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

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IN RE ROYAL DUTCH/SHELL |
TRANSPORT SECURITIES |

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LITIGATION |

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(Volume I)
Videotaped Deposition of Dominique Gardy, Ph.D.
Washington, D.C.
Wednesday, January 24th, 2007
10:00 a.m.

23 Job No. 22-04051
24 Pages 1 - 157, Volume I
25 Reported by: Laurie Bangart-Smith

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Videotaped Deposition of
Dominique Gardy, Ph.D.

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

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0008

1 DOMINIQUE GARDY, January 24, 2007
2 P R O C E E D I N G S
3 THE VIDEOGRAPHER: Here begins Tape
4 Number 1 in the deposition of Dominique Gardy, in
5 the matter of Royal Dutch/Shell Transport
6 Securities Litigation, in the United States
7 District Court, District of New Jersey, Case
8 Number 04-3749.

9 Today's date is January 24th, 2007. The
10 time is 10:03 a.m. The video operator today is
11 Cali Day of LegaLink New York. This deposition is
12 taking place at 1875 Connecticut Avenue,
13 Northwest, Washington, D.C., 20009.

14 Would counsel please identify themselves
15 and state whom they represent.

16 MR. MILLKEY: Mark Millkey, Bernstein,
17 Liebhard & Lifshitz, for lead plaintiff, Peter M.
18 Wood and the class.

19 MS. TAVERAS: Tania Taveras, Bernstein,
20 Liebhard & Lifshitz, for lead plaintiff and the
21 class.

22 MR. HABER: Jeffrey Haber, Bernstein,
23 Liebhard & Lifshitz, on behalf of the lead
24 plaintiff, Peter M. Wood and the class.

25 MS. AGRO: Jill Agro, Grant &

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1 DOMINIQUE GARDY, January 24, 2007

2 Eisenhofer, on behalf of the opt-out plaintiffs.

3 MS. WAGNER: Lori Wagner, Debevoise &

4 Plimpton, Royal Dutch/Shell, on behalf of the

5 witness here today.

6 MR. PLATT: Charles Platt, Shell

7 International, BV, on behalf of the Shell

8 corporate defendants.

9 MR. SMITH: Colby Smith from Debevoise &

10 Plimpton, LLP, representing Royal Dutch Petroleum,

11 Shell Transport and Trading, and the witness.

12 MR. RUDDOCK: Keith Ruddock, Royal

13 Dutch/Shell, General Counsel for the E&P

14 organization in Shell.

15 MR. CORSON: Nicholas Corson, Hogan &

16 Hartson, on behalf of KPMG Accountants, NV.

17 MR. FOUKAS: Saavas Foukas, Hughes,

18 Hubbard & Reed, for PricewaterhouseCoopers, LLP.

19 MS. LATIMER: Aimee Latimer, Mayer,

20 Brown, Rowe & Maw, for Sir Philip Watts.

21 MS. WICKHEM: Rebecca Wickhem of Foley &

22 Lardner, LLP, on behalf of Judith Boynton.

23 THE VIDEOGRAPHER: The court reporter

24 today is Laurie Bangart-Smith of LegaLink New

25 York. Would the reporter please swear in the

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1 DOMINIQUE GARDY, January 24, 2007

2 witness.

3 DOMINIQUE GARDY, Ph.D.,

4 having been duly sworn, testified as follows:

5 EXAMINATION BY COUNSEL FOR PLAINTIFFS

6 BY MR. MILLKEY:

7 Q Good morning, Mr. Gardy.

8 A Good morning.

9 Q Have you had your deposition taken

10 before?

11 A No. That's the first time.

12 Q Your counsel has probably gone over this

13 with you already, but there are a few ground

14 rules.

15 I will try to ask clear questions. If

16 you don't understand my question, please ask me to
17 rephrase it. I'm happy to do so.

18 Please answer in words, not nods or
19 shakes of the head, for the benefit of the court
20 reporter, and we should both try not to talk over
21 each other. I'll wait for you to answer your
22 question, answer the question, and if you could
23 just wait for me to finish the question.

24 If you need to take a break at any
25 point, just let me know, and I'm happy to

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1 DOMINIQUE GARDY, January 24, 2007

2 accommodate that.

3 Today I will refer to Shell. I'll use
4 the term "Shell," and I'll use that term in the
5 broadest possible sense to refer to Royal
6 Dutch/Shell Transport and the operating companies
7 and service companies in which they hold an
8 interest.

9 Please state your name and address.

10 A Dominique Gardy, Van Hogenhoucklaan 58D,
11 The Hague, 2596 TE.

12 Q Can you describe for us your formal
13 education, starting with university.

14 A Sure. Let me first say that as you may
15 already noticed, I am French, so I have this
16 accent which sticks to my body, and I apologize
17 for that, but I will try to speak slowly so that I
18 can be understood. And of course, if there is
19 something for clarification, thank you for the
20 offer. I will ask for clarification.

21 Q Of course.

22 A So I'm a civil engineer by background.
23 I became engineer back to 1975, out of a school
24 called Engineer des Ponts et Chaussees, and
25 specialized in road construction, and at the same

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1 DOMINIQUE GARDY, January 24, 2007

2 time or thereafter I did a Ph.D. in economics at
3 Sorbonne in Paris.

4 Q Do you hold any professional licenses,
5 or do you belong -- do you belong to any
6 professional organizations?

7 A I do not.

8 Q After you graduated with your -- well,
9 after you received your Ph.D., what was your first
10 job?

11 A Well, actually I received my Ph.D.
12 during my first job.

13 Q Okay.

14 A So my first job was starting in 1976
15 when, on the 1st of December, when I did join
16 Shell. And actually I was supposed to join Shell
17 for just a couple of years, and because we used to
18 have some sort of family business, so -- and well,
19 I'm still with Shell after 31 years.

20 So I started in Shell in France, as a
21 Shell France employee, and actually I'm still a
22 Shell France employee detached to Shell
23 International. I started in operation and
24 research, dealing with a project like optimization
25 of closing of accounts in terms of for specific
0013

1 DOMINIQUE GARDY, January 24, 2007
2 chemical products, analyzation of profitability
3 and then cost. And during that period, the first
4 two years in Shell in France, I used to work on
5 this chemical segmentation and profitability
6 analysis as a basis for my thesis for the Ph.D. at
7 Sorbonne.

8 So I did that job for about three years,
9 and then I went on still in Shell in France in
10 Paris in IT, in charge of Information System such
11 as accounts payable, accounts receivable, for
12 about three years.

13 Then I went on still in Shell in France,
14 as support or Deputy of the Controller for
15 activities of Shell in France, which actually are
16 mainly refining, marketing and chemicals. There
17 were very little upstream at that time, and that
18 business was sold a couple of years after.

19 Q What were your responsibilities as
20 Controller?

21 A I was Deputy to the Controller, and I
22 was in charge of preparing the reporting on a
23 monthly basis, quarterly basis, and analyze

24 results, and also contribute to the work preparing
25 what we call the business plan.

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1 DOMINIQUE GARDY, January 24, 2007

2 Q Did you say that you had some
3 responsibility with respect to reserves?

4 A No.

5 Q I may have misunderstood you.

6 A What I did say was actually that in
7 France at that time there was a little, very
8 little upstream business, which was totally
9 separate, because it was so small, actually. It
10 was not part of Shell France responsibility, and
11 clearly this was not part of the Controller outfit
12 I was working for. If I recall the number, I
13 think the prediction out of France was something
14 like 5,000 barrels a day.

15 Q How long did you have that position?

16 A About three years.

17 Q What did you do after that?

18 A After that, I went for my first
19 expatriation, so moving from Paris to The Hague,
20 which was in 1985, and I took that position in The
21 Hague for about two years, until 1987. I was --

22 Q I'm sorry. What was your position in
23 1985?

24 A I was working in the European region.
25 The group was organized then by region, and I had

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1 DOMINIQUE GARDY, January 24, 2007

2 a sort of role of Controller for the region, here
3 again looking at the quarterly results of the
4 region and looking at the various business plans
5 being submitted by the operating companies. It
6 was a role supporting a sort of shareholder type
7 of viewpoint rather than a sort of operation role
8 in an operating environment.

9 Q Did you have any responsibilities with
10 regard to the reporting of reserves in that
11 position?

12 A No, absolutely not.

13 Q What was your next position?

14 A I went back to Paris in France as a

15 Treasurer for about three years, and I was in 22581
16 charge of Treasury matters and the sort of balance
17 sheet of Shell in France, for which at that time
18 the only activities left were refining, marketing
19 and chemicals.

20 Q And you were in that position until
21 when?

22 A I was in this position until 1990 when I
23 had quite a change in my career. I then had so
24 far an IT and finance type of experience. I had
25 so far an IT and finance experience. I went to

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1 DOMINIQUE GARDY, January 24, 2007
2 Norway, based in Oslo, appointed as Director of
3 Downstream, so refining and marketing for Norway,
4 encompassing account activity for a refinery close
5 to Stavanger, Sula refinery, and accountable for
6 the various businesses, retail, lubricants,
7 aviation, marine, LPG, but purely downstream with
8 no accountability for upstream.

9 I did that position until, until 1993
10 when I came back to France as Chief Financial
11 Officer for Shell in France.

12 Q What were your responsibilities as Chief
13 Financial Officer of Shell France?

14 A I was accountable for the finance
15 activities for Shell in France related again to
16 downstream refining, marketing and chemicals,
17 which meant basically it was a Controller outfit,
18 a treasury outfit, an audit outfit and a legal
19 outfit.

20 I did that job for about two, two and a
21 half years, and then I took over the position of
22 Director for Downstream in France, which at that
23 time did cover refining and marketing but not
24 chemicals. So here again three refineries in
25 France and all the various class of market:

0017

1 DOMINIQUE GARDY, January 24, 2007
2 Retail, lubricants, aviation and so on.

3 Q What was your title in that position?

4 A It was a title in French but the
5 equivalent to Executive Vice President for

6 Downstream, but the title in French was Director
7 General for Downstream.

8 Q When did you leave that position?

9 A I left that position in January '97 when
10 I came to the States in Houston, appointed as
11 Chief Financial Officer for Shell Oil, and in that
12 job I was Chief Financial Officer for Shell in
13 Houston at Corporate later. What I mean by that
14 is Shell Oil at that time was organized by
15 businesses: Exploration and production,
16 downstream, here again refine, marketing, and
17 chemicals, and there were Chief Financial Officers
18 in these various businesses, where my position was
19 the one at corporate level for Shell in U.S.

20 MR. SMITH: Can I just make sure the
21 record is clear about one thing?

22 MR. MILLKEY: Sure.

23 MR. SMITH: When you're referring to
24 Shell Oil, you're referring to the U.S. operating
25 unit; is that right?

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1 DOMINIQUE GARDY, January 24, 2007

2 THE WITNESS: I was referring to the
3 Shell activities in U.S.

4 MR. SMITH: Okay. Thank you. I just
5 wanted to make sure that was clear.

6 BY MR. MILLKEY:

7 Q And did you have any responsibility for
8 the reporting -- or I'm sorry. Did you have any
9 responsibility with regard to reserves in
10 connection with that position?

11 A The reserves activity were dealt with
12 through the finance organization in EP in U.S.,
13 and at corporate level the data were incorporated
14 to prepare the external report.

15 (Discussion off the record.)

16 THE WITNESS: So data coming from the
17 exploration and production finance organization
18 were put together to be submitted as part of the
19 external reports.

20 BY MR. MILLKEY:

21 Q What was your next position?

22 A I went back from Houston to The Hague in

23 April/May 1999 where I took the position of Chief
24 Financial Officer for exploration and production
25 in The Hague. This position was, in a way,
0019

1 DOMINIQUE GARDY, January 24, 2007
2 newly -- sorry -- a newly created position. What
3 I mean by that, there used to be a finance
4 position in the exploration and production
5 business, but this position used to report to the
6 person in charge of new business development. In
7 other words, my predecessor in charge of finance
8 was not a member of what was called Executive
9 Committee.

10 When I took the position, I was
11 appointed as a member of the Executive Committee
12 with an objective which was to enlarge the
13 function of finance, especially focusing on
14 management information system at a time where we
15 were still very decentralized by operating unit,
16 there was a need to follow and monitor reserves on
17 a global basis, so focus on management and focus
18 on system, focus on support system, like SAP,
19 focus on contracting and procurement.

20 Q And that's the Executive Committee of
21 Exploration and Production you're referring to?

22 A Yes.

23 Q Is that sometimes known as "ExCom"?

24 A Yes.

25 Q Who did you report to?

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1 DOMINIQUE GARDY, January 24, 2007

2 A I did report to Phil Watts.

3 Q What was his position at that time?

4 A He was head of Exploration and
5 Production and member of CMD, Committee of the
6 Managing Directors.

7 Q Why had Exploration and Production not
8 had a CFO before?

9 MR. SMITH: Objection to form.

10 THE WITNESS: Well, I mean again I
11 cannot make any judgment on that, so I took the
12 position which was offered to me.

13 BY MR. MILLKEY:

14 Q When you entered the position, did you 02584

15 have any goals or ambitions for the position?

16 A When I started the position, I, being
17 new to Exploration and Production, and joining
18 actually this part of the business quite late in
19 my career, my first objective was really to try to
20 understand what sort of business I was starting to
21 belong to, but basically I set up some sort of --
22 three objectives, one which was to get the basics
23 right, which was really focusing on getting a
24 management information system, support system like
25 SAP in place.

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1 DOMINIQUE GARDY, January 24, 2007

2 Number two was working to demonstrate
3 that through finance there was possibility to
4 support and challenge business decision; and
5 third, probably most important one, was to work on
6 the people agenda, ensuring that I would, by
7 focusing on the first two, attract more people
8 from finance into the EP community.

9 One point which might be of importance
10 here is to understand our organization we had at
11 that time, which was still very much through
12 operating unit in the various location, the
13 various operating units having their own finance
14 organization, and the reporting line from these
15 finance organization were to Regional Finance
16 Advisor, part of the regional directorates, but
17 these people were not reporting to me. So this is
18 why I was willing to create a sense of community
19 around finance, as it were.

20 Q I'm not sure I understand. What was the
21 relationship you had with the regional finance
22 offices?

23 A The ExCom consisted of Regional Business
24 Directors. The Regional Business Directors had
25 their own Regional Finance Advisor, and the

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1 DOMINIQUE GARDY, January 24, 2007

2 Regional Finance Advisors were, when I did arrive,
3 reported directly to the Regional Business
4 Director and had only a dotted line to me.

5 Q Did that change?

6 A No, it did not change in terms of
7 reporting line. I think it evolved because I
8 tried to create the sense of community by meeting
9 all the finance people and trying to get a line
10 along the objectives I just mentioned.

11 Q Did you have a staff? Did you have a
12 staff?

13 A When I started, I started with something
14 like two or three people.

15 Q Who were those people?

16 A Well, there are somebody in charge of
17 getting spreadsheets all together from the globe
18 in order to get the results, and there are
19 somebody working on, on the finance evaluation in
20 investment project, working on things like
21 payouts, profitability of the project. And I did
22 create the role of Controller, reporting to me
23 after a couple of months.

24 Q Who was the first Controller who worked
25 under you?

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1 DOMINIQUE GARDY, January 24, 2007

2 A Mr. Ralph Torkelson, and he left the
3 company since.

4 Q What were the duties of the Controller?

5 A Basically again to help me on the first
6 aspect of my agenda, get the basics right in terms
7 of management information system, reporting,
8 understanding where we were as compared to where
9 we were willing to be, and spending quite a bit of
10 time to work on what we call "SAP blueprint," with
11 a vision I had at that time to go for one SAP
12 system all across the world.

13 Q Are you saying "SAP"?

14 A Right.

15 Q What is SAP?

16 A SAP is software dealing with general
17 ledger and information system, SAP. How do you
18 say that?

19 MR. SMITH: That's it.

20 THE WITNESS: It's a big firm, SAP firm,
21 yeah.

22 BY MR. MILLKEY: 22586
23 Q Excuse me?
24 A It is a big firm.
25 Q In your position as CFO of EP, were you
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1 DOMINIQUE GARDY, January 24, 2007
2 responsible for instituting any kind of business
3 controls?

4 A I -- here again I come back to what I
5 was saying in terms of organization, a
6 decentralized organization where controls and
7 business control were set up at the various
8 locations. What I did was to set up an Audit
9 Committee where actually I did invite, as members
10 of this committee, all the various Regional
11 Finance Advisors, so to start to get better access
12 and understanding on where we were in terms of, in
13 terms of audit and control.

14 Q When did you create that committee?

15 A A couple of, couple of months before I
16 came into the job.

17 Q How often did the committee meet?

18 A Quarterly.

19 Q Where did you meet?

20 A Sorry?

21 Q Where did you meet?

22 A In our office in The Hague at that time.

23 Q What kinds of issues did the Audit
24 Committee address?

25 A The Audit Committee was there to look at
0025

1 DOMINIQUE GARDY, January 24, 2007
2 the various audits coming through the various
3 regions and through the various operating units,
4 and was focusing on how we're doing on that front,
5 and this Audit Committee did not address
6 whatsoever reserve issue.

7 Q Did Mr. Torkelson deal with reserves
8 issues at all?

9 A The outfit I was accountable for was
10 called EPF, like EP Finance, and we had not in our
11 accountability anything to deal with reserves in
12 this outfit.

13 Q When you took on this new position, did
14 you have any conversations with Phil Watts about
15 what he wanted your role to be?

16 MS. LATIMER: Object to the form.

17 THE WITNESS: Well, when I questioned or
18 had discussion with Phil, he told me that he was
19 willing to create finance position in EP, and he
20 told me, "Over to you."

21 BY MR. MILLKEY:

22 Q So am I correct that you had no
23 responsibility for controls with regard to
24 reserves reporting?

25 MR. SMITH: Objection to form.

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1 DOMINIQUE GARDY, January 24, 2007

2 THE WITNESS: Well, what I have said is
3 that in EPF we had no accountability for working
4 on the reserves, and there was -- you asked me
5 previously the question whether Controller,
6 likewise part of EPF, did not have accountability
7 for that. The only link we had with reserve was
8 through Audit Report, which I did receive from
9 Anton Barendregt, if I recall properly his name,
10 which I did receive as, as a copy of the report
11 being circulated to recipients.

12 BY MR. MILLKEY:

13 Q Did you review those Audit Reports when
14 you received them?

15 A Yes, I did.

16 Q Did you have any responsibilities with
17 respect to those reports -- strike that.

18 Did you take -- at any point did you
19 take any action based upon your review of the
20 Audit Reports you received?

21 A Well, here again I was not accountable
22 for reserves. I was receiving reports on reserve
23 from Anton as a copy. I did read it, focusing,
24 generally speaking, on the front page, which was a
25 summary of the report, and looking at it

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1 DOMINIQUE GARDY, January 24, 2007

2 especially on what was said as yet on two fronts:
3 One, what was the rating of unit, and second, what

4 was the statement in terms of the representation
5 of the reserves following the specific audit.

6 And to my recollection, I cannot
7 remember any Audit Report I did receive which was
8 not either satisfactory or good, and my way of
9 working with Audit Report and especially on this
10 one not being accountable for reserve, was to say
11 as long as I didn't see something unsatisfactory,
12 which is indeed a rating worse than the first one
13 I mentioned, there is no reason to pay more
14 attention to that, since again I'm not accountable
15 for it.

16 Q Did you receive his Audit Reports
17 because you were a member of ExCom? Why did you
18 receive his Audit Reports?

19 A Well, to be frank, I don't know.

20 Q Did you receive -- I take it you
21 received Mr. Barendregt's year-end reports; is
22 that correct? Mr. Barendregt's year-end Audit
23 Reports?

24 A Yes, I did.

25 Q Did Mr. Barendregt conduct Audit Reports
0028

1 DOMINIQUE GARDY, January 24, 2007
2 directed at particular regions of the world? In
3 addition to the -- strike that. In addition to
4 the Year-End Report, did he do other Audit Reports
5 about specific regions during the course of his
6 job?

7 MR. SMITH: Objection to form.

8 BY MR. MILLKEY:

9 Q Let me ask this another way. Did you
10 receive reports from Mr. Barendregt other than his
11 Year-End Audit Report?

12 MR. SMITH: Objection to form.

13 THE WITNESS: I got Audit Reports
14 from -- I was copied of Audit Reports conducted by
15 Mr. Anton Barendregt on year-end and from various
16 locations.

17 BY MR. MILLKEY:

18 Q Do you recall Mr. Barendregt's title at
19 that time?

20 A No.

21 Q Did you have any role in connection with
22 Shell's preparation of its 20F Report that it
23 filed with the SEC?

24 A No.

25 Q And I take it you had no responsibility
0029

1 DOMINIQUE GARDY, January 24, 2007
2 with respect, with respect to the reporting of
3 proved reserves numbers; is that correct?

4 A As I said before, I did not have
5 accountability for that.

6 Q How long did you remain the CFO of EP?

7 A I went on to my new position as Regional
8 Business Director for Asia Pacific on July 1st,
9 2002.

10 Q Who succeeded you as CFO?

11 A Frank Coopman.

12 Q Did you have a transition period when
13 you and Mr. Coopman worked together?

14 A We had something like two weeks handover
15 period.

16 Q In the course of that handover did you
17 and he have any discussion regarding Shell's
18 proved reserves?

19 A I cannot recall that.

20 Q As CFO of EP did you have any
21 interaction with Shell's outside auditors?

22 A Sorry. Can you repeat the question?
23 Outside --

24 Q Auditors.

25 A Yes. I had contact with external
0030

1 DOMINIQUE GARDY, January 24, 2007
2 auditors, to my recollection, once, once a year,
3 where I decided to invite them to this Audit
4 Committee I was referring to early on, and where
5 they were invited once a year to meet with Audit
6 Committee.

7 Q And who were Shell's outside auditors?

8 A I, I cannot recollect if it was KPMG or
9 PriceWaterhouse. I cannot recollect who it was at
10 that time.

11 Q What was their role at the Audit

12 Committee meetings? 22590

13 MR. CORSON: Objection to form.

14 THE WITNESS: Well, their role was, from
15 our viewpoint, to give their own perspective on
16 the way the audits and the control were being
17 managed across EP, but again here as well, no
18 discussion on reserves.

19 BY MR. MILLKEY:

20 Q Was that annual meeting your only
21 interaction with the outside auditors?

22 MR. SMITH: Objection to form.

23 THE WITNESS: Yeah, I think this is what
24 I recollect.

25

0031

1 DOMINIQUE GARDY, January 24, 2007

2 BY MR. MILLKEY:

3 Q In your role as CFO of EP, did you do
4 any work in the area of Investor Relations?

5 A Yes, I had to do some work on that
6 front, but when I say that, let me clarify. I was
7 not directly in touch on relation -- with investor
8 relation, but the point I was making was I did
9 participate in presentation to analysts on two
10 occasions.

11 Q When were those two occasions?

12 A Let me start with the second one,
13 because it's easier, for a tragic reason, to
14 remember. The second one was in September 2001,
15 and the reason, of course, I mentioned it was
16 tragic because it took place both in Rijkwijk and
17 here in Houston or New York, I cannot remember,
18 just a couple of days after September 11. To such
19 an extent there was consideration to
20 potentially cancel, but people here from the
21 States were saying, no, life is going on, and we
22 would welcome you to come, so that's why I
23 remember exactly the timing on this one. And that
24 was one which I did with Walter van der Vijver and
25 myself.

0032

1 DOMINIQUE GARDY, January 24, 2007

2 The other occasion was earlier than

3 that. I think -- I'm hesitating, but I think 22591
4 probably back to -- whether it was '99 or 2000, I
5 have doubt in my mind, and I was, with some other
6 members of ExCom, taking part in the presentation
7 both in Rijkwijk and in Houston or New York.

8 Q Those presentations occurred in both the
9 United States and in Rijkwijk; is that correct?

10 A That's correct.

11 Q As a logistical matter, how did that
12 happen? Did they happen in one place one day, and
13 then a couple of days later people traveled to the
14 other place, or just physically how did it happen?

15 A There were more or less two in a row, so
16 doing it first, if I recall, first in Rijkwijk and
17 then flying to the States and doing it in the
18 States the day after.

19 Q What was your role in each of those
20 presentations? Why don't you start with the
21 presentation in '99 or 2000. What was your
22 responsibility there?

23 A From what I recall, I had some
24 presentation about the state of the business in
25 terms of finance performance, and also some, since
0033

1 DOMINIQUE GARDY, January 24, 2007
2 I was in charge -- something I did not mention --
3 of contracting and procurement, some progress
4 being made in terms of contracting and
5 procurement.

6 Q Do you recall who asked you to
7 participate in that presentation?

8 A Not specifically. I think it was a
9 discussion at one of the ExCom.

10 Q And the U.S. presentation in 1999 or
11 2000 was in what city?

12 A What do you mean --

13 Q What city was the presentation in in the
14 United States? Where did it occur?

15 A Well, in 1999/2000?

16 Q Yeah.

17 A I think it was Houston, but -- I think
18 it was Houston. I'm pretty sure it was Houston.
19 It might have been New York.

20 Q Do you recall whether the subject of 22592
21 reserves was addressed at that meeting?

22 MR. SMITH: Objection to form. Do you
23 mean by him or by anyone who participated?

24 BY MR. MILLKEY:

25 Q By anyone.

0034

1 DOMINIQUE GARDY, January 24, 2007

2 A I have no recollection of that.

3 Q What was the subject -- strike that.

4 Did you give a presentation at the 2001 meeting?

5 A Do you mean the one I was referring to?

6 Q Now I'm talking about the one in 2001.

7 A Yes. The second presentation?

8 Q Yes.

9 A Yes.

10 Q And what specifically did you address
11 there?

12 A Well, this presentation took place, as I
13 said, in September 2001, and did follow actually a
14 call -- I think it was a call to analysts at the
15 occasion of the second quarter results
16 announcement, second quarter 2001 results
17 announcement in August, where at that time it was
18 said that the expected future production profile
19 of five percent were under consideration, and some
20 more news would be given to the market later in
21 the year. That gave -- that led to this
22 presentation in September 2001, which I did with
23 Walter van der Vijver.

24 This presentation was put in two parts.

25 The first one, which I did, was here again to give

0035

1 DOMINIQUE GARDY, January 24, 2007

2 a sort of status of the business performance, and

3 then Walter van der Vijver took over from me to

4 organize the question of the change, in terms of

5 future production growth, from five to three

6 percent.

7 MR. SMITH: While you're thinking of

8 your next question, there's something that crept

9 into the transcript. Line 17, Page 26, it says,

10 talking about an August "reserves" announcement.

11 I believe the word he used was "results" 22593
12 announcement. I just wanted to make sure that was
13 clear.

14 BY MR. MILLKEY:

15 Q Had a five percent production growth
16 target previously been announced?

17 A Well, five percent growth was something
18 which was known by the market.

19 Q Do you recall the reasons -- strike
20 that. Did you give reasons at the conference why
21 the new target would be three percent instead of
22 five percent?

23 MR. SMITH: Objection to form.

24 THE WITNESS: Well, as I told you, I
25 think the one who answered these questions was

0036

1 DOMINIQUE GARDY, January 24, 2007

2 Mr. Van der Vijver in the second part of the
3 presentation.

4 BY MR. MILLKEY:

5 Q I think we'll revisit that question a
6 little bit later with some documents, but for now,
7 when did you become a member of ExCom; was that in
8 1999?

9 A Yes, it was.

10 Q Did you remain a member of ExCom
11 throughout your time as CFO of EP?

12 A Yes, I did.

13 Q I believe you said that at some point
14 you became the Regional Business Director for Asia
15 Pacific; is that correct?

16 A Yeah, I became, on July 1st, 2002,
17 Regional Business Director for Asia Pacific.

18 Q Did you continue to be a member of ExCom
19 when you were the Regional Business Director?

20 A Yes, I did.

21 Q How often did ExCom meet?

22 A I'm hesitating. I think it was once a
23 month.

24 Q Did you have any -- well, were minutes
25 kept of the ExCom meetings?

0037

1 DOMINIQUE GARDY, January 24, 2007

2 A Yes.

3 Q Who kept the minutes?

4 A I did keep the minutes when I was CFO.

5 Q You kept the minutes --

6 A When I was CFO, during my time as member
7 of ExCom as CFO. Sorry.

8 Q Was there one person who was in charge
9 of ExCom?

10 A Can you clarify your question.

11 Q Well, was there a leader on the ExCom?
12 Was someone in charge?

13 A Well, I don't know what you mean by who
14 was "in charge." We were all part of ExCom, and
15 we had one boss: Mr. Watts.

