

NOTE - 30 January 2001

CONFIDENTIAL

From: Anton A. Barendregt Group Reserves Auditor, SIEP EPB-GRA
 To: Lorin Brass Director, EP Business Development, SIEP EPB
 Copy: ✓ Phil B. Watts EP Chief Executive Officer, SIEP
 ✓ Dominique Gardy Chief Finance Officer, SIEP EPF
 ✓ John Bell Vice Pres. Strategy, Planning, Portfolio and Economics, SIEP EPB-P
 ✓ Remco D. Aalbers Group Hydrocarbon Resource Coordinator, SIEP EPB-P
 ✓ Egbert Eeftink Partner, KPMG Accountants NV
 ✓ Stephen L. Johnson PriceWaterhouseCoopers

REVIEW OF GROUP END-2000 PROVED OIL AND GAS RESERVES SUMMARY PREPARATION

In accordance with prescribed US Accounting Principles (SFAS69), SIEP staff have prepared a summary of Group equity proved and proved developed oil and gas reserves for the year 2000. The summary (Att. 3) forms part of the supplementary information that will be presented in the 2000 Group Annual Reports and has been prepared on the basis of information provided by Group and Associated companies. The submissions by these companies (excluding those by Shell Canada) are based on the procedures laid down in the "Petroleum Resource Volumes Guidelines" (EP 2000-1100/1101) which in turn are based on the requirements of SFAS 69. Shell Canada's submissions are subject to their own procedures and reviews.

I have reviewed the process of preparing the above summary of proved and proved developed oil and gas reserves in as far as these relate to companies outside Canada. This review included, where possible, a verification of the reasonableness of major reserves changes and any omissions of such changes, as appropriate.

The end-2000 Group share Proved Reserves (excluding Canadian oil sands) can be summarised as follows:

Oil mln m3 Gas bln m3	1.1.2000 Proved Tot'l	2000 Prod'n	1.1.2001 Proved Tot'l	Repl.Ratio (RR) Tot'l	RR Tot'l ex-A&D	1.1.2001 Prov. Dev'd	RR Dev'd	RR Dev'd ex A&D
Oil+NGL	1554	132	1550	97%	142%	711	50%	86%
Gas	1657	85	1593	25%	46%	737	49%	57%
Oil Equivalent	3157	215	3091	69%	105%	1424	49%	75%

Following the issue of new Group Reserves Guidelines in 1998, some 150 mln m3oe (oil equivalent) had been added to Proved Reserves in mature fields over 1998 and 1999. A further 50 mln m3oe has been added this year. Although most OUs have now implemented the new guidelines, some still offer scope for reserves additions. The issue will continue to be addressed by SIEP staff and by myself during forthcoming SEC Reserves Audits.

Externally reported Proved and Proved Developed Reserves need to be confined to those volumes producible within the duration of existing production licences. With progressing maturity, a number of OUs are seeing their scope for increasing Proved Reserves severely curtailed because any increase in field volumes cannot be produced within constrained production forecasts and licence durations. At present, some 25% of total Group Expectation Reserves is deemed to be non-recoverable within current licences. The corresponding figure for Proved Reserves is not reported.

Group Proved Reserves receive increasingly close attention by Group Management. Target reserves additions are set annually, both to OUs and to SIEP Divisions and progress is monitored throughout the year. With future Proved Reserves additions becoming much more challenging, the resulting pressure on staff raises possible concerns with respect to the quality of future reserves bookings.

Excellent correspondence was found this year for the first time between annual production volumes as reported through the separate Finance and SIEP systems. SIEP and Finance staff are highly commended for their efforts.

The system of monthly monitoring of OU reserves bookings, plus strictly controlled electronic reserves submissions has led to a particularly smooth process of preparing Group reserves statements this year.

During 2000 I made Reserves Audit visits to a total of six Group OUs. Audit opinions on all of these were 'satisfactory'. Many of the audit recommendations have been followed up in the 2000 submissions, particularly those aimed at raising Proved Reserves in mature fields.

The overall finding from the audit visits and from the end-year review in SIEP is that the SIEP statements fairly represent the Group entitlements to Proved Reserves at the end of 2000. The 2000 changes in the Proved Reserves can be fully reconciled from the individual OU submissions.

A more detailed list of findings and observations is included in Attachment 1.

