CRAINE: Hopefully we won't ever need to talk
16 about it. If we do, we'll deal with it in the future.
17 Anyone here want to ask any clarifying questions or
18 additional questions?

19 MR. FERRARA: Well, you've been kind enough to let
20 us ask clarifying questions in the course of the examination
21 and to make a few clarifying comments as appropriate. We'd
22 like to have the opportunity to review the transcript to see
23 if it bears some resemblance to what he said. At that point,
24 we may have some comments or reactions to it. For the time
25 being, we thank you for your courtesies and we have nothing

1 else to say from Debevoise. But I'd like to also invite
2 Richards Butler to make any comments they'd like to.

3 MS. CANNON: Nothing else.

4 MR. COLL: And nothing further from LeBoeuf.

5 MR. CRAINE: Thank you very much for your time. We
6 appreciate you coming here and bearing with us. And have a
7 good trip back. We are off the record at ten until 1:00.

8 (Whereupon, at 12:50 p.m., the examination was
9 concluded.)

10 * * * * *

11

12

13

14

15

16

17

18

19

20

21

22

23

24