16 Q Did ExCom operate as a democracy? Did
17 you take votes on issues?

18 MR. SMITH: Objection to form.

19 THE WITNESS: We received some
20 pre-reading before ExCom, and when we discussed
21 the various topics, then decisions were made and
22 minuted.

23 BY MR. MILLKEY:

24 Q Did Mr. Watts have the final say on any
25 decisions that were made?

0038

1 DOMINIQUE GARDY, January 24, 2007

2 MS. LATIMER: Object to the form.

3 THE WITNESS: Again the decision was
4 made, depending on the topic, around the table,
5 and was minuted.

6 BY MR. MILLKEY:

7 Q As a general matter how were the
8 decisions made, though; were they made by
9 consensus of the group?

10 MR. SMITH: Objection to form.

11 THE WITNESS: Well, as I told you, based
12 on -- people were expressing their views and a
13 decision were made and minuted.

14 BY MR. MILLKEY:

15 Q I'm just trying to understand how the
16 decision was made, though. Did -- was the
17 decision made -- did there have to be a consensus
18 by the group, or did one person ultimately reach a

19 decision -- reach the decision? 22595
20 MR. SMITH: Objection to form;
21 foundation, and it's hypothetical.
22 THE WITNESS: I'm sorry. I cannot
23 answer this question, because it's not a general
24 rule. I mean every decision was taken depending
25 on the context, depending on circumstances, and
0039

1 DOMINIQUE GARDY, January 24, 2007
2 there was not one given modus operandus. It was
3 really based on the various questions being
4 discussed.

5 BY MR. MILLKEY:

6 Q How would you describe Mr. Watts'
7 management style?

8 MR. SMITH: Objection to form.

9 THE WITNESS: Again I do not know
10 exactly what you mean by this question.

11 BY MR. MILLKEY:

12 Q Would you say you worked closely with
13 Mr. Watts during your time as CFO?

14 A I don't think I did say that.

15 Q No, I'm sorry. I'm saying would you say
16 that?

17 A Oh. Would you. I did work with
18 Mr. Watts as my boss, and of course, I had contact
19 with him.

20 Q Who succeeded Mr. Watts as the head of
21 EP?

22 A Walter van der Vijver.

23 Q Do you recall when that occurred?

24 A Sometime in 2000, probably mid-year
25 2000, something like that.

0040

1 DOMINIQUE GARDY, January 24, 2007

2 Q Did ExCom operate in the same way after
3 Mr. Van der Vijver became the head of EP?

4 MR. SMITH: Objection to form; lack of
5 foundation.

6 THE WITNESS: Well, here again I mean
7 the way we operate was, uh, was the same, so
8 pre-reading, discussion and decision.

9 BY MR. MILLKEY:

10 Q Now, did ExCom review Shell's proved
11 reserves numbers before they were reported to the
12 SEC?

13 A There were a discussion at ExCom on
14 where we were in terms of reserves and latest
15 estimates. I cannot recall that we would review
16 some numbers as submitted to SEC.

17 Q Did ExCom have to approve particular
18 proved reserves bookings before they were
19 reported?

20 MR. SMITH: Objection to form.

21 THE WITNESS: Well, again, the way we
22 did operate, as I explained early on, was that the
23 various reserves were prepared for the various
24 operating unit all across the world and then were
25 consolidated, if you will, within EPB, the new
0041

1 DOMINIQUE GARDY, January 24, 2007
2 business development I think at that time.

3 BY MR. MILLKEY:

4 Q Did ExCom approve those numbers before
5 they were reported?

6 MR. SMITH: Objection to form.

7 THE WITNESS: Again as I answered early
8 on, there were review -- from what I recall, there
9 were review of reserves situation and latest
10 estimate at ExCom.

11 BY MR. MILLKEY:

12 Q Do you ever recall any conversations at
13 ExCom in which there was a disagreement among the
14 committee about whether particular proved reserves
15 could be reported as proved?

16 A No, I do not recall this type of
17 conversation. I just want to reemphasize what I
18 said early on. The way I was looking at reserves,
19 being not accountable for these, was to take
20 confidence -- or not, but in that case to take
21 confidence from the Audit Report received by
22 Mr. Anton Barendregt, which for me was reference
23 on where do we stand in this area which is not
24 part of my accountability.

25 Q Do you recall specific meetings of the
0042

1 DOMINIQUE GARDY, January 24, 200722597

2 ExCom in which the subject of de-booking proved
3 reserves was ever discussed?

4 A The thing I recall was some discussion
5 about some potential exposure which were, which
6 were discussed.

7 Q Do you recall -- what is your earliest
8 recollection of a conversation about potential
9 exposures?

10 A Sometime in 2002.

11 Q What is your recollection of that
12 discussion?

13 A Well, I, I do not recollect precisely
14 the conversation. I remember that it was
15 something which came to the table, and the focus
16 was on, uh, on potential exposures and also the
17 possibility of actions around this.

18 Q Do you remember the particular reserves
19 that were discussed, the particular fields or
20 areas of the world?

21 A Well, back to, to that time, I think I
22 remember some decision in 2002 around Gorgon.

23 Q On --

24 A Gorgon in Australia.

25 Q And I think you mentioned potential

0043

1 DOMINIQUE GARDY, January 24, 2007

2 actions were discussed. What actions were
3 discussed at that time?

4 MR. SMITH: Objection to form.

5 THE WITNESS: Well, first I used the
6 word "action." What I meant was the sort of
7 background around the sort of potential exposure
8 giving rationale to -- for actually no action.
9 This is what I meant.

10 BY MR. MILLKEY:

11 Q Was there at that time a determination
12 by ExCom to take no action with regard to Gorgon?

13 MR. SMITH: Objection to form and lack
14 of foundation.

15 THE WITNESS: Well, here again there was
16 not a decision about action or whatsoever. It was
17 just looking at the facts as they were and looking

18 at a situation, and back in 2002, if my 22598

19 recollection is correct, the Year-End Report on
20 reserves published by Anton Barendregt was --
21 quoted a fair representation of the reserves.

22 BY MR. MILLKEY:

23 Q Do you recall any other specific
24 discussions within ExCom at any point about
25 reserves exposures?

0044

1 DOMINIQUE GARDY, January 24, 2007

2 A No, I do not have any specific
3 recollection. Again, as I said, reserves were
4 looked at on a regular basis, but the thing we
5 were discussing at ExCom was fundamentals of the
6 business, which is basically to explore, to find,
7 to develop and to produce. And to [formal] the
8 business, we have to look at what do we have in
9 our portfolio in terms of [acreage] and
10 exploration, what sort of project do we have in
11 the funnel which we can mature, what is the total
12 resources base we have we can unlock, and on that
13 basis what sort of production we are going to
14 deliver. That was the heart of the discussion in
15 this type of meeting.

16 Q Was the subject of proved reserves part
17 of the conversation that you just described?

18 A Well, here again we were really looking
19 at the fundamental of the business and the proved
20 reserves being actually a sort of consequence of
21 managing the business from the fundamental steps I
22 have just described.

23 MR. MILLKEY: Do you want to take the
24 first break?

25 MR. SMITH: Sure. That would be fine.

0045

1 DOMINIQUE GARDY, January 24, 2007

2 THE VIDEOGRAPHER: We are going off the
3 record. The time is 11:08 a.m.

4 (Whereupon, a short recess was taken.)

5 THE VIDEOGRAPHER: We are back on the
6 record. The time is 11:29 a.m.

7 BY MR. MILLKEY:

8 Q Mr. Gardy, earlier I believe you used

9 the phrase "dotted line reporting." What exactly
10 is that?

11 A The dotted line compares to the straight
12 line, so the straight line of reporting was
13 between the Regional Finance Advisor and their
14 respective Regional Business Director, and they
15 had a dotted line to me, so it basically meant
16 that the line of accountability was through the
17 Regional Business Director, but I had contact, if
18 you will, with them in terms of being part of the
19 finance community.

20 Q Now, I believe you stated that you
21 reported directly to Phil Watts. Did you have a
22 dotted line reporting system to anyone else other
23 than Mr. Watts?

24 MR. SMITH: While he was --

25 MR. MILLKEY: While he was the CFO.

0046

1 DOMINIQUE GARDY, January 24, 2007

2 THE WITNESS: When I was the CFO, I had
3 also a dotted line to Judy Boynton.

4 BY MR. MILLKEY:

5 Q Who was --

6 A Sorry. First I think it was to Steve
7 Hodge and then to Judy Boynton.

8 Q And Mr. Hodge's position was what?

9 A Finance Director.

10 Q We also discussed the Audit Committee
11 that I believe you said you set up. You may
12 have -- you may have answered this before, but I
13 just want to make sure I understand. What was the
14 function of that Audit Committee?

15 A This Audit Committee was something which
16 I think actually did exist in some form before I
17 came into the job, but I put some more structure
18 in it, inviting, on a quarterly basis, the
19 Regional Finance Advisor, my Controller, with the
20 objective to review the status of control across
21 Exploration and Production business for looking at
22 the score of the various Audit Reports which had
23 been issued in the various locations and regions.

24 Q And when you use the term "control,"
25 what exactly do you mean?

0047

1 DOMINIQUE GARDY, January 24, 2007

2 A What I have in place an audit plan all
3 across the business, and being executive for the
4 region, the audit plan being set up on the risk
5 assessment of the various activity of the
6 business, and the Audit Report coming back for
7 internal audit and giving their views on how this
8 business activity was conducted.

9 Q And the audit again does not
10 specifically address reserves; is that correct?

11 A This audit did not address reserves.

12 Q Was there, within Shell, a system of
13 internal controls that did address reserves
14 reporting?

15 MR. SMITH: Objection to form, lack of
16 foundation, and could we have a time frame?

17 BY MR. MILLKEY:

18 Q In the period when you were the CFO.

19 A Well, again, as I described early on,
20 where the reserves were looked at from a
21 Controller standpoint were this report being
22 prepared by Anton Barendregt, giving the sort of
23 status on location and at year-end under totality
24 of the business at year-end.

25 Q Were you aware of any other controls

0048

1 DOMINIQUE GARDY, January 24, 2007
2 that were in place regarding reserves reporting?

3 A No other specific control.

4 Q To whom did Mr. Barendregt report?

5 MR. SMITH: Objection to form and lack
6 of foundation.

7 BY MR. MILLKEY:

8 Q Do you know if Mr. Barendregt reported
9 to anyone?

10 A He was reporting to me for pay and
11 rations.

12 Q What do you mean by "rations"?

13 A Well, the thing I had to deal with was
14 to look at the number of hours he had performed
15 and to sign off the cost associated to it.

16 Q Who specifically paid -- who paid

17 Mr. Barendregt; was Mr. Barendregt paid by ~~2001~~

18 A Yes, he was.

19 Q Did you have meetings with

20 Mr. Barendregt at any point while you were CFO?

21 A I used to have one-to-one meetings with
22 people in my team, but Mr. Anton Barendregt, I had
23 an appointment to meet with him, which happened, I
24 think, once, maybe twice, and it was in, I think,
25 2001 for the exercise of 2000 when I met with him
0049

1 DOMINIQUE GARDY, January 24, 2007
2 and Mr. Brass. Our meeting was between 2001 and
3 2002.

4 Q You mentioned your team. Did you
5 consider Mr. Barendregt to be on your team?

6 A No.

7 Q Why did you meet with Mr. Barendregt in
8 2001 or 2000?

9 A It was at the beginning of the year,
10 again 2000 or 2001, looking at the exercise of the
11 year '99 and 2000, and it was a short meeting to
12 review his report on reserves for the full year,
13 and on that basis to, uh, to sign a letter on the
14 status of the reserves.

15 Q That was the letter that you signed?

16 A I recall I did sign once a letter which
17 I think was in 2002 for the year 2001.

18 Q Why -- who was that letter addressed to?

19 A I cannot remember if it was addressed to
20 Mr. Watts or to the external auditors.

21 Q And again the purpose of the letter was
22 what?

23 A The purpose of the letter was
24 representation of the reserves based on the only
25 document which was reviewed during the meeting,
0050

1 DOMINIQUE GARDY, January 24, 2007
2 which was the Year-End Report produced by
3 Mr. Barendregt.

4 Q Do you recall specifically what the
5 letter said in words or substance?

6 A Well, I recall, as I mentioned to you,
7 in all these letter, looking always at the sort of

8 last paragraph, but the representation of reserves
9 for the year 2001 were a thorough representation.

10 MR. SMITH: Sorry. I think his question
11 was not about Mr. Barendregt's report. His
12 question was about the letter you signed.

13 THE WITNESS: Oh, sorry. I apologize.

14 MR. SMITH: Is that right, Mark?

15 MR. MILLKEY: Yeah, correct.

16 MR. SMITH: I don't know if your answer
17 would be different with that clarification.

18 THE WITNESS: No, because to my
19 recollection, the letter which I did sign in 2002
20 for year 2001 was reflecting more or less verbatim
21 the outcome of the report from Anton Barendregt.

22 BY MR. MILLKEY:

23 Q Did Mr. Brass sign that letter as well,
24 or was it just you?

25 A Mr. Brass did sign it, too, if I recall
0051

1 DOMINIQUE GARDY, January 24, 2007
2 properly.

3 Q Why in that particular year did you sign
4 the letter?

5 A I cannot recollect how this did happen.

6 Q Do you have any further recollections
7 about what occurred in your meeting with Mr. Brass
8 and Mr. Barendregt?

9 A Again my recollection was very, a very
10 short meeting, here's the report, so no specific
11 discussion.

12 Q Was Mr. Barendregt paid by Shell on a
13 regular basis?

14 MR. SMITH: Objection to form.

15 THE WITNESS: Well, I cannot remember
16 how often -- I don't know what you mean by
17 "regular basis." What I can recall is he was
18 reporting hours being spent on work, he did
19 perform an audit.

20 BY MR. MILLKEY:

21 Q Did EP prepare an Annual Financial
22 Report while you were CFO?

23 A I don't know what you mean by an "Annual
24 Financial Report." The only thing we do produce

25 was an internal report on the results. 22603

0052

1 DOMINIQUE GARDY, January 24, 2007

2 Q An internal report on --

3 A On results.

4 Q What happened to that report after it

5 was completed?

6 A Well, the report was prepared for review
7 and discussion at ExCom, just to review where we
8 were in terms of performance of the year. And I'm
9 speaking, to be clear on that, on the report which
10 was produced by EPF, which was looking again at a
11 performance indicator like production, and
12 financial indicator like cost or net income, but
13 not reserves.

14 Q Was that report sent to anyone at the
15 group for use in the preparation of the 20F?

16 A No.

17 Q Did that report include any financial
18 metrics that were specifically dependent upon
19 Shell's proved reserves?

20 A No.

21 Q Are you aware of any financial metrics
22 reported by the group as part of the 20F that are
23 dependent on Shell's proved reserves?

24 MR. SMITH: Objection to form.

25 THE WITNESS: Well, again I refer here

0053

1 DOMINIQUE GARDY, January 24, 2007
2 to my position as CFO, and on that front I had no
3 interface with measures on reserves.

4 BY MR. MILLKEY:

5 Q And that includes metrics that would be
6 dependent upon Shell's level of proved reserves?

7 MR. SMITH: Objection to form and lack
8 of foundation.

9 THE WITNESS: So can you clarify the
10 question, please.

11 BY MR. MILLKEY:

12 Q I just want to make sure I understand
13 that the report we're discussing did not report
14 any or address any financial metrics that would be
15 dependent upon the amount of Shell's proved

16 reserves.

17 MR. SMITH: Sorry. Now I'm confused
18 about which report you're talking about; the 20F
19 or the one he prepares?

20 MR. MILLKEY: I'm talking about his
21 report.

22 MR. SMITH: Okay. I just wanted to be
23 clear.

24 BY MR. MILLKEY:

25 Q Let me ask this a different way. Just
0054

1 DOMINIQUE GARDY, January 24, 2007
2 describe for me in a little more detail what was
3 reported in the report that you prepared or your
4 group prepared each year.

5 A It was starting with sort of summary of
6 the key highlights in terms of safety, production,
7 cost, capex, net income, and then some more
8 specific analysis about actuals versus targets on
9 these various indicators.

10 Q How would you describe your relationship
11 with Mr. Watts during your time as CFO?

12 A He was my boss. I was working for him.
13 I was part of his team, and there was what I would
14 call a sort of absolutely normal relation between
15 a boss and his subordinate.

16 Q Did you consider him a demanding boss?

17 MR. SMITH: Objection to form.

18 MS. LATIMER: Objection to form.

19 THE WITNESS: I don't know what
20 "demanding" means.

21 BY MR. MILLKEY:

22 Q How would you describe how Mr. Watts ran
23 the ExCom meetings?

24 MR. SMITH: Objection to form and lack
25 of foundation.

0055

1 DOMINIQUE GARDY, January 24, 2007

2 BY MR. MILLKEY:

3 Q Did Mr. Watts run the ExCom meetings?

4 A Well, as I told you, there was no
5 specific modus operandi. We are dealing with the
6 various part of the business and we come with a

7 various item to discuss, and then we express our
8 viewpoint, and so the decision was depending on
9 the topic being discussed.

10 Q One of the things I did in preparation
11 for today was I read reports that were prepared on
12 the interviews by Davis, Polk & Wardwell with you.
13 Do you recall being interviewed sometime in 2004
14 by Davis, Polk & Wardwell?

15 A I recall being interviewed, yeah.

16 Q One of the things I recall you commented
17 on was the culture at Shell, and that -- and you
18 can correct me if I'm wrong or if they
19 misreported, but you had said that Shell had a
20 culture in which it was difficult to deliver bad
21 news. Do you recall saying something like that?

22 MR. SMITH: Objection to form, lack of
23 foundation.

24 MS. LATIMER: Objection to form.

25 THE WITNESS: Well, I think I said what
0056

1 DOMINIQUE GARDY, January 24, 2007

2 I said during the interview.

3 BY MR. MILLKEY:

4 Q Would you say that Shell did have a
5 culture in which it was difficult to bring up bad
6 news?

7 A I'm sorry. This question is so general
8 that I don't know how to answer such a question.

9 Q Did you personally find it difficult --
10 well, did you ever have occasion to bring bad news
11 to Mr. Watts?

12 A I had to bring the news that I had to
13 bring to him.

14 Q Do you recall any meetings at ExCom when
15 Mr. Watts got angry?

16 MS. LATIMER: Objection. No foundation.

17 THE WITNESS: Well, here again, you
18 know, I don't know what you mean by the word
19 "angry."

20 BY MR. MILLKEY:

21 Q Well, what don't you understand?

22 MR. SMITH: Objection to form. It's
23 been asked and answered.

24 THE WITNESS: Again I think the only
25 thing I want to refer to is that the way we were
0057

1 DOMINIQUE GARDY, January 24, 2007
2 operating at ExCom, and we were very, from time to
3 time some live discussion, of course, because we
4 are quiet men around the table, but we are all
5 human people and that's part of the decision
6 process.

7 BY MR. MILLKEY:

8 Q Do you know who Roelof Platenkamp is?

9 A Yes, I know him.

10 Q Was Mr. Platenkamp an employee of Shell
11 when you were CFO of EP?

12 A Yes, he was.

13 Q Do you recall what his position was
14 during that period?

15 A He was working in EPB.

16 Q And EPB is what?

17 A If I recall properly, in charge of
18 planning and development, something like that.

19 Q Was Mr. Platenkamp on -- was
20 Mr. Platenkamp a member of the ExCom?

21 A He was not.

22 Q Did Mr. Platenkamp ever attend ExCom
23 meetings?

24 A He was invited to some of the meeting,
25 yes.

0058

1 DOMINIQUE GARDY, January 24, 2007

2 Q Approximately how many meetings do you
3 recall him attending?

4 A Difficult to, difficult to remember,
5 yeah. I'm sorry.

6 Q Do you recall a meeting of ExCom at
7 which Mr. Platenkamp was present when Mr. Watts
8 got angry at Mr. Platenkamp?

9 MR. SMITH: Objection to form.

10 MS. LATIMER: Objection.

11 THE WITNESS: I do not recall that.

12 BY MR. MILLKEY:

13 Q Mr. Gardy, we'll be showing you a few
14 documents today, and take a moment to review them

15 to see if you recognize them, and I'll ask you 22607
16 some specific questions. Just let me know when
17 you're ready.

18 This exhibit has been previously marked
19 as Hoppe Exhibit Number 14.

20 MR. SMITH: Do you want to keep it
21 marked that way, or do you want to mark it a
22 second time?

23 MR. MILLKEY: What do you think?

24 MR. SMITH: I think we'll get confused
25 if we do it this way.

0059

1 DOMINIQUE GARDY, January 24, 2007

2 MR. MILLKEY: Okay, we'll mark it again
3 as Gardy Exhibit Number 1.

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

7 BY MR. MILLKEY:

8 Q Gardy Exhibit Number 1, which has been
9 previously marked as Hoppe Exhibit Number 14, has
10 a January 27, 2000, cover e-mail from Remco
11 Aalbers to Mr. Brass and Mr. Platenkamp, with a CC
12 to Mr. McKay. The attachment listed is "ExCom
13 Proved Final Doc." The attachment has the title
14 "Presentation ExCom, 31st January 2000." The
15 presentation was produced by Shell with the
16 identification number 0100214535. It was produced
17 in native format.

18 Mr. Gardy, do you recognize this
19 document?

20 A Yes, this was the presentation made at
21 ExCom. It was part of the pre-reading in advance
22 of ExCom.

23 Q Do you recall whether you attended the
24 ExCom -- do you recall whether a meeting of ExCom
25 occurred on January 31st, 2000?

0060

1 DOMINIQUE GARDY, January 24, 2007

2 A I cannot recall if it took place on the
3 31st of January, but I assume it did.

4 Q Do you recall whether you attended this
5 meeting?

6 A I'm pretty sure I did. 22608

7 Q Do you have any specific recollection of
8 what occurred at the meeting?

9 A The day of the 31st of January 2000
10 rings some bell to me, because it was probably the
11 same meeting where for the first time I did
12 present the yearly results. Being new CFO since
13 April '99, it was the first time I had to present
14 and prepare for a full year results discussion,
15 which I think, based on the date, took place on
16 that day.

17 Moreover, all ExCom -- again I cannot
18 check the calendar right now, but used to take
19 place on Monday, so we used to receive pre-reading
20 on Friday, and I'm pretty sure I spent quite a bit
21 of time during the weekend before focusing on
22 assembling the presentation for the results
23 of '99. I'm willing to say that it was, I'm sure,
24 part of the pre-reading, but I did not pay
25 necessarily that much attention before because of
0061

1 DOMINIQUE GARDY, January 24, 2007
2 the reason I just explained.

3 Q Do you know who prepared this
4 pre-reading material?

5 A Well, again, I don't know about this
6 specific memo, but clearly coming from EPB.

7 Q Do you recall whether Mr. Platenkamp
8 gave a presentation at that meeting?

9 A I cannot remember.

10 Q On the first page of the presentation,
11 maybe a quarter of the way down the page, there's
12 the word, the heading "Summary," and underneath
13 that it says, "The 1999 proved reserves
14 replacement ratio is 46 percent for oil/NGL
15 (141 percent in 1998) and 23 percent for gas
16 (255 percent in 1999)."

17 What is a Reserves Replacement Ratio?

18 MR. SMITH: Objection to form.

19 BY MR. MILLKEY:

20 Q Are you familiar with the term "Reserves
21 Replacement Ratio"?

22 A Yes, I am.

23 Q And what is that ratio? 22609

24 A It is a ratio of proved reserves
25 replacement.

0062

1 DOMINIQUE GARDY, January 24, 2007

2 Q Do you know if Shell at this time had a
3 target for proved reserves replacement?

4 MR. SMITH: Objection to form.

5 BY MR. MILLKEY:

6 Q I'm sorry. A target for the Reserves
7 Replacement Ratio.

8 A There was no --

9 MR. SMITH: Objection to form.

10 BY MR. MILLKEY:

11 Q Pardon me?

12 A There was no specific target on the
13 reserves.

14 Q If a -- if the Reserves Replacement
15 Ratio was 100 percent, can you just explain to me
16 what that would mean.

17 A It means that you replace your
18 production --

19 Q On a one-to-one basis?

20 A -- on a one-to-one basis.

21 Q Was the Reserves Replacement Ratio
22 considered a key performance indicator within the
23 group?

24 MR. SMITH: Objection to form, lack of
25 foundation.

0063

1 DOMINIQUE GARDY, January 24, 2007

2 THE WITNESS: Again as I said earlier,
3 we were looking at the business in its totality
4 all along the value chain, from exploration down
5 to production, and deriving from that the reserve,
6 but there was no specific target, as I mentioned,
7 on that front.

8 BY MR. MILLKEY:

9 Q I guess my question was: RRR, using
10 that as a shorthand, was that considered to be a
11 key performance indicator -- strike that. Do you
12 know whether analysts following the oil and gas
13 industry considered Reserves Replacement Ratio to

14 be a key performance indicator of an oil and gas
15 company?

16 MR. SMITH: Do we have a time period?

17 MR. MILLKEY: During the period when he
18 was the CFO of EP.

19 THE WITNESS: Well, I think first, as I
20 mentioned to you, I am not some direct contact
21 with -- I have not some direct interaction with
22 analysts, and to your question, the market out
23 there is looking at the business in its totality,
24 it's not focusing on one aspect of the business.
25 And again what is important is resource base,
0064

1 DOMINIQUE GARDY, January 24, 2007
2 totality of resource, the project which are in the
3 funnel, the possibility and capability to deliver
4 this project, so there are many aspects of the
5 business all along the value chain I've just
6 described.

7 BY MR. MILLKEY:

8 Q So would you say that RRR is not a key
9 performance indicator?

10 MR. SMITH: Objection to form.

11 THE WITNESS: Well, I did say there are
12 many performance indicator which give the status
13 of the business. Replacing production is
14 something which everybody can understand is
15 important, but it's just one element of many other
16 parameters, such as the one I just tried to
17 describe.

18 BY MR. MILLKEY:

19 Q In the language I read, the RRR for
20 oil/NGL is listed as 46 percent. Do you know
21 whether that was considered to be a good RRR?

22 MR. SMITH: Objection to form.

23 THE WITNESS: I do not recollect
24 specific discussion on these numbers, and again,
25 building on what I just said, you do not look at
0065

1 DOMINIQUE GARDY, January 24, 2007
2 one parameter on its own. You look at the trend,
3 you look at the parameter over years, and you look
4 at the totality of the business.

5 BY MR. MILLKEY: 22611

6 Q Now, there's also an RRR of 23 percent
7 listed for gas for 1999.

8 By the way, I just want to know -- I
9 think there's a mistake in the document. It says
10 255 percent in 1999. I think it probably should
11 have been 1998, because this document is about
12 1999, but, well, do you know whether the
13 255 percent in 1999, do you know whether the 1999
14 is a mistake or not?

15 A Again I think I did not produce this
16 document, so you would have to ask the one who did
17 produce it.

18 Q Is a 23 percent RRR for gas considered
19 to be a desirable RRR?

20 MR. SMITH: Objection to form. You're
21 asking his opinion or the angels in heaven? I
22 just don't know who you're asking about. Who
23 considers it?

24 BY MR. MILLKEY:

25 Q Did Shell consider a 23 percent RRR to
0066

1 DOMINIQUE GARDY, January 24, 2007
2 be a desirable RRR?

3 MR. SMITH: Objection to form.

4 THE WITNESS: Again I give, I give
5 exactly the same reply as the one I gave you for
6 the 46 percent.

7 BY MR. MILLKEY:

8 Q The last line of that bullet says,
9 "Total oil/NGL/gas replacement ratio for 1999 is
10 37 percent (182 percent in 1998)."

11 Do you know whether the numbers for RRR
12 that are identified in this bullet point were the
13 numbers that were actually reported by Shell in
14 the 20F for 1999?

15 A I don't know.

16 Q In the second bullet point there is a
17 sentence -- the last sentence of the second
18 bulleted point says, "It should be noted that the
19 implementation of the new Petroleum Resource
20 Guidelines during 1998 accounted for roughly
21 50 percent of the 1998 proved reserves increase."

22 Did you have any role in the preparation
23 of new Petroleum Resource Guidelines in 1998?

24 A I did join Exploration and Production in
25 April '99.

0067

1 DOMINIQUE GARDY, January 24, 2007

2 Q Do you have any understanding of how the
3 guidelines changed during 1998?

4 MR. SMITH: Objection to form and lack
5 of foundation.

6 THE WITNESS: Again I did join
7 Exploration and Production in April '99, and I did
8 not look back on what was before. I had enough to
9 do with my own shop.

10 BY MR. MILLKEY:

11 Q In the next bullet point it has a
12 reference to "AOSP mining reserves." Do you have
13 any understanding what that refers to?