[Handwritten signature]
 30/1/01
 A.A. Barendregt

DEPOSITION
 EXHIBIT
 Barendregt
 #21 2/21/07

Attachments 1 - 8

FOIA Confidential
 Treatment Requested

LON01260652

NOTE - 31 May 2002

CONFIDENTIAL

From:	Anton A. Barendregt	Group Reserves Auditor, SIEP - EPB - GRA
To:	Lorin L. Brass	Director, Business Development, SIEP - EPB
	Chris G. Finlayson	Managing Director, BSP
Copy:	Brian E. Straub	Technical Director, BSP
	Rosmawatty R. Abd-Mumin	Manager, Land (Darat) Business Unit, BSP
	Salleh-Bostaman b Zainal-Abidin	Manager, Western Business Unit, BSP
	Martin G. Graham	Manager, Eastern Business Unit, BSP
	Thomas T. Prudence	Technical Services Manager, BSP
	Peter J. Worby	Chief Accountant, BSP
	Ben B.R. van den Berg	Head Internal Audit, BSP
	Chris C. Kennett	Discipline Head, Reservoir Engineering (PE Mgr West), BSP
	(circulation)	SIEP - EPF: Dominique Gardy, Rahim Khan
	(circulation)	SIEP - EPB-P: Malcolm Harper, Jaap Nauta, John Pay
	Paul G. Tauecchio	Business Advisor, SIEP - EPA
	Han van Delden	Senior Manager, KPMG Accountants NV
	Stephen L. Johnson	PriceWaterhouseCoopers

SEC PROVED RESERVES AUDIT - BRUNEI SHELL PETROLEUM SDN BHD, 29 Apr - 3 May 2002

I have audited the Proved Reserves submissions of Brunei Shell Petroleum Sdn Bhd (BSP) for the year 2001 and the processes that were followed in their preparation. These submissions present the BSP contribution to the Group's externally reported Proved and Proved Developed Reserves and associated changes as at 31 December 2001.

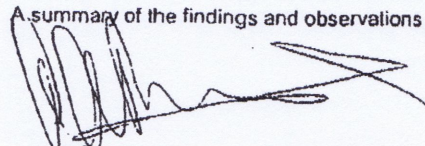
Total Group share Proved Reserves booked by BSP at the end of 2001 were 72 mln m³ oil+NGL and 100 bln sm³ of gas. This represents some 5.6 % of total Group share Proved Reserves on an oil-equivalent basis. Proved reserves replacement ratios for BSP over 2001 were 152% for oil+NGL and 112% for gas.

The last previous SEC proved reserves audit for BSP was carried out in 1998. This current audit followed the procedures laid down in the "Petroleum Resource Volume Guidelines, SIEP 2001-1100/1101," (based, inter alia, on FASB Statement 69). It included a verification of the technical and commercial maturity of the reported reserves, a verification that margins of uncertainty were appropriate, that Group share and net sales volumes had been calculated correctly and that reported reserves changes were classified correctly. It also included a verification that the annual production (sales) submission through the Finance system was consistent with the reserves submission. The audit took the form of detailed discussions about technical details of many of BSP's fields with BSP Asset Unit staff and about the reserves reporting process with BSP reserves coordination staff.

The audit found that BSP follow well documented procedures in their annual reserves reporting process. Audit trails have historically been a strong feature in BSP reserves reporting and their high quality was confirmed during the audit. The most significant comment related to the conservative nature of BSP's Proved reserves, in particular Proved developed reserves, many of which were not in accordance with current Group guidelines. Although decreased substantially in recent years, the continued presence of 'legacy reserves' remains an area of concern. These are undeveloped reserves which have historically been booked in reservoirs but for which no clear activities had been identified (in line with prevailing practice at the time). These reserves should be addressed at the first available opportunity, while striving to avoid major reserves swings.

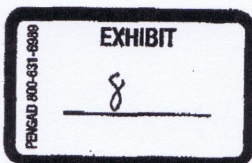
The audit finding is that the BSP statements fairly represent the Group entitlements to Proved Reserves at the end of 2001. There is a possibility of a small (3 %?) understatement of entitlement reserves due to the conservatism in particularly the Proved developed reserves. The changes in the Proved Reserves during 2001 can be reconciled from the documents at hand. The overall opinion from the audit regarding the state of BSP's 2001 Proved Reserves submission, taking account of the scoring in Attachment 3, is therefore satisfactory.

A summary of the findings and observations is included in the Attachments.