14 A That refers to Athabasca reserves in
15 Canada.

16 Q And there is also a reference to the
17 "Iran pseudo-reserves." Do you understand what
18 "pseudo-reserves" refers to?

19 MR. SMITH: Objection to form.

20 THE WITNESS: No, I do not.

21 BY MR. MILLKEY:

22 Q If you could please turn to Page 3 of
23 the pre-reading materials. There's a 3 at the
24 bottom of the page. Two thirds of the way down
25 the page there's a heading "Impact AOSP and Iran,"

0068

1 DOMINIQUE GARDY, January 24, 2007
2 and the beginning of the second paragraph begins
3 with the word "although." Do you see where I am?

4 A Yes.

5 Q It says, "Although the externally
6 reported proved oil/NGL and gas reserves will not
7 include AOSP mining reserves nor the Iran
8 pseudo-reserves, the overall [hydrogen] resource
9 replacement performance is better represented if
10 these volumes are included resulting in a
11 replacement ratio of 94 percent."

12 Do you know why at this juncture it was

13 intended that the AOSP mining reserves and the
14 Iran pseudo-reserves would not be included in
15 resource replacement performance?

16 MR. SMITH: Objection to form, lack of
17 foundation, and you misquoted the paragraph.

18 MR. MILLKEY: What did I say?

19 MR. SMITH: You said "hydrogen," not
20 "hydrocarbon."

21 MR. MILLKEY: I'm sorry.

22 THE WITNESS: The way I read this table
23 is just two set of data including or excluding --
24 including or excluding this, as it's quoted here,
25 AOSP mining reserves and Iran pseudo-reserves.
0069

1 DOMINIQUE GARDY, January 24, 2007

2 BY MR. MILLKEY:

3 Q Do you know why this statement says that
4 the externally reported proved reserves would not
5 include the mining reserves and the
6 pseudo-reserves?

7 A I think I have a recollection that
8 mining reserves do not necessarily qualify for SEC
9 proved reserves definition.

10 Q Do you know if the AOSP mining reserves
11 and the Iran pseudo-reserves were included in the
12 Reserves Replacement Ratio that was actually
13 reported in the 1999 20F?

14 MR. SMITH: Objection to form and lack
15 of foundation.

16 THE WITNESS: Again as I told you early
17 on, I do not remember the numbers which were put
18 in the 20F.

19 (Exhibit No. 2 was marked for
20 identification and attached to the deposition
21 transcript.)

22 BY MR. MILLKEY:

23 Q Mr. Gardy, this is a very big exhibit,
24 but I'm only going to point out one page in it,
25 and I'll tell you right now it's Page 41.

0070

1 DOMINIQUE GARDY, January 24, 2007

2 Mr. Gardy, do you recognize this
3 document?

4 A No.

5 Q In the course of your work as EP CFO,
6 did you ever review the 20F that was filed by
7 Shell with the SEC?

8 A No.

9 Q Gardy Exhibit Number 2 is a -- is the
10 Form 20F by Shell for 1999 and was produced by
11 Shell. The Bates range is RJW00101976 through
12 RJW00102118.

13 I direct your attention to Page 41.
14 There's a heading in the middle of the page called
15 "Reserves." And I'll read a part of that first
16 paragraph. It says, "The overall 1999 replacement
17 ratio of proved crude oil and natural gas reserves
18 and oil sands stands at 101 percent." Then at the
19 end of that paragraph it says, "The replacement
20 ratio of the overall 1999 crude oil and natural
21 gas proved reserves (including natural gas
22 liquids, but excluding oil sands) is 102 percent
23 before and 56 percent after divestments and
24 acquisitions."

25 If you could turn back to Gardy Exhibit
0071

1 DOMINIQUE GARDY, January 24, 2007
2 Number 1, the presentation we just discussed, at
3 the end of the first bulleted point, it says
4 "Total oil/NGL/gas replacement ratio for 1999 is
5 37 percent," and I don't see the number 37 percent
6 in Gardy Exhibit 2, which we've just marked,
7 although there is a 56 percent RRR listed after
8 divestments and acquisitions. Do you have any
9 understanding why there is a difference between
10 the numbers in Gardy Exhibit Number 1 and Gardy
11 Exhibit Number 2?

12 MR. SMITH: Objection to form and lack
13 of foundation.

14 THE WITNESS: Again, as I told you, I
15 did not produce these numbers, so I just cannot
16 comment on it.

17 BY MR. MILLKEY:

18 Q At the meeting on January 31st, 2000, do
19 you recall if there was any discussion about the
20 possibility of improving the proved reserves

21 numbers that were listed in the presentation 22615

22 pre-reading materials?

23 MR. SMITH: Objection to form.

24 THE WITNESS: I do not recall any type
25 of a discussion. We are just talking about facts.

0072

1 DOMINIQUE GARDY, January 24, 2007

2 BY MR. MILLKEY:

3 Q Well, on Page 4 of the presentation
4 which is Exhibit Number 1, there's a heading,
5 "Issues," and underneath that it says "Nigeria
6 SPDC -- Erha Discovery." Do you see that?

7 MR. SMITH: Objection to form. This is
8 in the pre-reading?

9 BY MR. MILLKEY:

10 Q I'm sorry. The pre-reading materials.

11 A Yes, I see it.

12 Q Well, let me ask you this: Are you
13 aware of any -- have you ever heard of something
14 called the "Shell guidelines"? Have you ever
15 heard of anyone refer to a document known as the
16 Shell guidelines relating to the reporting of
17 proved reserves?

18 A Yes, I did hear a lot about it after
19 2004.

20 Q Is that --

21 A I did hear a lot about it after 2004.

22 Q Is that a document that you had occasion
23 to read while you were CEO of -- CFO of EP?

24 A No.

25 Q And I take it you never had any training

0073

1 DOMINIQUE GARDY, January 24, 2007
2 in the requirements for proved reserve reporting;
3 is that correct?

4 A I did not have any training until after
5 2004.

6 THE VIDEOGRAPHER: We have to go off.

7 MR. MILLKEY: Okay.

8 THE VIDEOGRAPHER: This marks the end of
9 Tape 1 in the deposition of Dr. Gardy. We are
10 going off the record. The time is 12:22 p.m.

11 MR. MILLKEY: She has to change the

12 tape.

13 (Whereupon, a short recess was taken.)

14 THE VIDEOGRAPHER: This marks the
15 beginning of Tape 2 in the deposition of
16 Dr. Gardy. We are back on the record. The time
17 is 12:27 p.m.

18 BY MR. MILLKEY:

19 Q We were talking about the requirements
20 for proved reserve reporting, and I had asked if
21 you had had any training in that subject, and I
22 think you said not until 2004. What training did
23 you have in 2004?

24 A We had a training at, uh, in different
25 form, two forms, from what I recall. One was a
0074

1 DOMINIQUE GARDY, January 24, 2007
2 training which I had in my own region, in EP Asia
3 Pacific, and another training which took place at
4 ExCom, which had become, in between, EP Leadership
5 Team, EPLT.

6 Q The training that occurred in the Asia
7 Pacific region; who conducted that training?

8 A Well, there was a group of people who
9 was designated to conduct the training all across
10 the company who came into the region.

11 Q Do you recall where that occurred?

12 A There was one I did at end, because the
13 transition was in Singapore.

14 Q Sorry?

15 A In Singapore.

16 Q Do you recall how long the training was?

17 A This one was half a day.

18 Q And the other was to the EP leadership
19 forum; is that what you said?

20 A EP Leadership Team, yes.

21 Q Leadership Team?

22 A Yes.

23 Q How long was that training?

24 A I cannot remember precisely, but
25 something like two hours, I think.

0075

1 DOMINIQUE GARDY, January 24, 2007

2 Q Do you recall who conducted that

3 training?

4 A I'm afraid no.

5 Q Back to Exhibit 1, the pre-reading
6 materials, on Page 4 under the heading "Nigeria
7 SPDC -- Erha Discovery," I believe it's the second
8 sentence begins, "Erha volumes, however, were
9 excluded from the 1.1.2000 proved reserves, as
10 Exxon indicated mid-December 1999 that they would
11 not include the volumes in their proved reserves
12 and did not present SNEPCO with a preliminary
13 development plan. Subsequent challenge has
14 indicated that volumes are sufficiently large and
15 sufficient technical work has been done in Houston
16 to support proved reserves booking for 1.1.2000.
17 It is therefore recommended to advise SNEPCO to
18 book Erha proved reserves for 1.1.2000 of 24.0 mln
19 m3 oil Shell PSC entitlement."

20 Do you know whether Shell booked
21 reserves that year in connection with Erha?

22 MR. SMITH: Objection to form.

23 THE WITNESS: I do not remember.

24 BY MR. MILLKEY:

25 Q Was Exxon a partner of Shell's in that
0076

1 DOMINIQUE GARDY, January 24, 2007
2 field?

3 MR. SMITH: Objection to form and lack
4 of foundation.

5 THE WITNESS: Well, I know we have
6 partner in, in some of the field in Nigeria. I
7 cannot remember specifically on this one.

8 BY MR. MILLKEY:

9 Q Do you recall whether ExCom approved a
10 booking in Erha during this meeting?

11 MR. SMITH: Objection to form; asked and
12 answered.

13 THE WITNESS: I have no recollection on
14 this specific point, discussion.

15 BY MR. MILLKEY:

16 Q If Shell has a partnership with another
17 oil and gas company in a particular area, and the
18 other oil and gas company does not book proved
19 reserves in that area, is that a relevant

20 consideration in determining whether Shell should
21 book proved reserves?

22 MR. SMITH: Objection to form and lack
23 of foundation.

24 THE WITNESS: Well, I think it's up to
25 every company to make their mind up on what we
0077

1 DOMINIQUE GARDY, January 24, 2007

2 want to do with reserves.

3 BY MR. MILLKEY:

4 Q In the next paragraph there's a
5 reference to "Unit Finding Cost." Do you know
6 what that is?

7 A As it indicates, I mean it's the cost to
8 come from discovery to development.

9 Q On the next page there is a reference to
10 Australia. It refers to "WAPET," W-A-P-E-T. Do
11 you know what WAPET is?

12 A No.

13 Q Do you know if, at this juncture, Shell
14 had booked proved reserves in Gorgon?

15 MR. SMITH: Objection to form. Does he
16 know that sitting here today, or did he know it at
17 the time?

18 BY MR. MILLKEY:

19 Q Did you know at the time whether Shell
20 had booked reserves in Gorgon?

21 A No, I did not recollect exactly what is
22 the position in Gorgon at that time.

23 Q When you became the Regional Business
24 Director of Asia Pacific, did you become aware of
25 the status of Shell's booking in Gorgon?
0078

1 DOMINIQUE GARDY, January 24, 2007

2 A Yes, I did become aware about the Gorgon
3 booking in the late part of 2002.

4 Q Is that the first time you became aware
5 of that booking, that you recall?

6 A The first time I focused -- I started to
7 hear and focus about it.

8 Q Did you learn at that time when
9 Gorgon -- did you learn when Shell first booked
10 proved reserves in Gorgon?

11 A Well, I look -- I did after that, but 22619
12 again the only thing I was referring to -- to
13 repeat myself, sorry for that -- was Year-End
14 Report from Mr. Barendregt, seeing that there was
15 a fair representation all across the world.

16 Q As Regional Business Director, did you
17 ever have occasion to research the original
18 booking of Gorgon?

19 A When, when I started to become aware of
20 the Gorgon situation late 2002 and in 2003, I
21 started to look at the overall situation of
22 Gorgon.

23 Q Look at -- I'm sorry?

24 A The overall situation in Gorgon.

25 Q And what did you learn at that time

0079

1 DOMINIQUE GARDY, January 24, 2007
2 about Gorgon?

3 A Well, it was back to a meeting I had in
4 Australia in the first quarter of 2003. It was
5 what was called something like Quarterly Business
6 Review by Shell Australia. I did it at that one.
7 That was my first one, being new in this Regional
8 Business Director role for Asia Pacific, and at
9 that time I recollect there were some discussion
10 about Gorgon reserves in the light of ongoing
11 process to get authorization from environmental
12 authorities in Australia about building an LNG
13 plant on Barrow Island.

14 Q At that time in 2002 had Shell secured
15 the environmental authorizations it needed from
16 the governments in Australia?

17 A I was referring to a meeting in first
18 quarter 2003.

19 Q I'm sorry. 2002, I misspoke. I should
20 have said 2003. At that time in 2003 had Shell
21 secured the environmental authorizations it needed
22 to build a processing plant on Barrow Island?

23 A Not to my recollection, and this is why
24 we said we will have to monitor the progress on
25 this issue during the year of 2003.

0080

1 DOMINIQUE GARDY, January 24, 2007

2 Q Do you know whether having those 22620
3 environmental authorizations was a prerequisite to
4 booking proved reserves in Gorgon?

5 MR. SMITH: Objection to form and lack
6 of foundation.

7 THE WITNESS: Well, again, as I said,
8 there was a discussion during this meeting, and we
9 said we are going to monitor the development on
10 this issue during 2003.

11 BY MR. MILLKEY:

12 Q Do you know whether the Shell guidelines
13 at that time required Shell to have received the
14 appropriate authorizations before booking proved
15 reserves in Gorgon?

16 MR. SMITH: Objection; form, lack of
17 foundation and asked and answered.

18 THE WITNESS: When I, when I came again
19 to this meeting in the first quarter of 2003, I
20 came to this meeting with, in the back of my mind,
21 the report end-2002, saying that it was a fair --
22 the reserves booking by end-2002 were a fair
23 representation of what it should be.

24 BY MR. MILLKEY:

25 Q At that time in 2003, did Shell have a
0081

1 DOMINIQUE GARDY, January 24, 2007
2 signed contract for the sale of Gorgon gas?

3 A I recall there was some discussion on
4 that part, of the need to monitor, but I cannot
5 remember exactly what was the status on this
6 contract.

7 Q I'm sorry. What was the last word -- on
8 this --

9 A Contract you were referring to.

10 Q Do you know whether at that time in 2003
11 Shell had a signed Letter of Intent regarding the
12 sale of Gorgon gas?

13 A At that time I didn't know. When
14 afterwards, when we heard about the history and I
15 mentioned to you I look back with that history, I
16 learned about that.

17 Q And when you looked back, what did you
18 learn?

19 MR. SMITH: Objection to form. 22621

20 THE WITNESS: What do you mean?

21 BY MR. MILLKEY:

22 Q Well, I may have misunderstood your
23 answer. At that time in 2003 was there a signed
24 Letter of Intent for the sale of the Gorgon gas?

25 A As I told you, during this meeting in
0082

1 DOMINIQUE GARDY, January 24, 2007
2 2003 I put my attention on Gorgon, on the
3 rationale of the question around Barrow Island. I
4 was not clear, I cannot remember at that time what
5 was the status of the commercial contract. After
6 the announcement of 2004 and after I spent a bit
7 more time in my own job, I look back at the
8 history of Gorgon, and then I learned about a
9 Letter of Intent on the commercial front.

10 Q When you look back in 2004, did you
11 learn that there was a Letter of Intent at some
12 point in the past?

13 A This is what I recollect, yes.

14 Q What did you learn about that Letter of
15 Intent? Do you recall who the letter was signed
16 by?

17 A No.

18 MR. SMITH: Objection to form. It's a
19 compound question.

20 THE WITNESS: I do not recall that.

21 BY MR. MILLKEY:

22 Q Did you ever see a Letter of Intent?

23 A I did not.

24 Q What were you told about the Letter of
25 Intent was signed? What period of time was the

0083

1 DOMINIQUE GARDY, January 24, 2007
2 Letter of Intent signed?

3 A Again, the thing I did was to look at
4 the document, which was some history about Gorgon,
5 sometime in 2004.

6 Q Does Shell still have an interest in
7 Gorgon?

8 A Yes, this being a commercial issue and
9 sensitive.

10 Q Of course. Do you know as of today 22622
11 whether Shell has secured the environmental
12 authorizations it needs to build a gas processing
13 facility on Barrow Island?

14 A First, Gorgon is -- Chevron is operator
15 of Gorgon. I need some help here. I don't know
16 how much I can talk about the commercial agreement
17 going on right now.

18 Q Okay, I understand.

19 A In answer to your question, Chevron has
20 been the one leading the process in terms of
21 getting this authorization, and the process is
22 going on as we speak around Barrow Island is what
23 I can say.

24 Q Do you know whether as of today Shell
25 has contracts for the sale of Gorgon gas?

0084

1 DOMINIQUE GARDY, January 24, 2007

2 A I'm sorry. This is commercial and
3 sensitive. I do not want to comment on that.

4 Q I think you -- correct me if I'm wrong.
5 I think you said in 2003 Shell was going to
6 continue to monitor the Gorgon booking. Am I
7 right about that?

8 A Yes.

9 Q At any point afterwards, were there
10 further discussions about de-booking the Gorgon
11 reserves?

12 MR. SMITH: I assume you mean separate
13 and apart from what happened in 2004.

14 BY MR. MILLKEY:

15 Q Prior to January of 2004.

16 A Well, as I said, it was monitored during
17 2003.

18 Q Excuse me?

19 A It was monitored during the year of
20 2003.

21 Q Do you recall any specific discussions
22 about de-booking during the course of that
23 monitoring period?

24 A Well, during August quarterly business
25 review in Australia in 2003, the question came

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1 DOMINIQUE GARDY, January 24, 200722623

2 back and discussed as part of fuller action from
3 this first meeting I was referring to.

4 Q And what do you recall about those
5 discussions at that meeting?

6 A Well, again we have to review the
7 situation by year-end.

8 Q So at that meeting there was a decision
9 to continue to monitor; is that correct?

10 A Yeah.

11 Q And was there another meeting at
12 year-end on the subject of Gorgon reserves?

13 A I'm not sure I understand "another
14 meeting at year-end."

15 Q Another meeting at year-end 2003 to
16 discuss Gorgon.

17 A I think -- I cannot remember precisely
18 when was my last visit in Australia in -- in end
19 of 2003, and again that was clearly discussed --
20 that was discussed again at that time, and then we
21 had the news coming sometime at EP Leadership Team
22 meeting, mid-December, about Gorgon and the rest.

23 Q Right. At the first meeting you
24 mentioned, which I think was in -- the first
25 meeting in 2003, was anyone advocating that Gorgon

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1 DOMINIQUE GARDY, January 24, 2007

2 reserves be de-booked?

3 A I'm not sure I -- depends exactly how
4 you interpret the word "advocating." I remember
5 discussion about here we have a potential exposure
6 issue.

7 Q But you don't specifically recall
8 somebody taking the position that, look, we ought
9 to de-book these reserves?

10 A Well, again the decision was to look at
11 it during the year and then to make a decision.

12 Q At any time while you were Regional
13 Business Director, do you recall discussions about
14 making an additional booking in Gorgon?

15 A Not during that time. Again looking
16 back at the history of Gorgon, I think there was
17 reference to, at a given point in time, to

18 consider adding some reserves. 22624

19 Q But that was before you became the RBD?

20 A I believe it was. I cannot be certain.

21 MR. MILLKEY: Do you want to have lunch?

22 MR. SMITH: Sure.

23 THE VIDEOGRAPHER: We are going off the
24 record. The time is 12:51 p.m.

25 (Whereupon, the lunch recess was taken.)

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1 DOMINIQUE GARDY, January 24, 2007

2 THE VIDEOGRAPHER: We are back on the
3 record. The time is 1:48 p.m.

4 BY MR. MILLKEY:

5 Q Hi, Mr. Gardy.

6 A Hi.

7 Q I'd just like to revisit one question I
8 asked you earlier. Do you know whether Shell
9 currently has a contract for the sale of Gorgon
10 gas?

11 A I don't know the status of the situation
12 on that front.

13 Q When did you cease being -- well, strike
14 that. Are you still Regional Business Director
15 for --

16 A Yes, I am.

17 Q -- Asia Pacific? You are?

18 MR. SMITH: May we have a second?

19 MR. MILLKEY: Yes.

20 (Discussion was held off the record.)

21 (Exhibit No. 3 was marked for
22 identification and attached to the deposition
23 transcript.)

24 THE WITNESS: If I may just clarify what
25 I just said; yeah?

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1 DOMINIQUE GARDY, January 24, 2007

2 BY MR. MILLKEY:

3 Q Yes.

4 A I'm not aware of the current state or
5 situation today. I changed job on December 9,
6 2006, moving to a new position.

7 Q Oh, I'm sorry. What is your new
8 position?

9 A My new position is head of contracting
10 and procurement for Shell.

11 Q So, we've given you what has been marked
12 as Gardy Exhibit Number 3. If you can just take a
13 moment to look at it.

14 Gardy Exhibit Number 3 appears to be an
15 e-mail with an attachment. The e-mail is from
16 Aidan McKay dated October 2nd, 2001, to Roelof
17 Platenkamp. The "re" line is "Roelof
18 Career-Ender." Then it says, "26th June 2000
19 ExCom Presentation, State of the Portfolio," and
20 the attachment appears to be a series of slides
21 presumably relating to that presentation.

22 Mr. Gardy, have you ever seen these
23 presentation materials before?

24 A I know that during the business plan
25 discussion we had a series of presentations, so --
0089

1 DOMINIQUE GARDY, January 24, 2007
2 I cannot point out specifically which one, but
3 looking at the title, "ExCom," I suppose it was
4 part of pre-reading for an ExCom discussion.

5 Q The cover e-mail is from a gentleman
6 named Aidan McKay. Do you know who Mr. McKay is?

7 A Yes.

8 Q Who is he?

9 A Well, he was working in EPB at that
10 time.

11 Q Had you ever heard a presentation of
12 Mr. Platenkamp's referred to as a "career-ender"?

13 A A presentation from Mr. Platenkamp on --

14 Q Have you ever heard a presentation given
15 by Mr. Platenkamp referred to as a "career-ender"?

16 A Refers to a "career-ender" for himself,
17 you mean?

18 Q Yes, I think that was the implication,
19 yes.

20 A Sorry. I don't understand the question.

21 Q I take it the answer is no.

22 A No.

23 Q Turning to the presentation itself --
24 and for the record, the document is Bates range
25 V00120307 through 369. If you turn to the first

0090

1 DOMINIQUE GARDY, January 24, 2007
2 page of the presentation, or 120308 -- do you see
3 the numbers at the bottom?

4 A Yes.

5 Q The heading is, "ExCom Early Look
6 Business Plan 2000," and the first bullet says,
7 "Flaws in the Capital Allocation Process." What
8 is the capital allocation process?

9 A The capital allocation process was a new
10 process which was introduced I believe early 2000
11 and maybe in -- it was early 2000, the process
12 consisting of getting all operating units
13 representative in a room in The Hague for a couple
14 of days, coming, each of them, with their proposed
15 investment program for the business plan, based on
16 a type of standard description of the various
17 project in terms of capex requires, timing, net
18 present value, that sort of thing. And the
19 objective of these three days was to rank these
20 various project against a given set of criteria,
21 so that to arrive at a sort of list of the ranked
22 investment proposal coming from all across the
23 world.

24 Q Was this a competitive process then,
25 competitive in the sense that there was a limited

0091

1 DOMINIQUE GARDY, January 24, 2007
2 sum to be allocated among the operating units?

3 A There was -- the process of the capital
4 allocation for a couple of days was to put
5 everything on the table, coming again from all
6 operating units and trying to look at the totality
7 of the proposal, and establish, among other
8 things, what was called a creaming curve; in other
9 words, what were the project contributing most in
10 terms of value as compared to the one contributing
11 less. There was no competition; it was an
12 inventory on the current system and common basis
13 of all the projects coming from the various parts
14 of the world.

15 Q Prior to the introduction of the capital
16 allocation process, was there some other process

17 in place for the same purpose? 22627

18 A The objective was again to ensure that
19 there would be as much as consistent data for all
20 these projects being assembled all together, and
21 the objective of the so-called workshop of capital
22 allocation was to end up again with the list as I
23 just described.

24 Q Now, if you'll turn two pages down to
25 Page 120310, there's a page with a heading "The
0092

1 DOMINIQUE GARDY, January 24, 2007
2 Bad News." By the way, do you know who
3 presented -- I'm sorry. Do you know who prepared
4 these materials?

5 A I don't know about this one in
6 particular. I know that document commenting about
7 business plan or capital allocation were coming
8 from EPB.

9 Q But you don't know the particular
10 individual or individuals who would have prepared
11 it?

12 A No.

13 Q The second bullet states, "The Capital
14 Allocation Process appears to be flawed with
15 overstatements of key parameters to secure funds."
16 Do you recall any discussion of this issue at
17 ExCom?

18 A Well, what I recall is that we
19 acknowledged that this capital allocation process
20 was a new process. That was the first time that
21 indeed we got everybody in the same room, trying
22 to look at the portfolio in its totality, so as
23 you may imagine, in a sort of new process like
24 this one, which is to get global data on a
25 consistent basis. A new process being applied for
0093

1 DOMINIQUE GARDY, January 24, 2007
2 the first time, indeed there is things which are
3 not perfect, because it's quite new.

4 Q Was that one of the things that was
5 discussed about the new process, that there
6 appeared to be overstatement of certain values by
7 the operating units in their submissions?

8 MR. SMITH: Objection to form. 22628

9 THE WITNESS: Well, I think again the
10 recognition was on the fact that this newly
11 created process took place for the first time, and
12 second, the recognition there was probably some
13 room for improvement and need for some learning of
14 the data submission to improve in the years to
15 come.

16 BY MR. MILLKEY:

17 Q What improvements were -- what areas
18 were discussed where there was a need for
19 improvement?

20 A Well, from what I recall again, we set
21 up a definition for -- we set up a certain format
22 of definition for submission, and you need to
23 participate a bit to ensure that this is
24 consistently applied across the globe, at a point
25 of time where we are coming from a rather

0094

1 DOMINIQUE GARDY, January 24, 2007
2 decentralized type of organization.

3 Q Do you recall any specific parameters
4 where it was concluded that improvement was
5 needed?

6 A Not specifically. Some data which came
7 late, some data which were, because there was a
8 balanced system of submission, turned out to be
9 incorrect and corrected afterwards, that sort of
10 thing.

11 Q It you could turn to the next page,
12 120311, there's a heading at the top,
13 "Exploration -- Overstated Value?" At the top
14 right there's a box that says, "2000 Raw Data
15 Submission, Each Exploration Dollar Spend in 2001
16 adds \$9 IBV at PSV14." What does "IBV" mean?"

17 A Intrinsic Business Value.

18 Q What does "PSV14" mean?

19 A Price Screening Value \$14 per barrel.

20 Q Fourteen dollars --

21 A Per barrel.

22 Q Can you just explain what that means,
23 the price screening value of \$14 per barrel? What
24 does that mean?

25 A This means that at this period of time 22629
0095

1 DOMINIQUE GARDY, January 24, 2007
2 there was a project we were screening was at \$14
3 per barrel.

4 Q Now, underneath the box for 2000 that we
5 just read, there's a box for 1999. It says, "1999
6 Raw Data Submission -- Each Exploration Dollar
7 Spend in 2000 adds \$6 IBV at PSV14." Am I correct
8 in understanding this to mean that based upon the
9 2000 raw data submission, there was an increase in
10 value of three dollars per each dollar spent? Is
11 that what this is trying to convey?

12 A What it does convey is a dollar spend in
13 2001 is plan to generate nine dollar IBV when a
14 dollar spend in 2000 did add six dollar Intrinsic
15 Business Value.

16 Q Now, looking at the box at the lower
17 left-hand corner, it says, "POS to FID shows no
18 major differences in '99 submission to 2000." Do
19 you know what "POS" stands for?

20 A Probability Of Success.

21 Q If the Probability of Success did not
22 change from 1999 to 2000, do you understand how
23 the value goes from six dollars IBV in 1999 to
24 nine dollars IBV in 2000? And I'm looking at the
25 two boxes in the upper right-hand corner.

0096

1 DOMINIQUE GARDY, January 24, 2007

2 MR. SMITH: Objection to form and lack
3 of foundation.

4 THE WITNESS: Well, here again it's a
5 document being used to, to prepare for the
6 business plan and looking at the data as
7 submitted.

8 BY MR. MILLKEY:

9 Q Do you understand or can you explain how
10 the information on this page supports the heading
11 "Exploration -- Overstated Value?"

12 MR. SMITH: Objection to form and lack
13 of foundation.

14 THE WITNESS: Well, again I think it's
15 important to understand the context where we were

16 working on the plan, we got the capital 22630
17 allocation, we got the data, then we look at them
18 and starting to work on this, to see how we would
19 look at the plan over the next couple of weeks
20 being still work, being still work in progress.

21 BY MR. MILLKEY:

22 Q Do you recall Mr. Platenkamp raising the
23 possibility at the presentation that the OU
24 submissions might have been inflated?

25 A No.

0097

1 DOMINIQUE GARDY, January 24, 2007

2 Q If you could turn to the next page,
3 120312, there's a statement in the box on that
4 page, sort of in the center of the page that says,
5 "Time to FID and first production in data
6 submissions very optimistic and unrelated to
7 historic performance."

8 First of all, what does "FID" stand for?

9 A Final Investment Decision.

10 Q And what exactly is that?

11 A Well, it's, it's a date when, for a
12 given project, a commitment is made to commit
13 money to spend on this project.

14 Q Do you recall any discussion before
15 ExCom of the time to FID and first production in
16 data submissions being very optimistic?

17 MR. SMITH: Objection to form.

18 THE WITNESS: Well, again to prepare a
19 business plan, we were looking at all the data
20 coming to support it, and again from exploration
21 to delivery and production of project, all the
22 sort of parameters related to the value chain.

23 BY MR. MILLKEY:

24 Q Do you recall this specific subject
25 being discussed by ExCom?

0098

1 DOMINIQUE GARDY, January 24, 2007

2 A Well, again I remember the totality of
3 the discussion around the business plan. This is
4 not the business plan; this is discussing data
5 submitted in order to prepare a plan.

6 Q Do you know whether -- strike that. So

7 I take it you don't -- am I correct that you don't
8 remember a specific conversation about this
9 particular issue?

10 A Again, I'll repeat myself. We were
11 looking at the totality of the cycle from
12 exploration to delivery, looking at opportunities,
13 taking resources, explore them, develop them,
14 looking at the project, bringing the project to
15 Final Investment Decision, and from Final
16 Investment Decision to production. So there was
17 discussion on the various aspects on all this
18 chain but not on a specific one, looking at the
19 totality again of the value chain.

20 Q Just turning to the next page, which is
21 120313, if you could just take a moment to look at
22 that, at the bottom right-hand corner it says,
23 "Commitment Levels Suspect," and I'm just
24 wondering if you understand what that's referring
25 to.

0099

1 DOMINIQUE GARDY, January 24, 2007

2 A I cannot understand what the word mean.

3 Q Turning to the next page which has the
4 heading "Production: Can We Deliver on This
5 Promise," do you have any specific recollection of
6 any conversation with ExCom regarding production
7 issues at this meeting?

8 MR. SMITH: Objection to form, lack of
9 foundation.

10 THE WITNESS: Well, based on the date of
11 this e-mail -- and I have no clue if the document
12 attached relates to the same dates we are talking
13 about, October 2001, so that was the time when --

14 BY MR. MILLKEY:

15 Q But just to point out --

16 A -- actually the date, sir.

17 Q The cover e-mail in the "re" line
18 suggests that this was a June 26th, 2000, ExCom
19 presentation, just as a clarification.

20 A I thought it was October 2001.

21 So again I just repeat what I said. We
22 were looking at all data as they were coming and
23 looking at, as one item on the table, sort of a

24 production profile we would derive from the 22632
25 project to be developed, and there was a
0100

1 DOMINIQUE GARDY, January 24, 2007
2 discussion about what did that mean in terms of --
3 in terms of the foundation for the plan.

4 Q Turning two pages, down to 120316, the
5 heading there is "Major Concerns." Do you recall
6 whether ExCom reached a consensus at or about this
7 time that these bulleted points were major
8 concerns for Shell?

9 MR. SMITH: Objection to form.

10 THE WITNESS: Well, I think they were on
11 the slide, and they speak for what they are. And
12 again if I understood, it probably was a
13 presentation in June 2000 --

14 BY MR. MILLKEY:

15 Q Correct.

16 A -- at the beginning of the process of
17 the business plan.

18 Q Do you remember any specific
19 recollection of any of the concerns listed on this
20 page by ExCom?

21 MR. SMITH: Objection to form.

22 THE WITNESS: Again I remember the
23 totality of the discussion, and of course, with
24 data coming to the table, we had to look at all
25 aspects of it on the slide as concern as opposed

0101

1 DOMINIQUE GARDY, January 24, 2007
2 to some other aspects which were probably not
3 expressed because not source of concern.

4 BY MR. MILLKEY:

5 Q Do you recall whether ExCom came to any
6 conclusions about how to address the concerns that
7 were presented to it at this meeting?

8 MR. SMITH: Objection to form and lack
9 of foundation.

10 THE WITNESS: Well, again this
11 discussion took place in June 2000. Submission of
12 the plan was somewhere in December on every year
13 to, uh, to the conference at that time, and there
14 has been a lot of discussion between June 2000 and

15 the final submission of the plan. 22633

16 BY MR. MILLKEY:

17 Q Do you recall whether, over the course
18 of that period of time, between June and December,
19 ExCom took any steps to address any of the
20 concerns that were raised to it as part of the
21 capital allocation process?

22 MR. SMITH: Objection to form and lack
23 of foundation.

24 THE WITNESS: Well, the way we -- to
25 repeat again -- the way we operating was to build

0102

1 DOMINIQUE GARDY, January 24, 2007
2 a plan based on facts, on facts which we believed
3 in, and taking the data and, on that basis,
4 working a plan which we could support.

5 BY MR. MILLKEY:

6 Q The next page has the heading "Capex
7 Creaming Curve," and to the right it says
8 "Historical Performance Raises Questions Over
9 Ambitious Future Promises." Do you have any
10 understanding of what promises are being referred
11 to here?

12 MR. SMITH: Objection to form and lack
13 of foundation.

14 THE WITNESS: Well, again we were
15 looking at sort of a creaming curve in the various
16 projects and the various contribution, and that
17 was a statement made by the one who did prepare
18 the slide. I was not the one.

19 BY MR. MILLKEY:

20 Q Do you know whether, whether the
21 promises relates to -- well, strike that.

22 On the next page, 120318, and at the
23 bottom left-hand corner it says, "34 percent
24 development percentage exploration discoveries
25 within five years has not been achieved to date."

0103

1 DOMINIQUE GARDY, January 24, 2007

2 Do you know whether this statement
3 reflects the business plan that was in effect at
4 the time, that 34 percent of exploration
5 discoveries would be converted to developed

6 reserves within a five-year period? 22634

7 MR. SMITH: Objection to form and lack
8 of foundation.

9 THE WITNESS: It was a statement you
10 mention at the bottom. I just read it for what it
11 is. I mean again I did not produce it.

12 BY MR. MILLKEY:

13 Q Do you understand what the relevance or
14 the significance of the 34 percent figure is?

15 A I think I am -- the focus on a very
16 specific number for me does not make a lot of
17 sense. Again we need to think about the total
18 picture. We speak about all cycle. And of
19 course, there is number here and there on
20 exploration, on capex, on creaming curve, but what
21 counts is the totality of it. I am sorry, but
22 just pointing out on one specific number after so
23 many years and not having produce it does not ring
24 a bell to me.

25 Q I understand.

0104

1 DOMINIQUE GARDY, January 24, 2007

2 In that same chart towards the top of
3 the box, there's an arrow on either end. It says,
4 "Ten years, only 15 percent developed." Do you
5 have any understanding of what that means?

6 A No, because, to be frank, I have no clue
7 where it relates to. Here again . . .

8 Q If you could turn to V00120327, which
9 has the words "The Way Forward" at the top, at the
10 bottom of the page it says, "We must address the
11 integrity flaws in the CA process and send a very
12 strong signal."

13 Did you agree at that time that there
14 were integrity flaws in the CA process?

15 A I mentioned earlier CA process was a new
16 one. It was not perfect, for the first time, for
17 timing submission, for some data quality, and for
18 some consistency about the way that we were
19 reporting from different OUs who used to have
20 their own process before. So this is the way I
21 read this one.

22 Q Were specific steps taken that you

23 recall to address the shortcomings in the capital
24 allocation process?

25 MR. SMITH: Objection to form, lack of
0105

1 DOMINIQUE GARDY, January 24, 2007
2 foundation, and it's been asked and answered.

3 THE WITNESS: Well, again it was in
4 June 2000, so I believe there were some -- go back
5 to certain OUs, for the one having submitted late
6 or where definition was not applied consistently
7 to correct their respective data. The point was
8 not -- to be very clear, the point was not to
9 cause them to change the data for the sake of
10 changing the data; the point was to get correction
11 on the newly created process so that to be
12 confident that the reporting coming from OUs was
13 consistent and consistency applied across the
14 world.

15 BY MR. MILLKEY:

16 Q That statement also suggests that a
17 quote, "very strong signal," unquote, should be
18 sent. Do you recall if any -- do you recall
19 whether that was done in any way to send a strong
20 signal?

21 MR. SMITH: Objection to form.

22 THE WITNESS: Well, again, "strong
23 signal," I don't know what the word means. This
24 is not mine. The thing we were after was to have
25 set up a new process and to ensure that this new
0106

1 DOMINIQUE GARDY, January 24, 2007
2 process aiming at better decision on investment on
3 a global basis would be ordered on a consistent
4 basis across the world.

5 BY MR. MILLKEY:

6 Q If you could turn to 120329, it says at
7 the top, "Two Possible Schedules." Do you recall
8 whether either of these schedules was actually
9 chosen by ExCom?

10 A I cannot remember which one of these or
11 any other was, was decide on.

12 Q On Page 348 it says "Summary." There's
13 a reference to "Big 3 and Small 15." Do you have

14 any idea what Big 3 refers to? 22636

15 A I think it was a classification in terms
16 of size I believe on production. Big 3, probably
17 U.S., Netherlands and U.K., and then the Small 15,
18 countries like Malaysia, Bonga and so on.

19 Q Do you recall whether the problems that
20 you encountered in this first capital allocation
21 process were resolved in subsequent capital
22 allocation processes?

23 MR. SMITH: Objection to form, lack of
24 foundation.

25 THE WITNESS: Well, again I did not say
0107

1 DOMINIQUE GARDY, January 24, 2007
2 that in the capital allocation process, the first
3 one which was in OUs, did not work -- I did not
4 say that the first time the capital allocation
5 process was put in place, I did not say it did not
6 work. I did say there were some, some
7 incorrection in terms of again data quality
8 submissions so forth which were aiming at being
9 corrected for the sake of consistency, and being
10 on bat, the year after, the process had been
11 better endorsed, if you will, by the various
12 operating units, because it was the second time it
13 was used by these operating units.

14 BY MR. MILLKEY:

15 Q Did Shell have a budget for capital
16 allocation each year a certain amount of money it
17 was prepared to spend each year?

18 MR. SMITH: Objection to form. Can we
19 have like a time frame?

20 BY MR. MILLKEY:

21 Q Well, I guess -- what year are we in
22 now? In 2001. Was there a fixed budget for
23 capital allocation?

24 A In 2001 or 2000?

25 Q This is 2001, right?

0108

1 DOMINIQUE GARDY, January 24, 2007

2 MR. SMITH: It's 2000.

3 BY MR. MILLKEY:

4 Q 2000? I'm sorry. I got mixed up. In

5 2000.

6 A It's not a question of having a budget
7 for capital allocation. Capital allocation again
8 was a process to get all opportunities in terms of
9 investment coming from the various location. It
10 was what I called earlier an "inventory" of all
11 these proposals. That was a set of data being
12 presented to ExCom.

13 To stay on point, which is not
14 interrelated to capital allocation -- not
15 interrelated to capital allocation, was the view
16 on how much investment the business can afford
17 within a given price, environment, supply/demand
18 balance, on barrel, and that was the decision from
19 the final standpoint, saying this is the amount of
20 money we think the business can afford.

21 Q Was concern ever expressed to ExCom that
22 the operating units might perceive the capital
23 allocation process to be a competitive process?

24 MR. SMITH: Objection to form.

25 THE WITNESS: Well, the thing I want to
0109

1 DOMINIQUE GARDY, January 24, 2007
2 say is that again we were in an organization where
3 there were quite a decentralization with
4 accountability at operating unit level. The world
5 we move into was to get more towards a way to
6 manage the business on a global basis, especially
7 when it came to deciding on investment, ensuring
8 that the amount of money that the business could
9 afford in spending in capex would be best used for
10 the best opportunities across the world.

11 I think it's, I would say, an inverted
12 compass. It's human nature, human nature, when
13 you move from your own outfit to be part of
14 something which is more global, that you need a
15 period of time to transition to the mindset from
16 looking at what was going on in your own
17 respective operating unit to the mindset on what
18 is going to be the best optimum allocation of
19 capital across the globe.

20 BY MR. MILLKEY:

21 Q Did you ever hear the concern expressed

22 that the operating units, in order to make 22638
23 themselves more attractive in the capital
24 allocation process, might inflate the numbers they
25 submitted as part of the process?

0110

1 DOMINIQUE GARDY, January 24, 2007

2 A I have not heard about that.

3 (Exhibit No. 4 was marked for
4 identification and attached to the deposition
5 transcript.)

6 BY MR. MILLKEY:

7 Q Gardy Exhibit Number 4 is a one-page
8 e-mail exchange, Bates stamped RJW00710964. The
9 exchange occurred in June of 2001. Mr. Gardy, do
10 you recall this e-mail exchange?

11 A Yes, I do.

12 Q What was the subject you were
13 corresponding about in this e-mail?

14 A Well, I'm corresponding about the
15 presentation to analysts coming in in the second
16 half of 2001.

17 Q So this is the September 2001 analyst
18 meeting we discussed earlier?

19 A Yes.

20 Q Now, both Mr. Watts and Mr. Van der
21 Vijver participated in the exchange. Was this at
22 about the time there was a handover from Mr. Watts
23 to Mr. Van der Vijver as head of EP?

24 A Yeah, I think it was at the time
25 probably when Mr. Van der Vijver came in and

0111

1 DOMINIQUE GARDY, January 24, 2007

2 Mr. Watts, I believe, still, still in charge.

3 Sorry. Sorry. That cannot -- if I look at the
4 title on the e-mail, Mr. Walter van der Vijver, he
5 is called "EP-CEO," which suggests that he was in
6 charge at that time, but I cannot recall exactly
7 the . . .

8 Q In the middle of the page Mr. Van der
9 Vijver sends an e-mail to you, on June 14th,
10 discussing the first rough draft of the
11 presentation, and he says, "I am not going to
12 avoid the harsh realities if there is a good

13 balanced story." Do you recall what you 22639
14 understood him to mean by the phrase "harsh
15 realities"?

16 A Well, I tend to recall, although I
17 doubt, because the dates are important, but -- the
18 specific dates are very specific dates by which I
19 do not -- I cannot recollect properly in my mind,
20 but that was a period of time when we were
21 starting to discuss production forecast of five
22 percent working on the business plan of 2001
23 preliminary data and starting to have question
24 about the five percent. And this is what I
25 suppose Walter van der Vijver meant by the word
0112

1 DOMINIQUE GARDY, January 24, 2007

2 "harsh realities."

3 Q The harsh reality being that five
4 percent production growth would not be attained?

5 MR. SMITH: Objection to form.

6 THE WITNESS: The point, as I just said,
7 at that time, subject to the precise timing, there
8 were some preliminary discussion on the business
9 plan, showing that there could be some potential
10 challenge on the five percent.

11 (Exhibit No. 5 was marked for
12 identification and attached to the deposition
13 transcript.)

14 BY MR. MILLKEY:

15 Q Gardy Exhibit Number 5 is an e-mail
16 exchange. The Bates range is V00230112 through
17 230115. It's a series of e-mails from July 2001.

18 Mr. Gardy, do you recall reading these
19 e-mails before?

20 A Yes, I do.

21 Q Turning to the next to the last page,
22 which is 114, at the bottom there's an e-mail from
23 Michael Harrop to Simon Henry. Who is Mr. Harrop?

24 A I suppose at that time he was working in
25 Investor Relations with Simon Henry.

0113

1 DOMINIQUE GARDY, January 24, 2007

2 Q Was Mr. Henry the head of Investor
3 Relations at that time?

4 A To my recollection, I think he was. 22640

5 Q Mr. Harrop writes, "Couldn't see any
6 questions in the NY transcript that directly
7 relate. These are PWs words, the first para from
8 the volume growth slide, the second from his EP
9 summary. I would certainly interpret these as
10 meaning that its organic growth," and on the
11 following pages there are two paragraphs.

12 Did you understand the two paragraphs on
13 the last page to be the words of Philip Watts?

14 MR. SMITH: Objection to form and lack
15 of foundation.

16 MS. LATIMER: Same objection.

17 THE WITNESS: Sorry. Could you repeat
18 your question? I was reading the --

19 BY MR. MILLKEY:

20 Q Sure. In the e-mail itself it refers to
21 "PWs words." What did you understand "PWs words"
22 to mean?

23 A I'm sorry. I can't understand this part
24 of it.

25 Q At this point in time I think you

0114

1 DOMINIQUE GARDY, January 24, 2007
2 testified earlier -- and correct me if I'm
3 wrong -- that the market was aware of a five
4 percent production growth target; is that correct?

5 MR. SMITH: Objection to form.

6 THE WITNESS: Well, again there were a
7 presentation to the market where the forecast of
8 five percent production growth was communicated.

9 BY MR. MILLKEY:

10 Q Do you recall any discussion at about
11 this time about whether the five percent was to be
12 through organic growth?

13 MR. SMITH: Objection to form, and can
14 we have a time frame?

15 MR. MILLKEY: This time being July 2001.

16 MR. SMITH: Well, I understand, but I'm
17 trying to figure out which five percent growth
18 projection you're talking about. The plan for
19 next year, what was said about this year, what was
20 said about last year? That's what I'm trying to

21 figure out.

22 MR. MILLKEY: The five percent that they
23 are discussing in this e-mail exchange.

24 MR. SMITH: Okay, thank you.

25 THE WITNESS: So could you repeat then
0115

1 DOMINIQUE GARDY, January 24, 2007

2 your question, please. I'm sorry.

3 BY MR. MILLKEY:

4 Q Sure. Do you recall whether there was
5 discussion at about this time about whether the
6 five percent growth was to be through organic
7 growth or a combination of organic growth and
8 acquisitions?

9 A What I recall was the main part of the
10 discussion at that time was looking at things that
11 are coming -- preliminary data coming to prepare
12 the business plan, there were question about the
13 five percent as such, but I do not specifically
14 recall about the five percent including or
15 excluding acquisitions. The key discussion was
16 again around five percent or something different.

17 Q At the top of that page there's an
18 e-mail from Mr. Henry to Mr. Thorkildsen, and
19 about the third sentence down it begins, "Although
20 it," and I believe the "it" is referring to the
21 market. "Although it may accept an amount of
22 growth from small acquisitions -- e.g.,
23 Fletcher -- because we have finessed it this way,
24 the message we have given is that the five percent
25 growth is compatible with the \$12 billion Group
0116

1 DOMINIQUE GARDY, January 24, 2007

2 capex of which \$8 billion or so is EP. We have
3 also stated to the outside world that the
4 \$12 billion does not include acquisitions."

5 Does that refresh your recollection
6 about whether there was discussion concerning
7 whether the growth was attributable to organic
8 growth as opposed to organic growth and
9 acquisitions?

10 MR. SMITH: Objection to form and lack
11 of foundation, and I would instruct the witness to

12 finish reading the sentence that you only read 22642

13 half of before he answers your question.

14 THE WITNESS: Well, again, from what I
15 recall, I don't think it is clear-cut. As it is
16 mentioned here, there was some vagueness in all
17 the history, so again I do not recall the five
18 percent being that clearly stated as including
19 acquisition or not, or even small acquisition.

20 BY MR. MILLKEY:

21 Q On the previous page, 0113, there's a
22 e-mail from Stephen Hodge to Mr. Henry, with a
23 number of CC's, including one to you. Was
24 Mr. Hodge the Finance Director at this time?

25 A Yes, he was.

0117

1 DOMINIQUE GARDY, January 24, 2007

2 Q In the first paragraph he makes a
3 reference to "EP's systemic inability to realize
4 that what they have said before," and then he
5 says, "This behavior, which includes not just this
6 latest event, but also most recently the cost
7 promise saga and the attempt to shift from \$14 to
8 \$16 oil without a scintilla of recognition of the
9 need to [exchange]" -- "of the need to explain
10 what has changed," and the sentence goes on.

11 Do you know what he's referring to by
12 "cost promise saga"?

13 A I do not, do not understand what "cost
14 promise saga" meant. What I recall was that there
15 were cost promise from the various businesses at
16 that time which were, which were communicated
17 to -- internally.

18 Q Do you recall what he's talking about by
19 referring to the shift from \$14 to \$16 oil?

20 MR. SMITH: Objection to form.

21 THE WITNESS: Well, again here you point
22 out in an e-mail to Stephen Hodge part of a chain
23 of e-mail which I address on the front page, but
24 the whole story here, the whole story or the whole
25 discussion was about looking at preliminary data

0118

1 DOMINIQUE GARDY, January 24, 2007

2 coming from the business plan. Are we going to

3 sustain the five percent cost promise? That was 22643
4 the debate. In here there were a lot of comments
5 made around that, but what I clearly recall, that
6 was the main description at that time.

7 BY MR. MILLKEY:

8 Q Do you recall whether Mr. Watts had an
9 opinion about whether the five percent figure
10 should be reduced for production growth?

11 A Again what I recall is the facts, which
12 were this data coming, which we are willing during
13 this period of time, so this is where we were not
14 ready for the second quarter 2001 announcement; we
15 are willing to look at the data, what was coming
16 as project to take the time and to come back in
17 September, after September 11th, under two
18 presentation to analysts, to come back with what
19 we thought at that time would be the revised
20 growth expectation.

21 Q On Page 114, referring to the e-mail
22 from Mr. Henry to Mr. Thorkildsen, about halfway
23 down the page he writes, "So there seem to be only
24 two choices: Five percent organic growth will be
25 delivered within the \$12 billion ceiling, i.e., no
0119

1 DOMINIQUE GARDY, January 24, 2007
2 change to message," and the second choice, "if EP
3 confirm only two percent organic growth, then the
4 external message must be five percent including
5 acquisitions, but this is still compatible with
6 \$12 billion."

7 Was this whole conversation that was
8 happening in this e-mail exchange in anticipation
9 of the September investor meeting?

10 MR. SMITH: Objection to form.

11 THE WITNESS: No. Again, we, we did not
12 have this conversation because we knew that we had
13 a presentation to analysts; we had this
14 conversation because we were alerted by this
15 preliminary data coming from, from the plan.

16 BY MR. MILLKEY:

17 Q Now, the first choice that Mr. Simon
18 wrote, again, "five percent organic growth will be
19 delivered within the \$12 billion ceiling, i.e., no

20 change to message," Mr. Simon appears to 22644
21 contemplate by that statement that the previous
22 message had been five percent organic growth. Do
23 you believe that to be incorrect? And I'm
24 focusing on the word "organic" here.

25 MR. SMITH: Objection to form.

0120

1 DOMINIQUE GARDY, January 24, 2007

2 THE WITNESS: Again, I just do not want
3 to comment on words from Simon Henry. I repeat
4 what I said: What I recollect from this period of
5 time was the willingness to look at facts as they
6 were to see if and how we should potentially
7 correct, or not, the production growth.

8 BY MR. MILLKEY:

9 Q Do you recall whether at this point in
10 time Mr. Watts had an opinion about whether a
11 correction was necessary to the production goal of
12 five percent?

13 MR. SMITH: Objection to form; asked and
14 answered.

15 THE WITNESS: Here again we are in
16 July 2001, at the very beginning of receiving the
17 data from the plan, and it was far too early to
18 make any judgment.

19 BY MR. MILLKEY:

20 Q Did there come a time later in the year
21 when Mr. Watts did form an opinion about whether
22 the five percent needed a correction?

23 MR. SMITH: Objection to form, lack of
24 foundation.

25 MS. LATIMER: Same objection.

0121

1 DOMINIQUE GARDY, January 24, 2007

2 THE WITNESS: Well, again, what again I
3 recall is a sequence of events: This preliminary
4 data as sort of alert on the five percent, and the
5 outcome, which was a three percent projection of
6 growth which Walter van der Vijver and myself,
7 Walter actually, in the second part of the
8 presentation did present to analysts in
9 September 2001. In between there has been a lot
10 of discussion, but what I looked at is the origin,

11 the origin of the process to reconsider the five²²⁶⁴⁵
12 percent and the outcome, which was three percent.

13 MR. SMITH: I didn't want to say this
14 before the witness answered the question, but you
15 keep talking about asking questions about the need
16 for a correction. This document is about a plan
17 for next year, which has not been discussed with
18 the public or disclosed to them. I think there's
19 a lot of confusion in the record right now about
20 what time period you're asking questions about.
21 This document is about a plan for next year, not
22 about what's happening this year. I just want
23 that to be clear on the record, and if there's a
24 way for you to be clearer in the questions you're
25 asking so that his answers are clear as well, I

0122

1 DOMINIQUE GARDY, January 24, 2007
2 would ask you to do that. Thank you.

3 MR. MILLKEY: You're welcome. I used
4 the word "correction" because that was a word that
5 the witness specifically used in one of his
6 answers.

7 MR. SMITH: Okay.

8 BY MR. MILLKEY:

9 Q At some point in this process where you
10 got -- Shell got from five percent to three
11 percent, did Mr. Watts express an opinion about
12 what the number should be?

13 A Again, as I told you, there were a lot
14 of discussion at ExCom, I believe at CMD, but what
15 for me counts is again the starting point and the
16 end one, which was three percent, which was --
17 which was eventually supported.

18 Q Are you saying that you don't recall
19 whether Mr. Watts expressed an opinion?

20 MS. LATIMER: Objection; asked and
21 answered.

22 MR. MILLKEY: Well, he didn't answer the
23 question.

24 MS. LATIMER: I think he's answered the
25 question several times.

0123

1 DOMINIQUE GARDY, January 24, 2007

2 THE WITNESS: Well, again at that time
3 the discussion was part of -- well within EP, so I
4 cannot recollect any type of guidance from
5 Mr. Watts.

6 BY MR. MILLKEY:

7 Q Again in the process from five percent
8 to three percent, did Mr. Van der Vijver ever
9 express to you an opinion about what the
10 appropriate number should be?

11 A I would like to be extremely clear. We
12 do not manage the business by saying what is going
13 to be the appropriate number; we manage the
14 business on facts. The facts are not science.
15 They have to be interpreted. This is a business
16 and a management responsibility, but at any given
17 point in time we didn't manage this business with
18 the objective to say what is the number we want to
19 publish. We looked at the facts, we looked at the
20 way to interpret them, and then we made our best
21 judgment as leaders to say this is what we believe
22 in, but not influenced or impacted by what is the
23 right number. I hope I have been clear.

24 MR. SMITH: Mark, we've been going about
25 an hour and 25 minutes. It's a real good time to
0124

1 DOMINIQUE GARDY, January 24, 2007
2 take a break.

3 MR. MILLKEY: Now is fine.

4 THE VIDEOGRAPHER: This marks the end of
5 Tape 2 in the deposition of Mr. Gardy. We are
6 going off the record. The time is 3:15 p.m.

7 (Whereupon, a short recess was taken.)

8 THE VIDEOGRAPHER: This marks the
9 beginning of Tape 3 in the deposition of
10 Dr. Gardy. We are back on the record. The time
11 is 3:36 p.m.

12 BY MR. MILLKEY:

13 Q Mr. Gardy, before the break you said
14 that you managed the business on facts, and you
15 also said that facts were subject to
16 interpretation. At any time between the time of
17 this e-mail correspondence, July 9th, 2001, and
18 the time when the three percent production growth

19 number was announced, did Mr. Van der Vijver
20 express an opinion based upon the facts of what
21 number should be announced for production growth?

22 A No, I cannot recollect that. I can
23 recollect discussion with him but not a specific
24 number as such.

25 Q Do you recall whether he ever suggested

0125

1 DOMINIQUE GARDY, January 24, 2007

2 a number lower than three percent for the
3 production growth target?

4 MR. SMITH: Objection to form.

5 THE WITNESS: Well, I remember again
6 that we were looking at all the data, and when I
7 said "interpretation," it's more sort of judgment,
8 business judgment on such data, and all range of
9 production growth was looked at based on the data
10 being received.

11 BY MR. MILLKEY:

12 Q So again I take it you have no
13 recollection of Mr. Van der Vijver suggesting a
14 lower number than three percent?

15 MR. SMITH: Objection to form.

16 THE WITNESS: Well, what I said was
17 during the discussion we are looking at the data
18 and looking at the various range of projects and
19 forecasts it could lead to.