A.A. Barendregt

Attachments 1, 2, 3, 4



FOIA Confidential
Treatment Requested

RJW01001253

NOTE - 31 January 2003

CONFIDENTIAL

From: Anton A. Barendregt Group Reserves Auditor, SIEP EPB-GRA

To: Frank Coopman Chief Finance Officer, SIEP EPF
Lorin Brass Director, EP Business Development, SIEP EPB

Copy: Walter van de Vijver EP Chief Executive Officer, SIEP
Excom Members SIEP EPA, EPB-X, EPG, EPM, EPN, EPT, EP-HR
Malcolm Harper Vice Pres. Strategy, Planning, Portfolio and Economics, SIEP EPB-P
Han van Delden Partner, KPMG Accountants NV
Brian Puffer PriceWaterhouseCoopers

REVIEW OF GROUP END-2002 PROVED OIL AND GAS RESERVES SUMMARY PREPARATION

In accordance with prescribed US FASB accounting principles, SIEP staff have prepared a summary of Group equity proved and proved developed oil and gas reserves for the year 2002. The summary (Att. 3) forms part of the supplementary information that will be presented in the 2002 Group Annual Reports and has been prepared on the basis of information provided by Group and Associated companies. The submissions by these companies (excluding those by Shell Canada) are based on the procedures laid down in the Group 'Petroleum Resource Volumes Guidelines' which in turn are based on (but not fully identical to) the FASB definitions. Shell Canada's submissions are subject to their own procedures and reviews.

The end-2002 Group share Proved Reserves is summarised in the following table. The figures include the Canadian oil sands reserves (reportable as mining reserves) and the minority reserves in some consolidated companies (together 150 mln m3oe*).

	1.1.2002 Proved Tot'l	2002 Prod'n	1.1.2003 Proved Tot'l	Repl.Ratio (RR) Tot'l	1.1.2002 Proved Dev'd	1.1.2003 Proved Dev'd	Rep. Ratio Dev'd
Oil mln m3	1,601	138	1,707	177%	689	831	203%
Gas bln m3	1,580	97	1,513	30%	729	696	67%
Total Oil Equivalent *	3,132	232	3,172	117%	1,394	1,505	148%

* 1 mln m3 oil equivalent (1 m3oe) = 1.03 bln sm3 of gas

I have reviewed the process of preparing the above summary of proved and proved developed oil and gas reserves in as far as these relate to companies outside Canada. This review included, where possible, a verification of the appropriateness of major reserves changes.

The most significant comment is that serious efforts have been made during 2002 towards further alignment of Group Proved reserves with SEC and Group reserves guidelines. Examples of these are the positive reserves revisions by BSP and SDAN, the negative revisions by SNEPCO and the corrections applied to ex-Enterprise reserves in the UK and Norway.

In spite of these significant efforts, there are a number of smaller items in the Group Proved reserves portfolio that are not (or not fully) supported by the present SEC or Group reserves guidelines. These include:

Russia (KMOC): 7.6 mln m3oe	'East Bank' fields are not economic and lack clear development funding sources.
Italy (Tempa Rossa): 3.9 mln m3oe	Phase 1 development is not yet mature (although FID is intended for 2003).
NAM (Waddenzee): 4.0 mln m3oe	Government moratorium on drilling is not likely to be lifted soon, if at all.
Oman (PDO): 10 mln m3oe	Proved forecast within-licence is unrealistic.
Kazakhstan: 5.6 mln m3oe	Best estimates of start-up and end-of-licence dates allow less volume produced.

If added together, these potential exposures would amount to 31 mln m3oe, or 1% of the Group Proved reserves portfolio.

Most of these items relate to new items that were either not carried or not known about last year. Only NAM's Waddenzee reserves were already recognised as a potential exposure before. In addition, it was found that SPDC Proved reserves had been significantly (some 100 mln m3oe) in excess of the production that could realistically be produced within the hitherto assumed licence duration. This historical overbooking has now been removed by the recent recognition that SPDC do possess a right to have the production licences extended upon their expiry in 2008 / 2019.

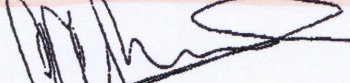
In previous years it was argued that any possible overstatements could be offset by possible understatements in areas like Brunei (BSP), but these understatements have now largely disappeared. Developments regarding the conditions surrounding these exposures should be closely followed in 2003 and their position should be reviewed if no material change is observed.

The presence of reserves addition targets in OU and departmental scorecards will require continued vigilance to preserve the integrity of reserves bookings. Suggestions are made to help tighten control in this respect.