20 BY MR. MILLKEY:

21 Q Looking again at Exhibit 5, on Page 113,
22 at Mr. Hodge's e-mail to Mr. Henry with a CC to
23 you, in the next to the last paragraph of the
24 e-mail, which begins with the words "in short," do
25 you see the paragraph I'm referring to? "In

0126

1 DOMINIQUE GARDY, January 24, 2007

2 short, two percent, not five percent production
3 growth is a disaster unless there are good reasons
4 for it, and the market will want to know whose
5 head is going to roll for what they will see as
6 blatant deception."

7 Did you ever discuss that -- did you
8 ever have a conversation with Mr. Hodge about what
9 he wrote in that paragraph?

10 A No.
11 (Exhibit No. 6 was marked for
12 identification and attached to the deposition
13 transcript.)

14 BY MR. MILLKEY:

15 Q Mr. Gardy, let me just tell you that in
16 this next exhibit I'm only going to ask you about
17 one page, which is 31056, but feel free to look
18 through the whole document.

19 Gardy Exhibit Number 6 has the Bates
20 range LON00031053 through 031060. The title on
21 the first page is "Committee of Managing
22 Directors, Minutes of the Meeting Held in London
23 on Tuesday, 10 July 2001."

24 Mr. Gardy, have you ever seen these
25 minutes before?

0127

1 DOMINIQUE GARDY, January 24, 2007

2 A Well, when I was going to CMD, I was
3 normally receiving just the extract --

4 Q Just the --

5 A The extract of the part of the minutes,
6 extract of the minutes, of the part of the meeting
7 that I did attend, so I suppose I did see that,
8 yeah.

9 Q Did you attend this meeting?

10 A Well, if my name is mentioned in the
11 minutes, I believe I did.

12 Q Okay. Why did you attend this meeting?

13 A I cannot remember. I was searching
14 for -- looking here at the date, 10 of July, I was
15 certainly thinking was it in relation to the
16 second quarter results 2001, but 10 of July was
17 too early for that, so . . .

18 Q Now, just based upon the dates on both
19 this document and the prior exhibit, the e-mail
20 string, this meeting happened the day after most
21 of the e-mails in that string.

22 Turning your attention to Page 31056,
23 the second full paragraph, the first line refers
24 to "ROACE of 15 percent." Can you just tell me
25 what ROACE is.

0128

1 DOMINIQUE GARDY, January 24, 200722649

2 A It stands for Return On Average Capital
3 Employed.

4 Q Did you have any responsibility, as CFO
5 of EP, for calculating -- is it called ROACE? Is
6 that how people refer to it?

7 A Yeah.

8 Q Did you have responsibility for
9 calculating ROACE?

10 A Yeah, we had responsibility for
11 calculating Return On Average Capital Employed for
12 EP.

13 Q Can you just take a moment to explain
14 what that metric is, what it means.

15 A Well, there was very specific
16 definition, but in simple terms it is the ratio of
17 net income divided by -- net income, after tax,
18 divided by average capital employed. Why average
19 capital employed? Because capital employed at the
20 end of the period plus capital employed at the
21 beginning of the period divided by -- average
22 capital employed over the year X, Y or Z. It's
23 likely there was some fine tuning on that, but
24 that's the principle.

25 Q I understand. Further in that paragraph
0129

1 DOMINIQUE GARDY, January 24, 2007
2 there's a sentence that reads, "Dominique Gardy
3 noted that the existing five percent a.a.i.
4 hydrocarbon production growth target initially
5 included both existing projects and strategic
6 options."

7 What does "a.a.i." mean?

8 A Average Annual Increase.

9 Q Now, your statement says that the growth
10 target "initially included both existing projects
11 and strategic options." What was the basis for
12 your understanding of that statement?

13 MR. SMITH: Objection to form, lack of
14 foundation.

15 BY MR. MILLKEY:

16 Q Did you, in fact, make that statement at
17 the meeting?

18 A Well, I cannot recall exactly what I did²²⁶⁵⁰
19 say at the meeting. I just see that in the
20 minutes.

21 Q What was the basis for your
22 understanding of that statement? What was the
23 basis for that statement?

24 MR. SMITH: Objection to form.

25 THE WITNESS: Again what I'm struggling
0130

1 DOMINIQUE GARDY, January 24, 2007
2 with is to put these minutes into context of the
3 meeting, your previous question, and I cannot
4 recall what was the foundation of the discussion.
5 BY MR. MILLKEY:

6 Q Referring back to the previous exhibit,
7 5, if you still have that handy, on Page 230114,
8 in the middle there, there's some language from
9 Mr. Henry that I read earlier where he refers to
10 two choices. In the first choice, "five percent
11 organic growth will be delivered within the
12 \$12 billion ceiling, i.e., no change to message,"
13 Mr. Henry appears to contemplate by that language
14 that the five percent figure included organic
15 growth only. In the minutes to the meeting we
16 just read, you say, "Five percent hydrocarbon
17 production growth target initially included both
18 existing projects and strategic options."

19 Do you recall specifically having a
20 conversation -- do you recall having a
21 conversation with Mr. Henry on the subject of
22 whether the five percent included organic and
23 strategic options?

24 A If I recall, the wording of "strategic
25 options," that had to do with organic growth, too,
0131

1 DOMINIQUE GARDY, January 24, 2007
2 not acquisition. Example of that would identify a
3 project, for example, in the Middle East. So if I
4 recall properly, the wording "strategic option" is
5 not here to mean "acquisition."

6 Q Before I give you this next exhibit,
7 just one last question: So what exactly did you
8 understand the term "strategic options" to mean?

9 A Strategic options were identify project 22651
10 in the line of organic growth and goal strategy,
11 because entering a new country is why I was, for
12 example, referring to Middle East.

13 (Exhibit No. 7 was marked for
14 identification and attached to the deposition
15 transcript.)

16 BY MR. MILLKEY:

17 Q Gardy Exhibit Number 7 is another e-mail
18 string. The Bates range is V00010064 to
19 V00010066.

20 Mr. Gardy, do you recall reading these
21 e-mails before?

22 A Yeah, I'm sure I read it. I'm on the
23 list.

24 Q At the end of the second page and
25 carrying over to the third page of the e-mail,
0132

1 DOMINIQUE GARDY, January 24, 2007
2 there's an e-mail from Mr. Van der Vijver, dated
3 August 1st, 2001, to Mr. Henry, with a CC to you
4 and Mr. Watts, which begins, "So the following are
5 the facts with the knowledge that we have today,
6 based on actuals and the draft new business plan:
7 Number 1: 2002 we are going to be way off from
8 last year's expectation (375 Mboe/d drop) and
9 hence with (sic) have only some one percent growth
10 compared to 2001." I think he may have meant
11 "will have only some one percent growth compared
12 to 2001." He said "with." I believe Mr. Van der
13 Vijver probably intended the word to be "will",
14 will have only some one percent growth."

15 Now, the subject of the e-mail is
16 production growth. When Mr. Van der Vijver refers
17 to one percent growth compared to 2001, is he
18 referring to the same metric of production growth
19 that we've been discussing over the last few
20 minutes when we talked about production growth
21 targets?

22 MR. SMITH: Objection to form.

23 THE WITNESS: Well, here Walter is
24 mentioning is again based on actuals and the
25 preliminary data of the plan, as I mentioned

0133

1 DOMINIQUE GARDY, January 24, 2007
2 earlier. It's seen in August 2001 that production
3 would grow one percent in 2002. So the metrics we
4 discussed before, the five percent, and why the
5 AAI, Average Annual Increase, was not an increased
6 plan for a given year, it was an average yearly
7 increase over the next coming years, five to six
8 years, not for a given year.

9 BY MR. MILLKEY:

10 Q I understand.

11 Am I correct that the actual percentage
12 growth, based upon the facts at hand, would be --
13 the average growth that Mr. Van der Vijver was
14 discussing, this one percent figure, would be a
15 factor you would consider in determining the
16 target that we discussed before?

17 MR. SMITH: Objection to form. Mr. Van
18 der Vijver doesn't talk about average growth in
19 the part of the e-mail that you're asking about.
20 You just used the word "average" in your question.
21 I don't know whether you intended to.

22 MR. MILLKEY: Oh, I didn't intend to.

23 MR. SMITH: Okay. That's my objection.

24 BY MR. MILLKEY:

25 Q Would this one percent figure to which

0134

1 DOMINIQUE GARDY, January 24, 2007
2 he refers have been a relevant consideration in
3 determining the target number that you were going
4 to be announcing at a later time?

5 A No, I don't think so as such. What has
6 been determined on this, what he says here, the
7 preliminary -- the draft new business plan, and
8 indeed the actual performance for the first few
9 months start to alert or have already alerted us
10 on what is, is a five percent average year-on-year
11 growth going to be reviewed on up, but one percent
12 did not trigger any number like three percent.
13 Again, what led to the three percent was the work
14 being done on the various project on the various
15 data from the plan, and looking for the five
16 years, forthcoming five years what would be

17 appropriate production growth. 22653

18 Q Later in the e-mail, after the numbered
19 list, Mr. van der Vijver writes, "Obviously,
20 internally I am not giving up on growth targets,
21 but there is a need to 'cool' expectations,
22 particularly given the short-term issues that are
23 hitting us. Do not forget that the quoted growth
24 rates above do include some real big projects that
25 are still far from FID," and then a number of
0135

1 DOMINIQUE GARDY, January 24, 2007
2 projects are listed.

3 What did you understand Mr. van der
4 Vijver to be referring to by "short-term issues"?

5 A Well, again I cannot put words in his
6 mouth, but the point was, having back to his
7 up-front statement, the draft new business plan,
8 we knew the business plan is an exercise which is
9 done every year -- so the business plan is an
10 exercise which is done every year for the next
11 five years, and in this period of the year, at the
12 beginning of the process, indeed there were these
13 questions around some of the projects mentioned,
14 about some of the delivery, the seven points made
15 in this e-mail, which were the trigger to say,
16 well, we need to relook at all the portfolio, the
17 project within the funnel and work this to define
18 what would be the, the projection for growth,
19 future growth.

20 Q He says in the language that I just read
21 that "the quoted growth rates above do include
22 some real big projects that are still far from
23 FID." Can projects contribute to growth before
24 they achieve FID?

25 A No. I just want to add something for
0136

1 DOMINIQUE GARDY, January 24, 2007
2 clarification at this point. The business plan is
3 a projection over the next five years, so it
4 includes an assessment and forecast of the various
5 projects which are going to take place, to mature,
6 to take FID during the planning period, so today,
7 a project today, a project which has not taken FID

8 do not -- does not contribute to production, but 22654
9 when you look at the plan, you have within the
10 planning period project expected to take Final
11 Investment Decision during the period planning,
12 during the planning period, and therefore expected
13 to contribute to the production growth over the
14 planning period.

15 Q If you could turn to the first page of
16 the exhibit, towards the bottom of the page there
17 is an e-mail from Mr. Hodge to Mr. van der Vijver
18 and Mr. Henry, with a CC to you, Mr. Watts and
19 others. And he refers at the bottom of the page
20 to a speech, and he says what "the speech now
21 says." Do you recall what speech he is referring
22 to?

23 A No, I do not from this e-mail. What I
24 believe, since we are very close, on the 1st of
25 August 2001, to the second quarter 2001 results
0137

1 DOMINIQUE GARDY, January 24, 2007
2 announcement, he's probably referring to the
3 speech being delivered at the publication of the
4 second quarter 2001 results.

5 Q The first e-mail in this exhibit is an
6 e-mail from Mr. van der Vijver to Mr. Hodge, with
7 a CC to you and others. The second or third
8 sentence down begins with the words, "There are
9 fairly logical explanations around the higher
10 field declines, ranging from specific field
11 stories (Rabi in Gabon, Yibal in Oman, Pelican in
12 the UK, Schiehallion in UK) to operational
13 problems (Dunlin in U.K., Kittiwake in U.K.,
14 debottlenecking/upgrades slippage), but more
15 importantly due to optimism in forecasting."

16 Do you recall any discussions with
17 Mr. van der Vijver about what he meant by
18 "optimism in forecasting"?

19 A I do not recall any specific discussion
20 about optimism in forecasting. I recall
21 discussion again about the new data coming for
22 this business plan and looking indeed less
23 promising than we were before.

24 Q Is this the same data we were discussing

25 earlier in connection with the capital allocation 22655

0138

1 DOMINIQUE GARDY, January 24, 2007

2 process, or is this something else?

3 MR. SMITH: Objection to form and lack
4 of foundation.

5 THE WITNESS: The data I'm referring to
6 were the data coming in preparation for the
7 business plan, so the various -- the first capital
8 allocation process took place in 2000, as we
9 discussed earlier, and the second one took place
10 in 2001, and so data we were starting to collect
11 as part of the beginning of the business planning
12 preparation process were related to data coming
13 from operating units in terms of their status of
14 the business, new project, new opportunities.

15 BY MR. MILLKEY:

16 Q Farther down in that e-mail, maybe six
17 lines from the bottom or so, there's a sentence
18 that begins, "As you will appreciate, developing
19 projects in established OUs is a different
20 challenge from developing entries/real production
21 in the MRHs." What does "MRH" stand for?

22 A Major Resource Holders; for example,
23 Middle East.

24

25

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1 DOMINIQUE GARDY, January 24, 2007

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

5 MR. MILLKEY: You know what? There's
6 another document I'd like to show you first.

7 (Discussion was held off the record.)

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

11 BY MR. MILLKEY:

12 Q Gardy Exhibit 8 has the Bates stamp
13 RJW00710455 through 710503. On the first page
14 there's the Shell logo, and it says "Exploration
15 and Production Presentation to Analysts,

16 September 2001."

17 Mr. Gardy, have you ever seen this
18 document before?

19 A Yes.

20 Q What is this?

21 A This is the presentation to analysts
22 which we gave to analysts in September 2001.

23 Q This is the production that occurred
24 both in the United States and in Europe, correct?

25 A Yes.

0140

1 DOMINIQUE GARDY, January 24, 2007

2 MR. SMITH: Can I note something for the
3 record? At least on my copy -- and maybe you
4 could look at the page number that ends 478 -- it
5 looks like a page that got copied incorrectly.

6 MR. MILLKEY: I am informed it was
7 produced that way.

8 MR. SMITH: Well, that doesn't mean it
9 wasn't copied incorrectly.

10 All right. Well, we'll go back to our
11 files and see if we can find a better copy, but I
12 will note for the record that that is the
13 condition of the exhibit.

14 BY MR. MILLKEY:

15 Q Well, if you could just turn to Page
16 10479, first of all, there's a section on each --
17 I think on each page, on many of the pages that
18 says "Notes." Is that section for the presenter,
19 or would everyone attending the conference be able
20 to see the notes?

21 A That's notes for the presenter.

22 Q Was this the occasion when the three
23 percent Average Annual Increase in production over
24 the planning period was announced?

25 A Yes, it was.

0141

1 DOMINIQUE GARDY, January 24, 2007

2 Q And you may have said before. I just
3 don't recall. Did you make that announcement, or
4 was it someone else?

5 A No. If I may, if you look at Slide
6 Number -- the Page 458 which was setting the

7 agenda for the presentation, as I mentioned 22657
8 earlier, Walter van der Vijver did the
9 introduction. I spoke about delivering on our
10 promises, which was related to the state of the
11 business and action being taken, and then Walter
12 took over for me, and that was the beginning of
13 the announcement of the three percent.

14 Q Now, turning to Page 481, the first
15 paragraph says, "Profiles we showed you in
16 previous meetings indicated on average a growth at
17 five percent average year on year for the period
18 2000 through 2005 at \$14 a barrel. What has
19 changed?" And then there are some reasons given.

20 Were these the reasons given to the
21 analysts who attended the conference, for the
22 change?

23 A Yes, this slide was presented to
24 analysts. All the slides -- I have not checked
25 all the slides, but this presentation was the one
0142

1 DOMINIQUE GARDY, January 24, 2007
2 used for the presentation to analysts.

3 Q Do you recall whether there was any
4 reaction from the analysts attending the
5 presentation to the announcement about the three
6 percent figure?

7 MR. SMITH: Just to be clear, are you
8 asking for a reaction during the course of the
9 presentation or at any time thereafter?

10 BY MR. MILLKEY:

11 Q Right now I'm asking about during the
12 course of the presentation, and actually I'd be
13 interested -- I understood that you attended both
14 meetings, the one in Europe and the one in the
15 United States.

16 A Yes, I did.

17 Q Beginning -- and the one in Europe was
18 in Rijswijk or The Hague, or --

19 A The one in Europe was in The Hague, I
20 think.

21 Q Do you recall whether there was any
22 reaction from the analysts at the presentation in
23 The Hague to the announcement of the three percent

24 figure?

25 A Well, like always at these

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1 DOMINIQUE GARDY, January 24, 2007
2 presentations, there were quite many questions
3 from analysts, because there were a session on
4 questions and answers. From what I recall is
5 between August 2001, when it was announced that
6 the presentation to analysts would take place
7 later on in the year, the one in September 2001,
8 in between, the market analysts started to look
9 and to do their own analysis, and they were
10 probably already expecting something around three
11 percent from their proper analysis, from their
12 respective analysis.

13 Q And how do you know that?

14 A Well, just reading the market analyst
15 report. Financial analyst report.

16 Q Do you recall at the meeting in The
17 Hague whether there were any questions
18 specifically addressing the three percent
19 announcement?

20 A Yeah, there are questions about the
21 change.

22 Q I assume the same was true at the New
23 York or the United States presentation?

24 A I do not recall specifically the
25 question, but, but it was indeed something that
0144

1 DOMINIQUE GARDY, January 24, 2007
2 was expected as being part of this presentation,
3 so . . .

4 Q Do you recall whether there was any
5 reaction in the stock price of Royal Dutch or
6 Shell Transport after these presentations were
7 made?

8 A Yeah, there was a negative impact on the
9 share price.

10 Q Gardy Exhibit Number 9 is an e-mail
11 exchange. This document was produced by Shell
12 with the Identification Number 104210110. Do you
13 recall this e-mail exchange?

14 A Yes.

15 Q On the next to the last page there's an 22659
16 e-mail from you to Mr. Bell, Mr. McKay and others
17 in which you say, "We said at the EP September
18 presentation to analysts that our three percent
19 production growth forecast did not reflect the
20 potential impact of post 11.09. What would be our
21 answer to the two questions: How do you see the
22 impact of the post 11.09 on the world environment
23 and the EP Business? Since you have not changed
24 your production forecast, it means that post 11.09
25 should not impact your business; why?"

0145

1 DOMINIQUE GARDY, January 24, 2007

2 Why did you send this e-mail?

3 A Can you repeat that.

4 Q Why did you send the e-mail?

5 A Well, I cannot exactly remember why. I
6 suppose we started to better understand what was
7 September 11 consequences, preliminary
8 consequences, so that was something I was
9 reflecting upon.

10 Q Did you believe that the
11 September 11th attacks would have some impact on
12 production growth of Shell?

13 A I think coming back to the previous one,
14 I was re-looking at the presentation, I remember
15 sort of preamble which was mentioned at the
16 beginning of the presentation to analysts where
17 actually it was -- the tragedy was acknowledged at
18 church. It was also said it's premature to
19 anticipate what could be consequences of September
20 11, and this is probably why also. I was
21 reflecting again about that after a couple of
22 months and where we stand.

23 Having reflected on it, we are in a
24 long-term business; in other words, a cycle for
25 project in terms of finding, developing, getting

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1 DOMINIQUE GARDY, January 24, 2007

2 to Final Investment Decision, and producing for
3 years or decades; means that whatever tragic
4 event -- and of course, September 11 was tragic --
5 you look at the business on the long-term basis,

6 and you will always have some sort of cycle. 22660
7 Could be an economic downturn, it could be a
8 tragedy like September 11, and what then needs to
9 be looked at is the obviousness of the portfolio
10 over the long term.

11 Q On that same page there is a response
12 from Mr. McKay where he says, "Dominique, only
13 just got this one. Great question. Q: Will a
14 real world tragic event in any way influence the
15 stories we are telling investors? A: Depends on
16 the degree of truth in the stories being told.
17 Remember Pinocchio!"

18 What was your reaction to that e-mail?

19 A Well, my reaction was this is not really
20 an answer to my question is what I put in my
21 words.

22 Q Did you ever have a conversation with
23 Mr. McKay about this subject?

24 A Not about this subject.

25 Q Did any of the other recipients of your
0147

1 DOMINIQUE GARDY, January 24, 2007
2 e-mail respond?

3 MR. SMITH: Objection to form and lack
4 of foundation.

5 THE WITNESS: I do not recall.

6 (Exhibit No. 10 was marked for
7 identification and attached to the deposition
8 transcript.)

9 BY MR. MILLKEY:

10 Q Gardy Exhibit Number 10 has the Bates
11 range RJW00321823 through 837. The first page is
12 blank and probably should have just been taken out
13 of the exhibit. The second page of the exhibit
14 says, "ExCom Meeting, 4 February 2002, Note For
15 Discussion." It's a one-page -- appears to be a
16 one-page document with an attachment. The
17 attachment, which begins on Page 1825, is dated
18 January 30th, 2002, entitled "Review of Group
19 End-2001 Proved Oil and Gas Reserves Summary
20 Preparation," from Mr. Barendregt to Mr. Brass
21 with a number of copies, including a copy to
22 Mr. Gardy.

23 Do you recall seeing these documents 22661
24 before?

25 A Here again a document to ExCom, so I've
0148

1 DOMINIQUE GARDY, January 24, 2007
2 seen it, yeah.

3 Q On page -- the second page of the
4 exhibit, Page 1824, which is the Note For
5 Discussion, there's a heading at the bottom that
6 says "Issues," and the first bullet says, "SPDC,
7 PDO and Abu Dhabi, representing 18 percent of EP's
8 production, cannot book reserves for the
9 foreseeable future, as it is doubtful that the
10 already booked reserves can be produced within the
11 remaining license period."

12 Was there a requirement that proved
13 reserves be able to be produced within the
14 existing license period?

15 MR. SMITH: Objection to form and lack
16 of foundation.

17 THE WITNESS: Sorry. Can you clarify
18 your question, please.

19 BY MR. MILLKEY:

20 Q Sure. Can reserves be booked as proved
21 if they cannot be produced within the existing
22 license period?

23 MR. SMITH: Objection to form and lack
24 of foundation.

25 THE WITNESS: The discussion we had was
0149

1 DOMINIQUE GARDY, January 24, 2007
2 about license and license expiration or extension,
3 but again to speak about the resources and how
4 reserves are booked is again looking at various
5 criteria, and so I'm not sure I understand your
6 question, to be frank.

7 BY MR. MILLKEY:

8 Q Do you recall there being discussions at
9 ExCom about seeking a license -- about the right
10 to a license extension in connection with SPDC?

11 A What I recall, as I said, that all
12 across the world there is licenses, and these
13 licenses do have a certain maturity and come to an

14 end. And indeed the discussion is about, when
15 comes the time, will it be possible or not to
16 extend the license in this country. The example
17 closer to me is Brunei where the license extension
18 which we did renew when I was in charge of EPA in
19 end of 2002, I think.

20 Q Was there any relationship between the
21 ability to -- strike that.

22 Do you know whether the Shell guidelines
23 at this time permitted Shell to book proved
24 reserves that could not be produced within the
25 existing license period?

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1 DOMINIQUE GARDY, January 24, 2007

2 MR. SMITH: Objection to form. It's
3 been asked and answered.

4 THE WITNESS: Here we are on
5 February 2002.

6 BY MR. MILLKEY:

7 Q I'm sorry?

8 A Here we talk about 4th of February,
9 2002. I am -- in my position as CFO, as I told
10 you earlier, I did not have accountability for
11 reserves in that role and had not been an expert
12 at that time on the ways to address resources and
13 reserves.

14 Q I think you said you recalled there
15 being discussions at ExCom in certain instances
16 about securing license extensions. Is that
17 correct?

18 A Well, what I said was that we were
19 indeed, as Regional Business Directors, aware of
20 license they had in their respective portfolio, we
21 knew about date of expiry from these respective
22 licenses, and indeed they were thinking about what
23 the appointment is to extend or renew licenses.

24 Q Do you recall any discussions about the
25 possibility of extending or renewing licenses,

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1 DOMINIQUE GARDY, January 24, 2007

2 especially in the context of a discussion of
3 proved reserves?

4 A No, I do not recollect that. The

5 context about license was back to the totality of
6 the business.

7 Q Turning to the next page of the exhibit,
8 which is the first page of Mr. Barendregt's Review
9 of Group End-2001 Proved Gas and Oil Reserves
10 Summary Preparation, about two thirds of the way
11 down the page there's a paragraph that begins,
12 "The widespread use of reserves targets in
13 scorecards affecting variable pay is seen to
14 affect the objectivity of staff in some OUs when
15 proposing reserves additions."

16 Was there any discussion on ExCom, at or
17 about this time, about the use of reserves targets
18 on scorecards?

19 A No, I cannot recall that. What I can
20 see from this memo was EPB-P had been alerted and
21 successfully met the challenges which -- with
22 which we were faced.

23 Q Do you recall at any time in the
24 future -- well, do you recall at any time after
25 this the question of reserves targets on

0152

1 DOMINIQUE GARDY, January 24, 2007
2 scorecards being addressed again by ExCom?

3 A No, I do not.

4 MR. SMITH: Would this be a good time to
5 take a few minutes?

6 MR. MILLKEY: Sure.

7 THE VIDEOGRAPHER: We are going off the
8 record. The time is 4:49 p.m.

9 (Whereupon, a short recess was taken.)

10 THE VIDEOGRAPHER: We are back on the
11 record. The time is 5:08 p.m.

12 MR. MILLKEY: Mr. Gardy, I think what
13 I'd like to do is conclude for the day. I have a
14 couple more hours. Don't hold me to that, but I
15 think a couple more hours, too much to finish
16 today, but I don't see any point in going crazy
17 today, so we'll go off the record until tomorrow
18 at 10:00.

19 MR. SMITH: That's fine with us.

20 THE VIDEOGRAPHER: This marks the end of
21 Volume 1 in the deposition of Dr. Gardy. The

22 total number of tapes used today is three. We are

23 going off the record. The time is 5:08 p.m.

24 (Signature having not been waived,

25 Volume I of the video deposition of GARDY

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1 DOMINIQUE GARDY, January 24, 2007

2 DOMINIQUE was concluded at 5:08 p.m.)

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1 DOMINIQUE GARDY, January 24, 2007

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4 ACKNOWLEDGEMENT OF WITNESS

5

6 I, DOMINIQUE GARDY, do hereby

7 acknowledge that I have read and examined the

8 foregoing testimony, and the same is a true,

9 correct and complete transcription of the

10 testimony given by me, and any corrections appear

11 on the attached Errata sheet signed by me.

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(DATE) (SIGNATURE)

1 DOMINIQUE GARDY, January 24, 2007
2 ERRATA SHEET
3 IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

4 RETURN BY:

5 PAGE LINE CORRECTION AND REASON

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25 (DATE) (SIGNATURE)

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1 DOMINIQUE GARDY, January 24, 2007
2 ERRATA SHEET
3 IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

4 RETURN BY:

5 PAGE LINE CORRECTION AND REASON

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25 (DATE) (SIGNATURE)

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1 DOMINIQUE GARDY, January 24, 2007

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4 CERTIFICATE OF SHORTHAND REPORTER -- NOTARY PUBLIC

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

11 IN WITNESS WHEREOF, I have hereunto set
my hand and affixed my notarial seal this 25th day
12 of January, 2007.

13
14

15 My commission expires: March 14th, 2011 22667

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19 _____
LAURIE BANGART-SMITH

NOTARY PUBLIC IN AND FOR
20 THE DISTRICT OF COLUMBIA

21

22

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

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IN RE ROYAL DUTCH/SHELL |
9
TRANSPORT SECURITIES |
10
LITIGATION |

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12

13 (Volume II)
14 Videotaped Deposition of DOMINIQUE GARDY, Ph.D.
15 Washington, D.C.
16 Thursday, January 25th, 2007
17 10:00 a.m.

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23 Job No. 22-04052
24 Pages 158 - 220, Volume II
25 Reported by: Laurie Bangart-Smith

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2 Videotaped Deposition of
3 Dominique Gardy, Ph.D.

4

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6 Held at the offices of:
7 LEBOEUF, LAMB, GREENE & MACRAE, LLP
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8 Suite 1200
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 Taken pursuant to the Federal Rules of
Civil Procedure, by notice, before Laurie
Bangart-Smith, Registered Professional Reporter
and Notary Public in and for the District of
Columbia.

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10 Also present:
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12 Cali Day, Videographer
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E X H I B I T S
(Attached to the Transcript)

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1 DOMINIQUE GARDY, Volume II
2 P R O C E E D I N G S
3 THE VIDEOGRAPHER: This marks the
4 beginning of Tape 1, Volume II, in the deposition
5 of Dominique Gardy, Ph.D., in the matter of Royal
6 Dutch/Shell Transport Securities Litigation.
7 Today's date is January 25th, 2007. The time is
8 9:58 a.m.

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

11 BY MR. MILLKEY:

12 Q Good morning, Mr. Gardy.

13 A Good morning.

14 MR. MILLKEY: I'm going to ask the
15 reporter to mark Gardy Exhibit Number 11.

16 (Exhibit No. 11 was marked for
17 identification and attached to the deposition
18 transcript.)

19 BY MR. MILLKEY:

20 Q Mr. Gardy, Exhibit Number 11 has a title
21 on the first page, "Reserves Presentation." The
22 Bates range is V00010188 through 10211.

23 Mr. Gardy, do you recall attending a
24 reserves presentation on or about February 4th,

25 2002?

22673

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1 DOMINIQUE GARDY, Volume II

2 A I would have to recall if there was an
3 ExCom on that day.

4 Q On the first page of the exhibit there's
5 a heading that says, "Main Issues," and there are
6 three bullets: New Fields, End of License and SEC
7 Guidelines. Do you recall end of license being an
8 issue in early 2001?

9 MR. SMITH: Objection to form.

10 THE WITNESS: So what I looked at here
11 is again, I suppose, but again I am checking in my
12 mind that it was an ExCom, but I suppose it was,
13 it was an ExCom, 4th of February, 2002, always the
14 same history as the one I mentioned yesterday.

15 BY MR. MILLKEY:

16 Q I'm sorry. I misspoke. I meant 2002.

17 A Okay, thanks, but I'm assuming it was an
18 ExCom, and again I suppose it was. Again that was
19 a time where I did present as a result of this
20 time for 2001. Remember yesterday we referred to
21 a document. That's point number one.

22 Point number two, at that point in time
23 what I recall is that we were very close, if not
24 having already received a report from
25 Mr. Barendregt on the year-end 2001 reserves being

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1 DOMINIQUE GARDY, Volume II

2 a fair representation, and, and I suppose based on
3 this document indeed, what, uh, what it was about
4 was to look on the situation going forward in
5 2002, recognizing that for 2001 we had already in
6 hand the report from Mr. Barendregt.

7 Q Do you recall there being, at this time
8 in 2002, specific geographical regions where there
9 were issues about the end of the license that
10 Shell had in those regions?

11 MR. SMITH: Objection to form.

12 THE WITNESS: Here, as I told you
13 yesterday, what I recall is discussion around
14 license -- license, duration, maturity and
15 extension, but not specifically in relation to the

16 reserve question.

17 BY MR. MILLKEY:

18 Q Do you understand -- excuse me. Do you
19 recall the discussion that you had around the
20 license question being with regard to particular
21 geographical regions?

22 A What I recall again was that, looking at
23 the totality of the business, it was indeed
24 important for every Regional Business Director to
25 understand where their licenses in their

0168

1 DOMINIQUE GARDY, Volume II
2 respective geographical area stood, when they
3 would expire and what sort of potential action
4 would have to be taken to extend them, but here
5 again not just to get after reserves, but to get
6 after the development of the resources in the
7 various parts of the world, development of
8 resources, exploration of projects and so forth.

9 Q Just to make sure I understand, you
10 recall a general discussion regarding license
11 issues but not a license discussion with respect
12 to particular geographical areas?

13 A Well, to clarify, you mentioned license
14 issues in your question. I remember a discussion
15 about license duration, if you will, but not
16 necessarily being an issue, just sort of business
17 fact, that these licenses would come to an end.
18 And of course, afterwards, I mentioned to you
19 yesterday, but this is after that one, I remember
20 I had a discussion in my own eye it was Brunei
21 extension, because it was renewed or was renewed
22 when I became the Regional Business Director for
23 Asia Pacific.

24 Q If you could turn to Page 10191, there's
25 a heading at the top of the page, "2001 RRR Target

0169

1 DOMINIQUE GARDY, Volume II
2 versus Actual," and there's a graph on this page.
3 On the left side of the graph at the bottom, it
4 says, "2001 Plan," at the top it says,
5 "198 percent target," and then lower down it says,
6 "80 percent EP scorecard." I'm just wondering if

7 you can explain what these numbers mean. 22675

8 MR. SMITH: Objection to form, lack of
9 foundation.

10 THE WITNESS: No, I, I cannot -- again
11 this was a presentation which I assume, I assume
12 was put together by EPB, but right now just
13 looking at that, I cannot, I cannot get a sense on
14 what this does mean.

15 BY MR. MILLKEY:

16 Q On the right side of that same page it
17 says, "2001 actual," and then there are two
18 numbers, 74 percent including A&D and 52 percent
19 excluding A&D. What does "A&D" stand for, if you
20 know?

21 A Acquisition and Divestment.

22 Q Do you recall whether these were the
23 actual RRR figures for 2001?

24 A I cannot recall that. Again the only
25 thing I recall is the report from Anton, which was
0170

1 DOMINIQUE GARDY, Volume II
2 the basis for the fair statement, the
3 representation of the reserves for the year 2001.

4 MR. MILLKEY: We're actually not done
5 with that exhibit, but I want to show you another
6 one as well.

7 (Exhibit No. 12 was marked for
8 identification and attached to the deposition
9 transcript.)

10 BY MR. MILLKEY:

11 Q Mr. Gardy, before you look at that, I
12 think the only question I'm going to be asking you
13 about this exhibit right now is whether this
14 document was a Note for Information in connection
15 with an ExCom meeting on the 4th of February,
16 2002.

17 A So can you repeat your question, please,
18 yeah.

19 Q Well, first let me identify the
20 document. Gardy Exhibit 12 entitled "Note for
21 Information 4th February 2002." The Bates range
22 is V00102208 through 102214.

23 Does this Note for Information appear to

24 be a Note for Information in connection -- tha22676
25 was prepared in connection with an ExCom meeting?
0171

1 DOMINIQUE GARDY, Volume II

2 MR. SMITH: Objection to form.

3 THE WITNESS: Again getting back to your
4 previous exhibit, I was expressing some doubt in
5 my recollection, was it note to ExCom, because
6 it's not mentioned, or was it note to discuss
7 somewhere else, and I have exactly the same
8 question about this one.

9 BY MR. MILLKEY:

10 Q Okay. Going back to Exhibit 11, can you
11 turn to Page 10200. At the top of that page is a
12 heading that says, "New Fields: Guidelines
13 Currently Too Lenient," and underneath that it
14 says "SEC Clarifications." Do you recall whether
15 the SEC had issued clarifications on the rule
16 governing proved reserves at or about this time or
17 at any time?

18 A No, I cannot recall that, yeah.

19 Q A little lower down on the page there's
20 a bullet that says "New Fields" with a number of
21 entries underneath, including Gorgon and Ormen
22 Lange, and to the right of that it says minus
23 800 million boe. Do you understand what that
24 figure represents?

25 A Well, I suppose it represents the

0172

1 DOMINIQUE GARDY, Volume II

2 reserve associated with the various fields listed
3 under the new fields. I believe that this number
4 represents the reserve associated with the field
5 as quoted under the new field's supply of.

6 Q Do you know whether that minus 800 boe
7 figure represented a potential exposure that Shell
8 had?

9 A Well, you know, again I look at the date
10 of the document, 4th of February, 2002, and at
11 that time we had again this assurance of a fair
12 representation of reserves by end, for the year
13 2001, so the only point, the words are speaking
14 for themselves here. There were some question

15 around these fields, but early in the year 2002²²⁶⁷⁷
16 when just a couple of days before it was confirmed
17 that for the year 2001 there was a fair
18 representation of reserves.

19 Q If you could turn to the following page,
20 at the top it says, "2002 Plus RRR Management."
21 Do you have any understanding of what was intended
22 or what the term "RRR management" means?

23 A Well, here again is a repeat of what I
24 said. I cannot, I cannot be clear if we got this
25 presentation through an ExCom, yes or no. That's
0173

1 DOMINIQUE GARDY, Volume II
2 point number one. Now, the title is what it is.
3 I just read the various bullet points, and based
4 on what I'm seeing here, I suppose there were some
5 question going forward. This is a plus of 2002
6 plus all during the operate and things to be
7 looked at.

8 Q On that same page there's a reference to
9 "Reserves summit, Q2 '02." Do you know what that
10 means?

11 A No.

12 Q If you could turn to Page 10208, the
13 heading at the top is "New Fields, Reserves at
14 Risk," and this appears to be a listing of the
15 same fields that we discussed a moment ago.

16 Do you recall in early 2002 any specific
17 discussions at ExCom about reserves at risk in any
18 of these areas of the world?

19 A Well, what I recall -- and I'm not sure
20 if it coincides with this date of February 4,
21 2002, but during the course of the year 2002, not
22 questioning the fair representation of year-end
23 2001, there were some discussion around some
24 potential exposures, which I suppose this document
25 was started to flag.

0174

1 DOMINIQUE GARDY, Volume II

2 Q Do you recall in 2002 any discussions at
3 ExCom regarding potential exposures in Australia?

4 A Well, again I remember discussion around
5 some exposures. I suppose Australia was part of

6 it, but I have not a totally clear recollection of 22678
7 that.

8 Q I take it your only recollection is a
9 general discussion. You don't recall specific
10 discussions; is that correct?

11 MR. SMITH: Objection to form. I don't
12 think that's what he said.

13 THE WITNESS: My recollection is overall
14 a discussion about the potential exposures, but
15 since you put this document in front of me, a
16 document which I cannot remember if it was
17 distributed to ExCom or not, I see Gorgon being
18 there, so that has an impact on myself as we
19 speak.

20 BY MR. MILLKEY:

21 Q Do you recall the earliest time you
22 heard about a potential exposure in Gorgon?

23 A Yeah, I think as I mentioned to you
24 yesterday, when I went to Australia I took over my
25 Regional Business Director job on July 1st, 2002.

0175

1 DOMINIQUE GARDY, Volume II
2 I did pay, if I recall properly, the first visit
3 to Australia by the end of 2002 and the second one
4 in the first quarter of 2003, attending the
5 first -- my first quarterly business meeting. I
6 recall that during that meeting that was the time
7 where, as Regional Business Director, I started to
8 look and to hear about the Gorgon exposure, and
9 then especially in relation to the Barrow Island
10 permit as regards environmental approval, and
11 that's my recollection on when I heard about the
12 potential exposure on Gorgon, during this first
13 quarter of 2003.

14 Q Do you recall when was the first time
15 you heard about a potential exposure in Ormen
16 Lange?

17 MR. SMITH: Objection to form, lack of
18 foundation.

19 THE WITNESS: No.

20 BY MR. MILLKEY:

21 Q The same question for Angola Block 18.

22 MR. SMITH: Same objection.

23 THE WITNESS: The discussion I remember
24 about Angola Block 18 was about our position from
25 the strategy standpoint and business
0176

1 DOMINIQUE GARDY, Volume II
2 attractiveness, but not discussion around
3 reserves.

4 BY MR. MILLKEY:

5 Q If you could turn to the next page, the
6 heading there is "End License -- Reserves at
7 Risk," and there are bullets for Oman PDO, Abu
8 Dhabi, and Nigeria SPDC. Do you recall in 2002
9 any discussion about reserves being at risk in
10 Oman PDO?

11 A No. Again the recollection I have is
12 discussion around the various licenses we had, but
13 again discussion around licenses were in relation
14 to the totality of the business. And here the
15 document which is in front of me just addressed
16 one aspect of it, but what I recall is the overall
17 discussion about license extension, what is going
18 to be the future of the business in this part of
19 the world if the license were not to be extended,
20 but clearly not a discussion only focusing on the
21 reserves aspect of it.

22 (Exhibit No. 13 was marked for
23 identification and attached to the deposition
24 transcript.)
25

0177

1 DOMINIQUE GARDY, Volume II
2 BY MR. MILLKEY:

3 Q Before I ask you about this next
4 exhibit, let me ask you one more question
5 regarding Exhibit 11. In your mind, did
6 Mr. Barendregt signing off on the reserves in his
7 Annual Report allay any concerns you had about
8 reserves being at risk?

9 MR. SMITH: Objection to form, lack of
10 foundation.

11 THE WITNESS: I'm not sure I understand
12 your question. Can you help me.

13 BY MR. MILLKEY:

14 Q Sure. Again in Exhibit 11 on 10208 22680
15 there's a listing of new fields, reserves at risk,
16 and a listing of countries. In your mind did the
17 fact that Mr. Barendregt had signed off on the
18 reserves for the previous year suggest that there
19 was no reason to be concerned about the areas that
20 were listed as reserves at risk?

21 MR. SMITH: Objection to form. I think
22 in fairness, if you want to ask him about Anton's
23 opinion, it would be better if you could put it in
24 front of him.

25 MR. MILLKEY: He testified a moment ago
0178

1 DOMINIQUE GARDY, Volume II
2 that --

3 MR. SMITH: I understand, but I mean
4 you're asking him now for a more precise
5 recollection of a document that I know has been
6 produced to you. I'm just saying it would be fair
7 to -- you can ask the question and he'll answer
8 it, but I think it would be fairer if he had the
9 document in front of him. That's my objection.

10 MR. MILLKEY: I don't have the document
11 to give you, unfortunately. I didn't anticipate
12 that he would refer to it in this answer in regard
13 to this exhibit.

14 BY MR. MILLKEY:

15 Q Do you understand the question?

16 A I'm not sure I understand your question,
17 but I'm going to give you an answer.

18 Q Okay. That's good enough for me.

19 A So again, 4th of February 2002, as I
20 said early on, I believe that by then or just
21 around that date I had received the Year-End
22 Report from Mr. Barendregt for the year 2001, and
23 again as I told you yesterday and again this
24 morning, I was always looking especially at the
25 last few lines of the front page of any of his

0179

1 DOMINIQUE GARDY, Volume II
2 reports.

3 And to my recollection, the statement
4 from this report from Mr. Barendregt of the year

5 2001 quoted that the reserves were a fair 22681
6 representation of, of what they should be. So now
7 here we are on the 4th of February of 2002, we are
8 in a business with dynamic and so on, so it's not
9 a static business, but things are evolving, things
10 are being looked at on an ongoing basis, and is
11 why I assume, in these sort of questions, not
12 again, as I said earlier, with questioning -- in
13 my mind at least -- the authenticity of the
14 statement of year 2001. This is maybe why this
15 question was raised in early 2002.

16 Q Exhibit 13 is an e-mail string, Bates
17 range V00010224 through 10225.

18 Mr. Gardy, do you recall seeing this
19 e-mail string before?

20 A Yeah, I'm in part of it, so I'm sure
21 I've seen it, yeah.

22 Q On the second page of the exhibit
23 there's an e-mail from Mr. van der Vijver to you,
24 with a CC to John Bell, dated March 3rd, 2002.
25 Who is Mr. Bell?

0180

1 DOMINIQUE GARDY, Volume II

2 A He's the man that was working in the EPB
3 planning, I think, at that time.

4 Q His e-mail to you refers to "the
5 standardized measure in the 2001 financial
6 results." What is the standardized measure?

7 A Standardized measure, as is mentioned in
8 my own reply and the reply from Mr. Bell on Page
9 Number 1, was something which was managed by EPB,
10 and the standardized measure to my knowledge have
11 to do with evaluation in financial terms of the
12 reserves at year-end.

13 Q Did you have any responsibility for the
14 calculation of the standardized measure?

15 A No.

16 Q The second point in Mr. Van der Vijver's
17 e-mail says, "External audit report to CMD again
18 refers to our reserves problem, too early with
19 proved reserves and negative impact of scorecards.
20 This is all the farewell present from Jan-Willem
21 Roosch. Has anyone tried to manage him?"

22 Did Mr. Roosch issue external audit 22682
23 reports?
24 MR. SMITH: Objection to form, lack of
25 foundation.

0181

1 DOMINIQUE GARDY, Volume II
2 THE WITNESS: Sorry. On this one I
3 don't know what it is about, and actually if you
4 look at my own reply, nothing to add, and then to
5 reply from my reply from Mr. Van der Vijver to me,
6 it said Item Number 2 is an EPB issue.

7 BY MR. MILLKEY:

8 Q Looking at Mr. Bell's e-mail on the
9 first page, under Item 2 he says, "The report is
10 written not by Jan-Willem but by Anton
11 Barendregt."

12 Were you ever aware of any efforts
13 within Shell to influence the contents of
14 Mr. Barendregt's audit reports?

15 MR. SMITH: Objection to form and lack
16 of foundation.

17 THE WITNESS: No.

18 BY MR. MILLKEY:

19 Q In Mr. Bell's e-mail on the first page,
20 again he wrote, "The report is written not by
21 Jan-Willem but by Anton Barendregt, who has been
22 doing this job for some three years, and we did
23 moderate it, particularly in regard of the
24 negative impact of scorecards."

25 Do you have any knowledge of any efforts

0182

1 DOMINIQUE GARDY, Volume II
2 to moderate Mr. Barendregt's Audit Report in
3 regard to the negative impact of scorecards?

4 A No, and again this is not my words, and
5 I just referred to the reply from Mr. Van der
6 Vijver to myself on this item, saying it's an EPB
7 issue.

8 (Exhibit No. 14 was marked for
9 identification and attached to the deposition
10 transcript.)

11 BY MR. MILLKEY:

12 Q Exhibit Number 14 is a two-page

13 document, Bates range V00020233 to 20234. It's an

14 e-mail string from March of 2002.

15 Do you recall this e-mail string,

16 Mr. Gardy?

17 A Here again I was copied, so . . .

18 Q At the bottom of the first page there's

19 an e-mail from Simon Henry, dated March 21st,

20 2002, to Mr. Van der Vijver, with CCs to Mr. Gardy

21 and Judith Boynton. The subject line is "EB (sic)

22 Business Day at Business Week."

23 Do you know what "EP Business Day at

24 Business Week" refers to?

25 A Yeah, first, "Business Week" refers to a

0183

1 DOMINIQUE GARDY, Volume II

2 yearly event which so far has taken place in

3 Houston in May, where there is a gathering of,

4 depending from one year to another one, of some

5 300 to 400 people from all the businesses. And

6 the way it has been normally structured is there

7 is one day which is called a Group Day where

8 people from the various businesses are together,

9 and during the same week there are Business Days

10 for the respective businesses: Refining,

11 marketing, chemicals and EP.

12 The idea was to have in one week an

13 opportunity to have one day with people from all

14 businesses in one room, and the rest of the week

15 people working within their various business

16 lines. So "EP Business Day" refers to the one day

17 with EP staff during the Shell Business Week,

18 coming for in May 2002.

19 Q Did you attend the Business Week

20 function in May 2002?

21 A Yes, I did.

22 Q Other than the one day which brought

23 together all the personnel, what other sessions

24 did you attend?

25 A The EP one, the EP Business Day.

0184

1 DOMINIQUE GARDY, Volume II

2 Q Mr. Simon refers to a presentation by

3 someone named Fergus Macleod. Do you know who

4 that is?

5 A I think -- not sure -- he was at that
6 time an external financial analyst, I think.

7 Q Do you know -- do you have any
8 recollection of what company he may have worked
9 with?

10 A No.

11 Q Do you recall whether he was an American
12 analyst?

13 A No. I think he was British, but I
14 cannot be sure.

15 Q In his e-mail Mr. Henry writes,
16 beginning in the second sentence, "Given the high
17 profile of the EP Business in the investor
18 community and probably the interest within your EP
19 community, it struck me that the EP Business Day
20 may be an opportunity for me to share some of the
21 issues with your leadership team."

22 In response to that e-mail, Mr. Van der
23 Vijver wrote to Mr. Henry, with a CC to you and
24 Ms. Boynton, "Simon, thanks for your offer. Most
25 appreciated. It may be appropriate, but," and
0185

1 DOMINIQUE GARDY, Volume II
2 then he writes, "a lot of the leaders in the
3 business do feel very bad about the external
4 negative atmosphere because they feel it is not of
5 their making." And at the end of his e-mail he
6 says, "I will discuss with Dominique."

7 Do you recall having a discussion with
8 Mr. Van der Vijver about this?

9 A I recall discussion at ExCom at that
10 time on how we would structure the EP Business Day
11 but not a specific discussion on the presence or
12 not of Mr. Fergus Macleod.

13 Q Was there a discussion with Mr. Van der
14 Vijver about whether Mr. Simon would give a
15 presentation at Group Day?

16 MR. SMITH: You mean Mr. Henry?

17 MR. MILLKEY: I'm sorry.

18 MR. SMITH: I know. I always get it
19 confused, too.

20 MR. MILLKEY: Thank you.

21 THE WITNESS: No. Again, this EP 22685
22 Business Day, the agenda for such EP Business Day
23 were always prepared as a draft and discussed at
24 EP ExCom. There might have been some one-to-one
25 discussion with Walter, but at the end of the day
0186

1 DOMINIQUE GARDY, Volume II
2 the agenda for the EP Business Day was endorsed by
3 ExCom.

4 BY MR. MILLKEY:

5 Q Referring to the line from Mr. Van der
6 Vijver's e-mail that I just read about the
7 "external negative atmosphere" and some leaders in
8 the business feeling that it was not of their
9 making, do you know, did Mr. Van der Vijver ever
10 express to you the sentiment that the negative
11 atmosphere he was referring to was not of his
12 making?

13 A I do not recall having discussion on
14 that topic with Walter van der Vijver.

15 Q In the next line of his e-mail he refers
16 to "NBD development." What does "NBD" stand for?

17 A New Business Development.

18 Q And in the next line he writes, "The
19 latest is the embarrassment on reserves
20 replacement, some of which driven by reserve
21 bookings that should not have been made."

22 Did Mr. Van der Vijver's comment that
23 there were reserves booking that should not have
24 been made surprise you?

25 MR. SMITH: Objection to form and lack
0187

1 DOMINIQUE GARDY, Volume II
2 of foundation.

3 THE WITNESS: Well, here again I want to
4 look at the e-mail in its totality. What the
5 message here is: We are where we are, and we need
6 to focus on the way forward, and there are some
7 challenges in the business, and let's focus on the
8 way going forward. This is the way I read this
9 message.

10 BY MR. MILLKEY:

11 Q Do you recall Mr. Van der Vijver ever

12 identifying specific reserves bookings that he 22686
13 believed should not have been made?

14 A As we discussed before, we are here now
15 in March 2002. I suppose we start to coincide
16 with the time when there were some discussion
17 around potential exposure in reserves, so that is
18 the recollection I have at that time.

19 Q Mr. Gardy, did there come a time when
20 Shell acquired a company called Enterprise?

21 A Yes.

22 Q Were you involved in the decision to
23 make that acquisition?

24 A I was part of the team working on it.

25 Q Why did Shell want to acquire

0188

1 DOMINIQUE GARDY, Volume II

2 Enterprise?

3 A Well, Shell has always been looking at
4 any type of opportunities in terms of acquisition,
5 provided that such an acquisition would create
6 value, so there was an ongoing effort to look at
7 possible alternatives, and Enterprise was picked
8 up as one possibility to create value for Shell
9 and shareholders.

10 Q Do you recall specifically why
11 Enterprise was considered an attractive target for
12 acquisition?

13 A Well, just to repeat what I said, there
14 was an ongoing look at all possible alternatives
15 of potential targets, and the decision-making
16 process was around which one would make sense in
17 terms of creating value. That is why Enterprise
18 was picked up.

19 Q Was one consideration that Enterprise
20 would contribute to Shell's proved reserves?

21 A Clearly not. The consideration was the
22 synergies between Shell and Enterprise, especially
23 in the North Sea.

24

25

0189

1 DOMINIQUE GARDY, Volume II

2 (Exhibit No. 15 was marked for

3 identification and attached to the deposition 22687
4 transcript.)

5 MR. MILLKEY: Mr. Gardy, we're going to
6 give you a second exhibit to look at at the same
7 time. It's a different version of the same
8 e-mail.

9 (Exhibit No. 16 was marked for
10 identification and attached to the deposition
11 transcript.)

12 BY MR. MILLKEY:

13 Q Exhibit 15 is an e-mail string, Bates
14 range V00230860 through 0861. Exhibit 16 is an
15 e-mail string also, and was produced by Shell.
16 The e-mail has Identification Number 100528397
17 (1). Following that, in Exhibit 16, is a chart
18 which was produced with the e-mail string. That
19 Identification Number is 0100528398 (1). And
20 there's an overlap in the two exhibits. They
21 encompass, in part at least, the same e-mail
22 string.

23 At the end of Exhibit 15 there's an
24 e-mail to you from Simon Henry, dated July 1st,
25 2002, with the subject "Enterprise messages." And
0190

1 DOMINIQUE GARDY, Volume II
2 I just note that this e-mail is also in Exhibit
3 16. It begins, "Dominique, I would appreciate
4 your advice on the latter in your role as EP
5 CFO -- with Frank not yet available. Attached
6 slide is a schematic of a thought Phil shared with
7 me about communicating some of the rationale
8 behind the Enterprise deal."

9 Is the reference to "Frank" to Frank
10 Coopman, do you know?

11 A Yes, because on the 1st of July, 2002, I
12 was just taking my new position as Regional
13 Business Director, so Frank Coopman was not yet on
14 the seat.

15 Q The reference to "Phil"; do you know who
16 that was to?

17 A Well, I suppose it's, I suppose it's
18 Mr. Phil Watts; yeah?

19 Q The e-mail goes on to say, "The basic

20 message is that we underspent for two years, and
21 Enterprise is, in one sense, a catch-up." And
22 towards the end of that paragraph, he wrote, "Also
23 the message is that it is perfectly feasible and
24 logical to include Enterprise volumes in
25 statements about vol growth and reserves
0191

1 DOMINIQUE GARDY, Volume II

2 replacement. Phil seems already mentally to have
3 included Enterprise reserves in this year's RRR."

4 The last page of Exhibit 16 appears to
5 be the attachment that Mr. Simon was referring to.
6 Do you recall seeing this table or chart before?

7 A I suppose this chart was attached to the
8 message I did receive, yeah.

9 Q Do you understand what is -- what the
10 term on the chart "Capex gap" refers to?

11 A Well, I think it illustrates that in the
12 year '99 and 2000 we were at a sort of Capex level
13 of something like 4 billion, 4.1, 3.8, as compared
14 to '98 and 2001 where it was more something like
15 six and a half. Basically in two years there were
16 some lower spend on investment at a time where we
17 have to recall the crude oil price was something
18 probably around \$12 per barrel or something like
19 that.

20 Q Was it your understanding that Mr. Watts
21 was suggesting that the Enterprise acquisition
22 could be portrayed as a way to fill that gap?

23 A No. I think what it was was, as I
24 mentioned yesterday, looking at the world
25 environment in terms of supply/demand and in terms
0192

1 DOMINIQUE GARDY, Volume II

2 of price. The question was for the management to
3 decide what sort of Capex level is affordable and
4 desirable for the business, and back at the time
5 at the Enterprise acquisition, price was indeed
6 starting to recover a lot, and therefore the
7 question was: What would be now the
8 right appropriate level of investment? So why the
9 sort of seven to eight billion dollars per annum
10 range, as mentioned on this chart.

11 Q Referring again to Mr. Henry's e-mail, 22689
12 which occurs in both exhibits, where he writes,
13 "Phil seems already mentally to have included
14 Enterprise's reserves in this year's RRR," did you
15 have an opinion whether it was appropriate to
16 include Enterprise reserves in the 2002 RRR?

17 MR. SMITH: Objection to form.

18 THE WITNESS: Well, again, Enterprise
19 was acquired, if my memory is correct, in
20 April 2002, so it would be part of the portfolio
21 to end of 2002. Sorry. It was part -- no, it was
22 part of the portfolio end-2002.

23 BY MR. MILLKEY:

24 Q Earlier I asked you if the ability to
25 include Enterprise reserves in Shell's proved

0193

1 DOMINIQUE GARDY, Volume II
2 reserves was a consideration in deciding to
3 acquire Enterprise, and as I recall, your answer
4 was "clearly not." Why did you say "clearly not"?

5 A Because if you look at the e-mail which
6 I sent, or actually the answer to my e-mail from
7 Walter -- I refer to e-mail from Mr. van der
8 Vijver, 2nd of July, 2002. "I strongly agree with
9 Dominique the comments on the concept proposed.
10 Storyline on Enterprise at Q2. Significant
11 progress on integration and even more confident on
12 claimed synergy delivery."

13 And that was exactly the objective
14 pursued for this acquisition, was to strengthen
15 our portfolio in the North Sea, and actually
16 benefitting from the synergies, collapsing
17 Enterprise organization needed for North Sea and
18 using ours to develop the larger portfolio. That
19 was the rationale.