During 2002 I made Reserves Audit visits to a total of nine Group OUs. Audit opinions on these varied between 'satisfactory' and 'good'. As far as observable, audit recommendations appear to have generally been followed in this year's submissions. In addition, reserves audits were made of all ex-Enterprise Oil assets. With some exceptions of premature bookings, the reported reserves were found to be in reasonable agreement with Group guidelines.

The overall finding from the audit visits and from the end-year review in SIEP is that there is a possibility of an overstatement of Group Proved reserves in cases where booked reserves are not fully in accordance with SEC or Group guidelines. The 2002 changes in the Proved Reserves can be fully reconciled from the individual OU submissions.

A more detailed list of findings and observations is included in Attachment 1.


A.A. Barendregt

DEPOSITION EXHIBIT
Barendregt
#16 2/28/07

Attachments 1-7

V00010650

Part of attachment 1

Ceres / FIRST until the third quarter. A composite figure of all Q2 Enterprise production was obtained from Enterprise central office staff and this was entered as one line 'Enterprise UK' in Ceres. Reserves submissions from OUs at the end of the year included the full Q2-4 production and this showed up some discrepancies in the two submissions. Since it was no longer possible to verify the Q2 production with Enterprise staff (the London office having been disbanded), the discrepancy, which was not material, was left uncorrected.

14. SEC Reserves Audits

A total of nine SEC Reserves audits were carried out by the Group Reserves Auditor during 2002. Of these, three audits received 'good' opinions, the others were 'satisfactory'. Summaries of the audit reports can be found in Attachment 6.

In addition, the auditor carried out audits on the reserves carried by six ex-Enterprise OUs. One OU (USA) was reviewed by SEPCo staff. Summaries of these audits are also included in Attachment 6.

The programme for planned SEC Reserves Audits in 2003 and beyond is included in Attachment 7.

15. Electronic Workbooks

As in previous years, much benefit was derived from the SIEP-developed electronic workbooks through which OUs had to make their submissions. As in previous years, EPB-P staff have made a significant effort this year to ensure that submissions were properly verified and that the accumulation process was completed accurately and on time. For this they are commended.

Recommendations to SIEP Reserves Coordination:

1. Maintain the present vigilance regarding the continued booking of Proved reserves volumes with poor justification, as highlighted in this report and re-consider the booking of these volumes as appropriate.
2. Consider a further tightening of conditions under which first-time booking of major project reserves can be allowed by Group reserves guidelines. The prime condition should be a clear public commitment by the Group that development will be undertaken. This could be FID, but also a Declaration of Commerciality if the latter is sufficiently binding.
3. Maintain and, if necessary, increase ExCom's attention to the preservation of the integrity of OU reserves bookings in the light of the potential threat emanating from reserves addition targets in score cards.
4. Consider a tightening of the control on reserves changes by introducing regional reserves audit teams which are to carry out annual reserves audits with OUs and which have the power to approve / disallow OU proposed reserves changes.
5. Re-evaluate the effect of using PSV oil prices instead of end-year oil prices on PSC and other reserves bookings at regular (bi- or tri-yearly) intervals.
6. Ensure that OUs, in particular PDO and SPDC, prepare proper composite production forecasts (built up from realistic individual field forecasts, both Proved and Expectation) demonstrating the reasonable certainty that Proved reserves can be produced within current licence durations. The annual forecast rates should not exceed those presented as the Base Plan in the latest Business Plan.
7. Challenge OUs with regard to their submissions of estimates of amounts by which Proved reserves should rise if there were no licence duration constraints.
8. Include guidelines with respect to appropriate methods of proved and Expectation forecasting in the next edition of the Group reserves guidelines.

References

1. 'Statement of Financial Accounting Standards No. 69', FASB, November 1982
2. 'Statement of Financial Accounting Standards No. 25', FASB, February 1979
3. 'Petroleum Resource Volume Guidelines', SIEP 2002-1100 / 1101
4. SEC Website: "Issues in the Extractive Industries" (dated 31st March 2001): www.sec.gov/divisions/corpfin/guidance/cfactag.htm#p279_57537
5. "Understanding US SEC guidelines minimizes reserves reporting problems", T.L.Gardner, D.R.Harrell, Oil&Gas Journal, Sept 24, 2001.
6. 'Petroleum Resource Volume Guidelines', SIPM EP93-0075, May 1993