20 Q Now, in your e-mail at the bottom of
21 that first page of Exhibit 15 you say, "I think
22 this is a dangerous route." What were you
23 referring to?

24 A Well, I think we are here now in 2002
25 and, in my view, starting to use Enterprise, which

0194

1 DOMINIQUE GARDY, Volume II

2 is something new in 2002. To look back on the

3 Capex the year before was not making too much

4 sense for me. This is why I said that.

5 Q Did you ever have a conversation with

6 Mr. Watts about this subject?

7 A No.

8 MR. SMITH: We've been going an hour and

9 ten or so. Do you want to take a break?

10 MR. MILLKEY: Sure, that's fine.

11 THE VIDEOGRAPHER: We are going off the

12 record. The time is 11:03 a.m.

13 (Whereupon, a short recess was taken.)

14 THE VIDEOGRAPHER: We are back on the

15 record. The time is 11:15 a.m.

16 BY MR. MILLKEY:

17 Q Mr. Gardy, getting back to the

18 discussion we had earlier about Business Week, do

19 you recall whether members of the analyst

20 community attended any of the sessions during

21 Business Week?

22 A I do not.

23 Q Do you recall whether members of the

24 analyst community were invited to attend Business

25 Week?

0195

1 DOMINIQUE GARDY, Volume II

2 A I do not recall.

3 Q Do you recall whether Business Week was

4 covered by the news media?

5 A I do not recall.

6 (Exhibit No. 17 was marked for

7 identification and attached to the deposition

8 transcript.)

9 BY MR. MILLKEY:

10 Q Gardy Exhibit 17 has Bates range

11 V00250526 through 250561. It also has the Bates

12 range Gardy 0025 through 0060.

13 The first page of the exhibit has an

14 e-mail from David Frost, dated September 29, 2002,

15 to Mr. Gardy. The subject line is "Australian Gas

16 Reserves," and the first line of the e-mail is

17 "The attached files explain in detail the reserves

18 booking history of both the NWS and Gorgon." And

19 I just note that on Page 250528 there's a 22691
20 document, an attachment with the heading "Note For
21 File, Australia Proved Gas Reserves," and then on
22 V00250531 there's a document attached called
23 "Gorgon Field Resource Recategorization (sic),
24 Note for Information."

25 Mr. Gardy, do you recall seeing these

0196

1 DOMINIQUE GARDY, Volume II

2 documents before?

3 MR. SMITH: Objection to form. You
4 misstated the title of the Gorgon document.

5 MR. MILLKEY: Which one?

6 MR. SMITH: You said "recategorization."
7 It's "categorization."

8 MR. MILLKEY: I apologize. You're
9 right. Gorgon Field Resource Categorization Note
10 for Information, dated September 2002.

11 BY MR. MILLKEY:

12 Q Have you seen these documents before,
13 Mr. Gardy?

14 A I remember the front e-mail, but I am --
15 what I referred to early on, the document about
16 the history of Gorgon, to my recollection there
17 was a document I did see in 2003. I remember the
18 e-mail. I do not remember the attachment at that
19 time.

20 Q Do you think the document you referred
21 to yesterday may have been one of these documents?

22 A Yes, I think so.

23 Q If you could turn to Page 250534, which
24 is a page in the second attachment, which was the
25 Gorgon Field Resource Categorization Note for

0197

1 DOMINIQUE GARDY, Volume II

2 Information, the next to the last paragraph reads,
3 "The new guidelines state that for major projects
4 critically dependent on new gas market capture,
5 reserves booking should, in principle, be deferred
6 until agreements have been signed, until near
7 project FID."

8 Do you understand what the reference to
9 the "new guidelines" is?

10 A Well, I do not understand, because on 22692
11 the top of the page it says "Note for Information
12 dated 11/04/2004."

13 Q Well, I must admit I cannot explain
14 that. I don't know the answer to that. All I can
15 say is the cover page of the document does say
16 2002, and this was produced to us as the
17 attachments, so I don't know.

18 Well, this may have to be a mystery. I
19 don't know the answer to that, but I will ask you
20 one or two questions, and if you think you can
21 answer the questions with this question
22 unresolved, please do. And if you don't, I
23 understand.

24 MR. SMITH: May I make a comment.

25 MR. MILLKEY: Sure, if you can help out.

0198

1 DOMINIQUE GARDY, Volume II

2 MR. SMITH: Since we're dwelling on the
3 -- I may or may not be able to help out with
4 respect to this was how the document was received
5 by us. This is how it was received by us from
6 Davis Polk. This is how we got it, and we
7 produced it to you, obviously as we received it
8 from them.

9 Secondly, I noted the witness said
10 earlier he didn't recall seeing the document
11 around the time of this e-mail. He recalls the
12 e-mail but thought he had seen the document itself
13 in early 2003, and I would just note for the
14 record this is not the final version of this
15 document. The note that you're focusing on that
16 relates to Gorgon, there is a later version of.

17 MR. MILLKEY: Why do you believe this is
18 not the final version?

19 MR. SMITH: I am aware of a later
20 version of this document.

21 MR. MILLKEY: Of this document?

22 MR. SMITH: Yes, and in fact, I'm pretty
23 sure you all have asked questions about it in
24 other depositions.

25 MR. MILLKEY: You know, in light of the

0199

1 DOMINIQUE GARDY, Volume II 22693

2 questions about this document, I may put it aside
3 and not ask any questions about it.

4 MR. SMITH: That's fine. That's up to
5 you.

6 MR. MILLKEY: I may come back to it
7 later. I want to think about it.

8 (Exhibit No. 18 was marked for
9 identification and attached to the deposition
10 transcript.)

11 BY MR. MILLKEY:

12 Q Gardy Exhibit 18 has Bates range
13 V00231035 through 231077. The cover page is an
14 e-mail from Marian van der Laan on behalf of
15 Walter van der Vijver to a number of individuals,
16 including Mr. Gardy. The subject is "EP
17 Delivery," and the e-mail attaches a number of
18 slides.

19 Mr. Gardy, do you recall seeing this
20 e-mail and these slides before?

21 A Yes, I do.

22 Q Can you tell me what they are.

23 A Well, they were the rationale to move
24 forward from the organization we used to have in
25 place towards a more global organization, which
0200

1 DOMINIQUE GARDY, Volume II
2 turn out to be called the New Exploration and
3 Production Operating Model, which turn out to take
4 shape as from January 1st, 2003, with recognition
5 during 2003 and live date on January 1st, 2004.

6 Q On the first page the individuals to
7 whom Mr. Van der Vijver sent his e-mail, are those
8 all individuals on ExCom?

9 MR. SMITH: Object to the form of the
10 question. There are two e-mails here. Are you
11 asking about both of them or one or the other?

12 MR. MILLKEY: I'm referring to the
13 e-mail at the top of the page.

14 MR. SMITH: Okay.

15 THE WITNESS: Yeah, all of them but one,
16 Linda Cook, who was at that time head of Gas and
17 Power.

18 BY MR. MILLKEY:

22694

19 Q Do you know why Mr. Van der Vijver would
20 have included Ms. Cook on this e-mail?

21 A Well, exploration and production
22 business and the downstream gas business are so
23 integrated I suppose is why he sent it -- I
24 believe this is why he sent it to her.

25 Q Now, in the presentation itself, on the
0201

1 DOMINIQUE GARDY, Volume II
2 first page there's a diagram with the heading,
3 "The EP Dilemma, "Caught in the Box?" And you'll
4 notice on Page 25 of the presentation there's a
5 similar diagram with some additional detail.
6 Could you use either one of these pages just to
7 explain what "caught in the box" meant.

8 MR. SMITH: Objection to form and lack
9 of foundation.

10 BY MR. MILLKEY:

11 Q Do you know what "caught in the box"
12 meant?

13 A What I recall is at that time we were
14 looking at the totality of the business, and
15 indeed looking also at what was going on on the
16 world outside, and of course starting to think
17 about could we create more value by managing this
18 business on a more global basis.

19 I referred to you yesterday to a
20 "decentralized" type of organization with various
21 operating units accountable for their performance
22 in the business, and here is objective which was
23 pursued was to say if we were to not only look at
24 investment selection on a global basis, as we
25 discussed yesterday, but if we were starting to

0202

1 DOMINIQUE GARDY, Volume II
2 look at deploying, for example, support services
3 in location where maximum value could be created,
4 if we could standardize our processes, if we could
5 have one common system, all that sort of stuff
6 around standardization, around simplification,
7 then we could manage the business which would
8 become more efficient. And the three pillars of

9 this presentation were around these three P's: 22695

10 People, Performance and Portfolio.

11 Q Did this "caught in the box" diagram
12 relate in some way to this new business model?

13 I'm not sure "business model" is the right term.

14 This "new system" that Shell was introducing.

15 A Well, again the objective was to look at
16 the ways and means to improve the performance of
17 the business, and the thought was through the
18 implementation of this new operating model, that
19 would be the way to get more effectiveness or
20 efficiency in order to create more value when
21 managing the business.

22 Q Did the "caught in the box" diagram
23 refer to the then current mode of doing business
24 that Shell had as opposed to this new system?

25 MR. SMITH: Objection to form. You
0203

1 DOMINIQUE GARDY, Volume II
2 already pointed out two of them in the
3 presentation. Are you now asking about one of
4 those as opposed to the other?

5 BY MR. MILLKEY:

6 Q It doesn't matter. The first one.

7 A Sorry. I lost your question. Sorry.
8 Could you repeat.

9 Q The question is: Does the "caught in
10 the box" in some way refer to the current business
11 model that Shell had as opposed to the new one?

12 A Again I don't know what "caught in the
13 box" means. What I recall clearly was a
14 discussion around improving efficiency of the
15 business.

16 Q If you turn to Page 18 of the
17 presentation, in an earlier answer regarding this
18 new system you referred to deploying support
19 services in locations where maximum value could be
20 created. How were technical support functions
21 deployed to pursue that goal?

22 MR. SMITH: Objection to form and lack
23 of foundation.

24 THE WITNESS: Well, again when you look
25 at this diagram -- I refer to slide 18. Look at

0204

1 DOMINIQUE GARDY, Volume II
2 bottom statement, "Regions: Accountable for
3 business and delivery -- business planning and
4 delivery of the plan." Accountability lies with
5 the Regional Business Director, so Global
6 Technical Directorate was there to support in
7 terms of services and skills, providing the --
8 Directorate was there to provide skills and
9 competencies in order to support the execution and
10 delivery of the various projects in the various
11 part of the world for which the regional
12 business -- each of the Regional Business
13 Directors would remain eventually accountable.

14 BY MR. MILLKEY:

15 Q Would you turn to Page 38, please.

16 A Sure.

17 Q The heading on this page is "Technical
18 Staff Deployment," and in the lower left-hand
19 corner, next to the heading "Work Location," it
20 says, "Main Centres are Rijswijk and Houston, but
21 staff can also be based (long and short term) in
22 regional or country Centres."

23 What is this language referring to?

24 MR. SMITH: Objection to form and lack
25 of foundation.

0205

1 DOMINIQUE GARDY, Volume II
2 THE WITNESS: Well, here again I think
3 what is important to understand was the objective
4 to use the skills and competencies in the most
5 effective way, so, and here again looking at the
6 various projects across the world in terms of the
7 prioritization, skills and competencies
8 requirement and how to provide them.

9 Just to give you an example, in Asia
10 Pacific we have a Tech Center in Miri, Malaysia,
11 because we found that was the right place to
12 optimize the use of resources. So different
13 centers across the world just in terms of
14 supporting them and bringing the competencies to
15 the project where, according to their priority, to
16 support the regional Executive Director to execute

17 their eventual accountability in delivering the 22697

18 projects.

19 BY MR. MILLKEY:

20 Q Do you recall whether the main centers

21 for the deployment of technical staff were in

22 Rijswijk and Houston, as the slide appears to

23 indicate?

24 MR. SMITH: Objection to form.

25 THE WITNESS: I'm not sure what you mean

0206

1 DOMINIQUE GARDY, Volume II

2 by "main centers." I realize this is a word, but

3 "main centers" may have a lot of meaning, so, for

4 example, we have a large population of staff in

5 Rijswijk, which has been always the case in

6 history. I have a large center in Miri as

7 compared to no one center in Philippines, for

8 example.

9 BY MR. MILLKEY:

10 Q Do you recall what technical centers

11 were located in Houston?

12 MR. SMITH: Objection to form. I just

13 note for the record that on the page we're looking

14 at, Page 38 of the document, there's one of the

15 squares on this chart that is hard to read. I

16 don't know if you can read it. I can't.

17 MR. MILLKEY: Actually, I have a note

18 oven my copy that says: "What does this say?"

19 MR. SMITH: Well, I can't answer your

20 question.

21 MR. MILLKEY: I'll talk to you about

22 that afterwards.

23 BY MR. MILLKEY:

24 Q Do you recall if there was deployment of

25 technical expertise in Houston?

0207

1 DOMINIQUE GARDY, Volume II

2 A There was no deployment. There has

3 been -- there has been a center in Houston. There

4 has not been specifically deployment.

5 (Exhibit No. 19 was marked for

6 identification and attached to the deposition

7 transcript.)

8 BY MR. MILLKEY: 22698
9 Q Gardy Exhibit 19 is a document Bates
10 spanned -- Bates range RJW00321197 through 321215.
11 On the first page it says "Note For Discussion,"
12 subject, "EP Proved Reserves Management," dated
13 October 3rd, 2002, from EPB to ExCom.
14 Mr. Gardy, did you receive this
15 document? Do you recall receiving this document?

16 A Yes.

17 Q Who is -- who or what is EPB?

18 A EP planning organization.

19 Q It's signed at the bottom by "Lorin."

20 Is that Lorin Brass?

21 A Well, he was EPB at that time.

22 Q Turning to 321198, which is the second
23 page of the exhibit, the note begins, "Over the
24 last ten years, Shell has moved from bottom to top
25 (1996 through 1998) and back to bottom on proved

0208

1 DOMINIQUE GARDY, Volume II
2 reserves replacement performance compared with
3 major competitors." And then a little lower down
4 it says, "This being the case, the system that is
5 used to manage proved reserves additions would
6 benefit from revision with a view to: A, where
7 possible and within the latitude of the SEC rules,
8 avoid major swings in performance -- in particular
9 peaks in one year that exacerbate troughs in the
10 next," and a little below that there's a, there's
11 a diagram that says "Current" on the left side and
12 "Proposed" on the right side.

13 Do you have any understanding of the
14 system that was being proposed here?

15 A Well, my recollection from the
16 discussion around that document was a willingness
17 to look at ways and means to, to work on, on the
18 reserves monitoring in such a way that exposure,
19 the exposure which we discussed before which were
20 started to be flagged, could be, could be
21 addressed.

22 Q Did the diagram on the ride under the
23 word "Proposed" reflect one of the proposals that
24 were being discussed at this time?

25 A Yes, it was. 22699

0209

1 DOMINIQUE GARDY, Volume II

2 Q The diagram uses the word "float." Do
3 you understand what was intended by "float"?

4 A No.

5 Q Do you recall whether ExCom reached any
6 conclusions about new systems that ought to be
7 instituted in response to this Note For
8 Discussion?

9 A I do recall the discussion about the
10 scheme, I cannot remember -- as per Page 1 of this
11 Note For Discussion, but I do not remember the
12 decision which was -- which could have been
13 reached at that time.

14 Q If you could turn to the next page,
15 which is 321199, a little below halfway down
16 there's a heading that says "Scorecards," and the
17 text reads, "Within the Group there are mixed
18 opinions on the inclusion of Proved Reserves
19 Additions on OU scorecards."

20 Do you recall any discussion at ExCom
21 about the desirability of having -- about having
22 proved reserves additions on OU scorecards?

23 A I do remember discussion around
24 scorecard, but on all items of scorecard there was
25 all -- as I told you yesterday, the scorecard

0210

1 DOMINIQUE GARDY, Volume II

2 scheme was presented by EPD, and then all the
3 scorecard as a whole was discussed at ExCom.

4 Q I may have asked this yesterday, and if
5 I did, I apologize. Do you recall anyone in
6 particular advocating that proved reserves
7 additions ought not to be on operating unit
8 scorecards?

9 A No.

10 MR. SMITH: Objection to form.

11 BY MR. MILLKEY:

12 Q A little farther down that same page
13 there's a heading for "Competitive Intelligence,"
14 and the text reads, "Efforts will be redoubled to
15 establish more fact concerning the actual

16 practices of competitors, with a view to 22700
17 identifying issues that need to be resolved by the
18 industry as a whole."

19 Do you recall whether those efforts were
20 actually undertaken?

21 A I'm afraid I don't understand what these
22 three lines exactly mean.

23 MR. MILLKEY: I want to check something.
24 (Discussion was held off the record.)
25

0211

1 DOMINIQUE GARDY, Volume II

2 BY MR. MILLKEY:

3 Q If you could turn to Page RJW00321201,
4 there's a heading, "ExCom Review." If you could
5 just take a moment to read the second paragraph,
6 beginning with the words "Allied to this." About
7 halfway down the paragraph there's a sentence that
8 reads, "140 percent annual reserves replacement is
9 widely accepted to be consistent with Shell's
10 current three percent a.a.i. production growth
11 target."

12 Do you understand what that sentence
13 means? What in particular do the words
14 "consistent with" mean, if you understand it?

15 A No, I'm not sure I understand the
16 sentence properly.

17 Q Do you know whether a 140 percent annual
18 reserves replacement was necessary for Shell to be
19 able to meet its three percent growth target?

20 MR. SMITH: Objection to form.

21 THE WITNESS: As I told you yesterday,
22 when you asked me the question 100 percent, the
23 100 percent replacement ratio means that you
24 replace the production. I cannot make the link
25 between the numbers here on this page.

0212

1 DOMINIQUE GARDY, Volume II

2 BY MR. MILLKEY:

3 Q Do you know whether in 2002 Shell was
4 able to achieve a Reserves Replacement Ratio of
5 over 100 percent?

6 A I do not remember the number for 2002.

7 MR. MILLKEY: She needs to change the
8 tape. Why don't we take a short break. I don't
9 think I'm going to have much more. Let's take a
10 short break and we may be able to finish up.

11 THE VIDEOGRAPHER: This marks the end of
12 Tape 1 in Volume II of the deposition of
13 Dr. Gardy. We are going off the record. The time
14 is 12:02 p.m.

15 (Whereupon, a short recess was taken.)

16 THE VIDEOGRAPHER: This marks the
17 beginning of Tape 2, Volume II in the deposition
18 of Dr. Gardy. We are back on the record. The
19 time is 12:11 p.m.

20 BY MR. MILLKEY:

21 Q If you could please turn to Page
22 RJW00321205 of Exhibit 19, the heading at the top
23 of the page is "Scorecards." At the bottom of the
24 page it says "Action," and it reads, "OU
25 Scorecards should retain Proved Reserves Additions
0213

1 DOMINIQUE GARDY, Volume II
2 targets for 2003. RBDs should ensure that
3 fit-for-purpose mechanisms are introduced to
4 encourage behaviors that are generally helpful to
5 EP objectives in this regard and discourage
6 inappropriate behaviors or attempted reserves
7 bookings."

8 Now, at this time in October of 2002 you
9 were the --

10 A Which page?

11 MR. SMITH: We're having trouble finding
12 what you're reading.

13 (Discussion was held off the record.).

14 BY MR. MILLKEY:

15 Q Do you see the text at the bottom there?

16 A 1205, for me, is Page 8.

17 MR. FERRARA: Just above there it says
18 "Action."

19 BY MR. MILLKEY:

20 Q If you to take a moment there to re-read
21 the last paragraph.

22 A Yeah.

23 Q At this time you were the RBD of Asia

24 Pacific; is that correct?

22702

25 A Yes.

0214

1 DOMINIQUE GARDY, Volume II

2 Q Did you take any steps to ensure that
3 fit-for-purpose mechanisms were introduced to
4 encourage behaviors that were generally helpful to
5 EP objectives in this regard? And referring to
6 the language in the quoted paragraph.

7 MR. SMITH: Objection to form and lack
8 of foundation.

9 THE WITNESS: Here again in October of
10 2002 we start talking about the 2003 scorecard
11 which will be elaborated later on, and when we
12 look at -- when we establish scorecards for 2003,
13 we certainly looked at that.

14 BY MR. MILLKEY:

15 Q I'm sorry?

16 A We looked at -- I just want to refer
17 back to Mr. Anton Barendregt, we talked in the
18 year-end 2001, and the top of the same page where
19 it was said that there was some challenges in that
20 forum which were addressed.

21 Q Do you recall any particular steps you
22 took in response to this action item?

23 MR. SMITH: Objection to form and lack
24 of foundation. He's already said he doesn't know
25 what decision came out of this meeting.

0215

1 DOMINIQUE GARDY, Volume II

2 THE WITNESS: There was -- a point I
3 just want to make is that when I -- when we
4 started working on the 2003 scorecard for EPA,
5 which was actually voluntarily presented to ExCom,
6 we look at scorecard in its totality.

7 BY MR. MILLKEY:

8 Q Mr. Gardy, what is the EP leadership
9 forum?

10 A EP leadership forum is, in abbreviation,
11 called EPLF, EP Leadership Forum, and it has been
12 a gathering of some -- between 100 to 140 EP
13 senior people attending two events a year, one EP
14 Business Day we were referring to during the

15 Business Week in Houston, and another one which
16 used to be in December every year.

17 Q What was the second event in December?

18 A A gathering of EP Leadership Forum as
19 well, but not within the context of leadership
20 week.

21 Q What was the purpose of the December
22 gathering?

23 A It was not -- the specific purpose of
24 the one in December, as opposed to the one in May,
25 it was just two opportunities for the ExCom or EP

0216

1 DOMINIQUE GARDY, Volume II
2 Leadership Team to have one day or one and a half
3 days with 120 or so EP staff.

4 MR. MILLKEY: Mr. Gardy, I have no
5 further questions. Thank you very much.

6 MR. SMITH: We have none.

7 MR. FERRARA: Let's take a minute.

8 MR. SMITH: Okay, sure.

9 THE VIDEOGRAPHER: We are going off the
10 record. The time is 12:19 p.m.

11 (Whereupon, a short recess was taken.)

12 THE VIDEOGRAPHER: We are back on the
13 record. The time is 12:22 p.m.

14 MR. SMITH: Thank you for letting us
15 confer, but we have no questions.

16 MR. MILLKEY: Sure.

17 THE VIDEOGRAPHER: This marks the end of
18 the deposition of Dr. Gardy. The total number of
19 tapes used today is two. We are going off the
20 record. The time is 12:22 p.m.

21 (Signature having not been waived,
22 Volume II of the video deposition of DOMINIQUE
23 GARDY was concluded at 12:23 p.m.)

24

25

0217

1 DOMINIQUE GARDY, Volume II

2

3

4

5

ACKNOWLEDGEMENT OF WITNESS

6 I, DOMINIQUE GARDY, do hereby 22704
7 acknowledge that I have read and examined the
8 foregoing testimony, and the same is a true,
9 correct and complete transcription of the
10 testimony given by me, and any corrections appear
11 on the attached Errata sheet signed by me.
12
13
14

15 _____
16 (DATE) (SIGNATURE)
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0218

1 DOMINIQUE GARDY, Volume II
2 E R R A T A S H E E T
3 IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

4 RETURN BY:

5 PAGE LINE CORRECTION AND REASON

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23 _____

24 _____

25 (DATE) (SIGNATURE)

0219

1 DOMINIQUE GARDY, Volume II
2 E R R A T A S H E E T
3 IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

4 RETURN BY:

5 PAGE LINE CORRECTION AND REASON

6 _____

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25 (DATE) (SIGNATURE)

0220

1 DOMINIQUE GARDY, Volume II

2

3

4 CERTIFICATE OF SHORTHAND REPORTER -- NOTARY PUBLIC

5 I, Laurie Bangart-Smith, Registered

Professional Reporter, the officer before whom the

6 foregoing deposition was taken, do hereby certify
that the foregoing transcript is a true and

7 correct record of the testimony given; that said
testimony was taken by me stenographically and

8 thereafter reduced to typewriting under my
supervision; and that I am neither counsel for,

9 related to, nor employed by any of the parties to

this case and have no interest, financial or 22706

10 otherwise, in its outcome.

11 IN WITNESS WHEREOF, I have hereunto set
my hand and affixed my notarial seal this 26th day
12 of January, 2007.

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15 My commission expires: March 14th, 2011

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

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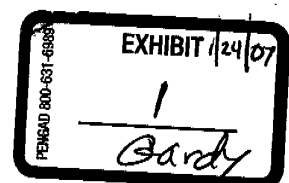
From: Aalbers, Remco RD SEPIV-EPB-P
To: Brass, Lorin LL SEPIV-EPB; Platenkamp, Roelof RJ SEPIV-EPB-P
CC: McKay, Aidan A SEPIV-EPB-P
BCC:
Sent Date: 2000-01-27 12:02:42.000
Received Date: 2000-01-27 12:02:42.000
Subject: Presentation ExCom 31st January 2000 - Reserves
Attachments: ExCom_Proved_final.doc

Lorin, Roelof,

Attached final version of the Reserves note for ExCom.

Regards,

Remco



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Presentation ExCom 31st January 2000

Preliminary Summary of End 1999 Proved Reserves

The objective of this note and presentation is to inform ExCom of the end 1999 Group Resources, especially proved and proved developed reserves, prior to the finalisation and External Audit clearance of these numbers by the 4th February 2000, ahead of the Q4 press release. The numbers are still being finalised, but adjustments are expected to be minor.

Summary

- ◆ The 1999 proved reserves replacement ratio is 46% for oil/NGL (141% in 1998) and 23% for gas (255% in 1999). Total oil/NGL/Gas replacement ratio for 1999 is 37% (182% in 1998).
- ◆ Three year average proved reserves replacement ratio for 1999 is 106% for oil (146% in 1998) and 161% for gas (249% for gas), total replacement on boe basis is 126% (184% in 1998) (ref attachment 1). It should be noted that the implementation of the new Petroleum Resource Guidelines during 1998 accounted for roughly 50% of the 1998 proved reserves increase.
- ◆ Including the AOSP "mining reserves" the overall proved replacement ratio increases from 37% to 82% and further inclusion of the Iran "pseudo reserves" increases the replacement ratio to 94%.
- ◆ Regional proved reserves replacement indicates a trend of limited reserves replacement in the mature areas of EPN and EPA from production and divestment and reserves additions in the other two areas EPG and EPM.

There are a number of issues regarding proved reserves booking for 1999 which require endorsement by ExCom. The issues and recommendations are presented in this Note under "Issues".

Changes during 1999

Summary of Proved Reserves

The ESOSC proved reserves as of 1.1.2000 (assuming recommendations presented are endorsed) stand at 1523 mln m³ oil/NGL (9581 mln bbl) and 1647 mrd sm³ gas (10,037 mln boe), showing a decrease of 71 mln m³ (449 mln bbl) and 64 mrd sm³ (388 mln boe) for oil/NGL and gas respectively after taking account of 1999 production being 132 mln m³ (831 mln bbl) oil/NGL and 82.6 mrd sm³ (503 mln boe). Total proved reserves replacement ratio is 37% with a replacement ratio of 46% for oil and 23% for gas.

	Unit	Proved Reserves 1.1.1999	Proved Reserves 1.1.2000	Change	Proved Reserves Repl. Ratio
Oil/NGL	mln m3	1594.8	1523.4	-71.4	46%
Gas	mrd sm3	1711.1	1647.4	-63.7	23%
Total	mln boe	20.5	19.5	-1.0	37%

One new venture has booked first time proved reserves in 1999, Kazakhstan (*Saigak* +2 mln m³ oil) and one venture no longer books proved reserves Chad (-0.4 mln m³) as the Group has pulled out of the Doba-project end 1999.

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Summary of Reserves by Region

The changes in proved reserves split by Region shows that only EPG has a significant replacement ratio for 1999 both oil/NGL and gas. As a result of production and divestments in the mature areas in EPN and EPA replacement ratio is very low with increases just offsetting the divested reserves. EPM replacement ratio is also low. (Gas replacement ratio's in EPM and EPG are 'distorted' due too low production).

	OIL/NGL [mln m3]					Gas [mrd sm3]					R.R. boe
	Proved 1.1999	Proved 1.2000	Prod 1999	Delta	Repl. Ratio	Proved 1.1999	Proved 1.2000	Prod 1999	Delta	Repl. Ratio	
EPN	578	480	70	-97	-39%	915	896	61	-19	69%	11%
EPM	316	308	27	-8	71%	109	94	3	-15	-391%	24%
EPA	157	159	14	2	115%	577	544	17	-33	-93%	4%
EPG	544	576	22	31	244%	110	113	1	3	321%	248%
Total	1595	1523	132	-71	46%	1711	1647	83	-64	23%	37%

Breakdown of Changes by Category

The decrease in both oil/NGL and gas reserves is the result of Production and Divestments (Sales in Place) from Portfolio Management recommendations, the reductions are only partly offset by increases from Discoveries & Extensions, Improved Recovery, Revisions & Reclassifications and Acquisitions (Purchases in Place).

	Oil/NGL [mln m3]	Gas [mrd sm3]
Proved Reserves 1.1.1999	1594.8	1711.1
Revisions & Reclassifications	39.2	15.2
Improved Recovery	18.7	2.2
Extensions & Discoveries	53.7	38.6
Purchases in Place	11.9	.2
Sales In Place	-62.8	-37.3
Production 1999	-132.1	-82.6
Proved Reserves 31.12.1999	1523.4	1647.4

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Major Changes by Category and Country

Breakdown of the major changes is as follows :

	Oil/NGL [mln m3]
Sales in Place (Divestments)	-63
USA (Enterprise&Apache)	-47
Philippines (Texaco)	-4
Canada (Plains)	-10

Purchases in Place (Acquisition)	11
Nigeria SPDC (EA/EJA)	11

Extensions & Discoveries	54
Nigeria SNEPCO (Ehra)	24
USA (Hickory, Spirit, Auger e.a.)	10
Norway (Ormen Lange)	1
Denmark (Halfdan)	6
Nigeria SPDC	5
Others (New Zealand, Oman e.a.)	8

Improved Recovery	19
Oman PDO	9
Others (Sakhalin, Altura, Brunei)	10

Revisions & Reclassifications	39
Nigeria SPDC (Shallow Offshore)	+18
Oman PDO	+12
Gabon	+5
Canada	+6
Others NET	-2

	Gas [mrd sm3]
Sales in Place (Divestments)	-37
USA (Enterprise&Apache)	-15
Philippines (Texaco)	-19
Canada (Plains)	-3

Purchases in Place (Acquisition)	0
---	----------

Extensions & Discoveries	39
Nigeria SNEPCO (Ehra)	0
USA (Hickory, Spirit, Auger e.a.)	9
Norway (Ormen Lange)	12
Denmark (Halfdan)	2
Nigeria SPDC	7
Others (Egypt, Malaysia, Brunei, e.a.)	9

Improved Recovery	2
Malaysia (Lower Pressure)	2
Others	0

Revisions & Reclassifications	15
Canada (Royalties in Cash +14)	19
USA (Own Use)	-7
Norway (Troll gas contract e.a.)	13
Oman Gisco (Entitlement)	-12
Others NET	2

Impact AOSP and Iran

The proved oil/NGL and gas reserves exclude the Canadian OilSands *AOSP* – 95 mln m3 proved (600 mln bbl) as these under SEC rules are classified as “minning reserves” (volumes are incl. minority interest). Also exclude are the Iranian “Pseudo Reserves” *Soroosh/Nowrooz* – 24 mln m3 (150 mln bbl Shell share) as proved reserves booking is currently still very sensitive in Iran. Note the 100% project reserves volumes in Iran are 950 mln bbl (151 mln m3).

Although the externally reported proved oil/NGL and gas reserves will not include AOSP “Mining Reserves” nor the Iran “Pseudo Reserves” the overall hydrocarbon resource replacement performance is better represented if these volumes are included resulting in a replacement ratio of 94%.

	Initial Submission excl adj.	Repl. Ratio Proved Reserves	Repl Ratio Excl. A&D	Repl. Ratio Incl. AOSP	Repl. Ratio Incl. AOSP & Iran
Oil/NGL	71%	46%	84%	118%	136%
Gas	31%	23%	68%	23%	23%
Total	56%	37%	78%	82%	94%

The initially submitted reserves prior to the proposed adjustment gave a replacement ratio of 56%; after adjustments but excluding Acquisitions and Divestments the replacement ratio is 78%.

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Proved Developed Reserves

The proved developed reserves as of 1.1.2000 stand at 795 mln m³ oil/NGL and 775 mrd sm³ gas, showing an increase of 15 mln m³ and 2 mrd sm³ for oil/NGL and gas after taking account of 1999 production. Proved developed replacement ratios are 111% for oil/ngl and 103% for Gas (108% total boe).

The proved developed reserves replacement ratio for 1999 indicated that production as well as divested developed reserves were replaced. Large contributions were made by from transfer of undeveloped reserves to developed reserves in Canada (Sable project start-up), Oman Gisco (production start-up), Malaysia (Compression Installation F23), USA and UK.

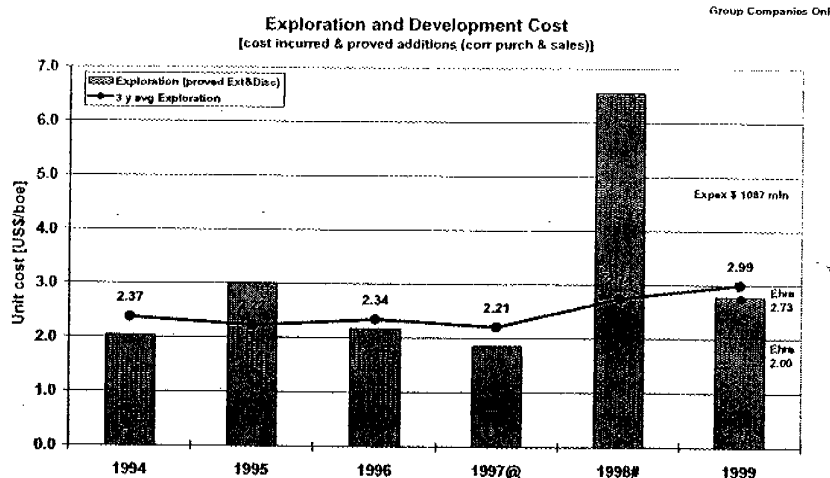
Issues

The following issues need endorsement from the ExCom before finalising the 1999 proved reserves:

Nigeria SPDC – Ehra Discovery

In their initial submission SNEPCO have booked the 1999 Ehra discovery (made by Exxon) as commercial SFR and not as reserves. Up to the November 1999 monthly reporting (MISCOM) by SNEPCO indicated booking of Ehra volumes as proved reserves for 1.1.2000. Ehra volumes, however, were excluded from the 1.1.2000 proved reserves as Exxon indicated mid December 1999 that they would not include the volumes in their proved reserves and did not present SNEPCO with a preliminary development plan. Subsequent challenge has indicated that volumes are sufficiently large and sufficient technical work has been done in Houston to support proved reserves booking for 1.1.2000. It is therefor recommended to advise SNEPCO to book Ehra proved reserves for 1.1.2000 of 24.0 mln m³ oil Shell PSC entitlement.

Booking of the Ehra discovery is also important in view of the external Unit Finding Cost (UFC) which is based on proved reserves additions and exploration expenditure disclosed.



Group Companies Onl based on proved reserves additions and exploration expenditure disclosed. Preliminary figures indicate an 1999 exploration expenditure of 1087 mln US\$ for Group companies. Based on the Group company proved additions form “discoveries & extensions” the UFC’99 would be 2.78 \$/b excluding and 2.0 \$/b including the Ehra discovery.

Nigeria SPDC

Nigeria SPDC has submitted an increase in proved reserves of 80 mln m³ proved reserves – this is believed to be too optimistic in view of the current licence expiry of 30th June 2019 for the Onshore (MOU) and Shallow Offshore Licences by 30th November 2008.

Under the alternative funding arrangement for EA/EJA Shell share of reserves increase for these fields from 30% to 77.14% and the licence has been extended to 350 million barrels cumulative production. Net result of these changes is an increase in proved reserves in the Shallow Offshore of 30 mln m³ (189 mln bbl). It is recommended to book these incremental volumes.

The Onshore Licence expires mid –2019 and it is recommended to freeze the onshore proved reserves at the 1.1.1999 level to prevent potential large proved reserves reduction in future, if the planned growth does not or only partly materialises. This means not book the 50 mln m³ oil proved reserves addition for

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1.1.2000 as submitted by SPDC. As a consequence proved onshore oil reserves in SPDC will decline with cumulative production in future years until such time that significant growth in oil production volumes has been established or a licence extension has been secured.

Abu Dhabi

Abu Dhabi proved oil reserves have historically been booked on an expected growth scenario which still has not materialised under OPEC constraints. As a result of the Abu Dhabi licence expiry early 2014 reserves have to be de-booked with deferral of the expected production increase. It is recommended to differentiate between an expected (50/50) forecast and a proved (90/10) forecast when estimating proved reserves. An initial gap of two years delay in growth for 1.1.2000 requires a de-booking of 6.5 mln m3.

Canada

The Group Resource Guidelines prescribe in line with SEC rules that 'Royalties in Kind' should be excluded from the reserves but that 'Royalties in Cash' should be included in the reserves. Historically Canada proved reserves have been included net of all royalties, directly from the Shell Canada Annual Report data. Early 1999 it became clear that only oil royalties in Canada are due in Kind and that Gas royalties are due in Cash. For 1.1.2000 reserves gas royalties have been included in the SC reserves – addition of 13.8 mln m3. With the divestment of the Plains properties all oil fields have been divested and Royalties in Kind are no longer applicable.

Australia

Australia SDA have indicated that WAPET have re-evaluated the Gorgon reserves which has lead to a 20% increase in recoverable volumes. In view of the limited market availability and already large uncommitted proved gas reserves carried by SDA based on future market expectations it has been proposed and agreed with SDA and EPA not to include the additional 20 mrd sm3 for 1.1.2000. Booking of the additional volume in future is subject to further market development and capture.

Proved Gas volumes in Australia have been a point of challenge by the external Auditors (KPMG/PWC) for the last two years already and incremental booking at present would be hard to support.

USA

Shell Oil up to 1998 reported its financial performance externally separately from the Group, which included proved reserves based on Shell Oil's internal reserves Guidelines. The Shell Oil definition of proved reserves includes 'own use' gas in the proved gas reserves.

Following the Globalisation in 1999 and de-registration of Shell Oil from the SEC Shell Oil no longer individually publishes its results and reserves. The Group's definition of proved reserves explicitly excludes 'own use' gas from the reserves. To align reporting across the Group it is proposed that Shell Oil reserves for 1.1.2000 are reported excluding 'own use' gas in line with the Group Guidelines. This results in a reduction of 6.5 mrd sm3 versus the number submitted by Shell Oil (-1.9% for Shell Oil, -75% for Area and -7% for Altura).

The issue has been discussed with the Group Reserves Auditor and Group External Auditors who confirm that both interpretations are defensible under SEC rules but also acknowledge that reporting consistency across the Group is a strong consideration.

Excluding own Use gas from the USA reserves also aligns with the new gas definition proposed for 2000 "Gas Production Available for Sales (from own Reserves)" which also excludes own use and flared gas volumes.

It should be noted Shell Oil prefer not to adjust reserves and have submitted 1.1.2000 proved gas reserves including 'own use' gas.

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The total of the above recommendations in terms of changes to the originally submitted proved reserves by the Group Ventures is as follows:

OIL	<u>Proved Reserves</u>
◆ Inclusion of Nigeria-SNEPCO 1999 Ehra discovery ('Exxon' block)	+ 24.0 mln m ³
◆ Increase Nigeria-SPDC Shallow Offshore Reserves (EA/EAJ) resulting from alternative funding agreement (77% share) and Licence extension post Nov-2008 (max of 350 MMb)	+ 30.0 mln m ³
◆ Limit Nigeria-SPDC Onshore (MOU) to currently booked proved reserves minus 1999 production reflecting doubling of production to 1,400 b/d by 2010 only with licence expiry in Jun-2019; Reduction from SPDC submission of	- 50.0 mln m ³
◆ Reduce Abu Dhabi proved reserves based on two year delay production increase and licence expiry in Jan-2014	<u>- 6.5 mln m³</u>
	Total: - 2.5 mln m ³
 GAS	
◆ Exclude USA 'own use' gas in line with Group Reserves Guidelines	-6.5 mrd sm ³
◆ Australia SDA, increase in Gorgon volumes are not included as proved reserves due to gas market limitations (19.7 mrd sm ³ increase from 86.1 to 105.8 mrd sm ³)	0.0 mrd sm ³
◆ Include Canada gas royalty in cash in line with Group Reserves Guidelines	<u>+ 13.8 mrd sm³</u>
	Total + 7.3 mrd sm ³

Discoveries 1999

Two NVOs and sixteen OUs have reported a total of 59 successful exploration wells for 1998 versus 60 dry wells (note Shell Oil and Shell Canada statistics are not yet complete). Total Group share on equity basis (i.e. including carried Government take in PSC countries) of the discovered hydrocarbon resource volume is 136 mln m³ oil/NGL (857 mln bbl) and 67 mrd sm³ gas (411 mln boe), a combined total of 1,268 mln boe.

There are seven large oil finds one each in Nigeria-SNEPCO (Ehra 746 mln boe), Denmark (Halfdan 491 mln boe) and Oman (Ghafeer 85 mln bbl), plus two each in Australia-Woodside (Vincent 61 mln bbl and Enfield 72 mln bbl) and Angola (Platina 117 mln boe and Plutonia 283 mln boe).

A further seven gas fields were discovered one in Egypt (Obaiyed-South 74 mln boe), two in Malaysia (Kamansu East Uplifted 62, F23-SW 23 mln boe), Australia SDA (Geryon and Orthrus) and Norway (Ormen Lange South 125 mln boe). The large deepwater gas discovery in Nigeria SNEPCO (Doro) under current contractual terms does not give Shell any entitlement.

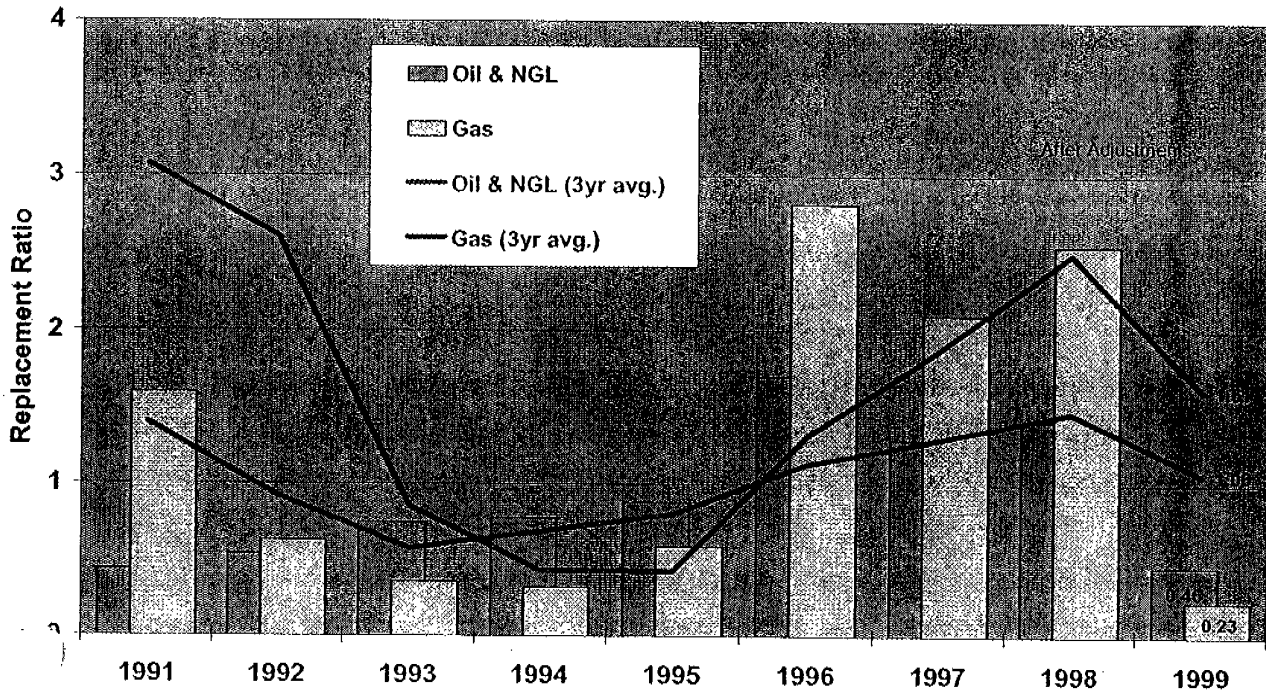
Total exploration expenditure for 1999 is currently estimated at US\$ 1290 mln resulting in an internal unit resource finding cost of 1.02 \$/b for the discovered expectation resource volume of 1268 mln boe.

If discovered resources from exploration in 1999 are limited to shell share expectation reserves booked for 1.1.2000 of 60 mln m³ oil/ngl (377 mln bbl) and 19.4 mrd sm³ (118 mln boe) a total of 495 mln boe this results in a unit reserves finding cost of 2.60 \$/b.

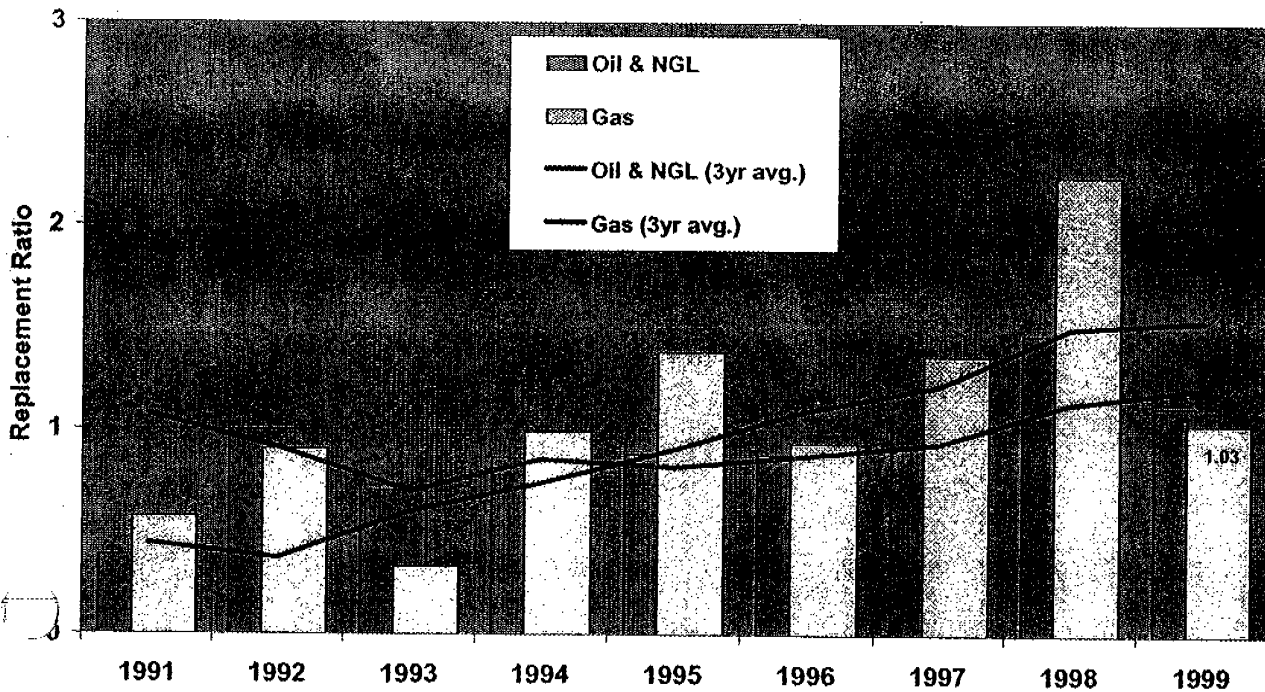
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Historic Replacement Ratio's

Proved Replacement Ratio's (Group)



Proved Developed Replacement Ratio's (Group)



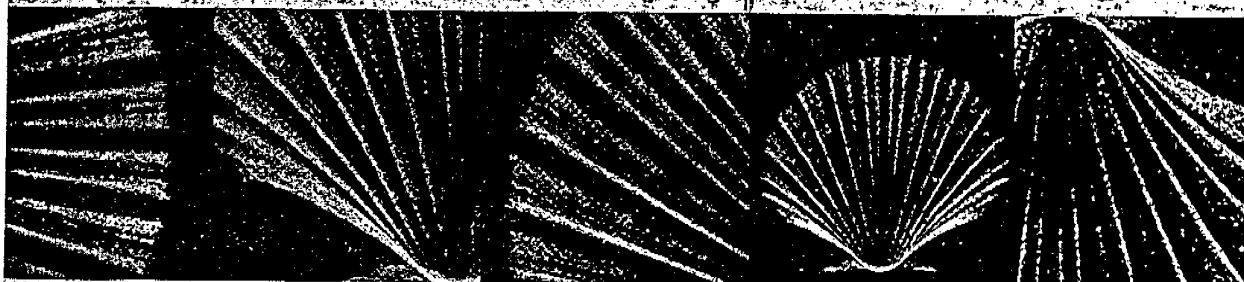
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Proved Reserves Summary

	Crude Oil and NGL in million M3					Gas in milliard SM3					BOE Repl. Ratio
	Proved Reserves 01/01/99	Proved Reserves 31/12/99	Prod 1999	DELTA	Repl. Ratio	Proved Reserves 01/01/99	Proved Reserves 31/12/99	Prod 1999	DELTA	Repl. Ratio	
Netherlands	6.09	5.77	0.76	-0.32	58%	424.61	410.64	15.71	-13.970	11%	13%
UK	156.40	129.92	23.34	-26.48	-13%	116.44	109.45	9.98	-6.988	30%	-1%
Norway	38.75	33.26	4.81	-5.49	-14%	67.01	89.90	2.38	22.884	1062%	334%
Denmark	35.57	39.15	6.86	3.58	152%	32.81	30.44	3.22	-2.374	26%	113%
Germany	4.04	3.37	0.33	-0.67	-103%	62.34	59.42	5.00	-2.919	42%	32%
Austria	0.25	0.23	0.03	-0.02	33%	1.24	1.48	0.17	0.240	243%	210%
Shell Oil (USA)	149.43	92.00	18.20	-57.43	-216%	118.44	94.40	17.75	-24.038	-35%	-128%
Shell Oil (Aera)	83.38	79.26	7.66	-4.12	46%	4.42	1.38	0.12	-3.038	-2485%	9%
Shell Oil (Altura)	42.03	47.87	2.64	5.84	321%	5.88	7.50	0.40	1.625	506%	345%
Shell Oil (MCC)	4.91	1.86	0.55	-3.05	-455%	2.00	1.55	0.55	-0.450	18%	-222%
Shell Oil (TMR)	0.67	0.93	0.18	0.26	244%	1.28	1.69	0.17	0.410	341%	291%
Canada	56.13	47.16	4.16	-8.97	-116%	78.42	88.31	5.83	9.891	270%	106%
EPN	577.65	480.78	69.52	-96.87	-39%	914.89	896.16	61.27	-18.727	69%	11%
Oman - (PDO)	134.09	139.50	16.37	5.41	133%	0.00	0.00	0.00	0.000		133%
Oman - (Gisoco)	32.34	33.18	0.88	0.84	195%	59.32	45.69	1.23	-13.628	-1005%	-496%
Abu Dhabi	108.78	96.81	4.80	-11.97	-149%	0.00	0.00	0.00	0.000		-149%
Egypt	9.15	9.06	0.37	-0.09	76%	29.48	31.27	1.08	1.790	266%	216%
Syria	22.78	19.81	4.11	-2.97	28%	3.46	1.01	0.28	-2.443	-769%	-22%
Russia - (Sakhalin)	8.71	7.69	0.05	-1.02	-1940%	0.00	0.00	0.00	0.000		-1940%
Kazakhstan - (Temir)	0.00	2.00	0.00	2.00		0.00	0.00	0.00	0.000		
Pakistan	0.00	0.00	0.00	0.00		10.17	11.34	0.16	1.167	839%	839%
Bangladesh	0.00	0.00	0.00	0.00		6.74	4.71	0.33	-2.026	-512%	-512%
EPM	315.85	308.05	26.58	-7.80	71%	109.17	94.03	3.08	-15.140	-391%	24%
Australia - (SDA)	31.03	32.49	1.98	1.46	174%	174.51	176.64	2.27	2.129	194%	184%
Australia - (Woodside)	12.45	11.85	0.79	-0.60	24%	55.05	40.21	1.47	-14.846	-913%	-578%
Brunei	55.23	59.28	5.00	4.05	181%	103.56	102.61	4.70	-0.948	80%	133%
New Zealand	3.59	4.60	0.44	1.01	330%	11.97	12.65	1.26	0.672	153%	200%
New Zealand - (Pecten)	0.77	0.80	0.11	0.03	127%	2.58	2.31	0.27	-0.270	0%	38%
Malaysia	27.12	25.55	3.81	-1.57	59%	183.03	183.82	6.56	0.790	112%	92%
Philippines	7.40	3.82	0.00	-3.58		39.20	19.44	0.00	-19.763		
Thailand	12.73	14.17	1.02	1.44	241%	6.69	6.23	0.39	-0.464	-18%	171%
China	2.79	3.24	0.58	0.45	178%	0.00	0.00	0.00	0.000		178%
China - (Pecten)	3.84	3.29	0.59	-0.55	7%	0.00	0.00	0.00	0.000		7%
EPA	156.95	159.09	14.32	2.14	115%	576.60	543.90	16.91	-32.700	-93%	4%
Nigeria - (SPDC)	429.82	447.54	12.28	17.72	244%	92.06	95.93	0.84	3.871	564%	264%
Nigeria - (SNEPCO)	50.40	71.43	0.00	21.03		7.31	5.70	0.00	-1.612		
Gabon	20.20	19.91	5.18	-0.29	94%	0.00	0.00	0.00	0.000		94%
Venezuela	25.27	21.43	2.37	-3.84	-62%	0.00	0.00	0.00	0.000		-62%
Argentina	3.88	3.43	0.26	-0.45	-73%	6.22	7.28	0.02	1.066	5176%	308%
DR Congo (Zaire)	4.34	3.22	0.16	-1.12	-600%	0.00	0.00	0.00	0.000		-600%
Chad	0.42	0.00	0.00	-0.42		0.00	0.00	0.00	0.000		
Brazil - (Pecten)	0.93	0.81	0.12	-0.12	0%	4.82	4.38	0.45	-0.440	2%	2%
Cameroon - (Pecten)	9.04	7.75	1.31	-1.29	2%	0.00	0.00	0.00	0.000		2%
EPG	544.30	575.52	21.68	31.22	244%	110.41	113.30	1.31	2.885	321%	248%
EP World	1594.75	1523.44	132.10	-71.31	46%	1711.07	1647.38	82.57	-63.682	23%	37%
EP World (bbl/boe)	10029.9	9581.4	830.8	-448.5	46%	10424.5	10036.5	503.0	-388.0	23%	37%
Total Oil + Gas (boe)	20454.4	19617.9	1333.9	-836.5	37%						



Royal Dutch Petroleum Company
The Shell Transport and Trading
Company Public Limited Company



Annual Report on Form 20-F
1999

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

Commission file number 1-3788

Commission file number 1-4039

**N.V. KONINKLIJKE NEDERLANDSCHE
PETROLEUM MAATSCHAPPIJ**

(Exact name of registrant as specified in its charter)

**THE "SHELL" TRANSPORT AND TRADING
COMPANY, PUBLIC LIMITED COMPANY**

(Exact name of registrant as specified in its charter)

ROYAL DUTCH PETROLEUM COMPANY

(Translation of registrant's name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

England

(Jurisdiction of incorporation or organization)

30, Carel van Bylandtlaan, 2596 HR The Hague, The Netherlands
(Address of principal executive offices)

Shell Centre, London SE1 7NA, England
(Address of principal executive offices)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

Title of Each Class	Name of Each Exchange on Which Registered	Title of Each Class	Name of Each Exchange on Which Registered
Ordinary shares of the nominal (par) value of 1.25 guilders (N.fl.1.25) each	New York Stock Exchange*	New York Shares representing Ordinary shares of the issuer of an aggregate nominal amount of £1.50 each and evidenced by Depositary Receipts ("New York Shares")	New York Stock Exchange**

*Also admitted to unlisted trading privileges on the following Stock Exchanges: Boston, Cincinnati, Midwest, Pacific Coast and Philadelphia

**Also admitted to unlisted trading privileges on the following Stock Exchanges: Boston, Cincinnati, Midwest and Philadelphia.

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT

None

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION
PURSUANT TO SECTION 15(d) OF THE ACT

Ordinary shares of N.fl. 1.25 each

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
Outstanding as of December 31, 1999: 2,144,296,352 ordinary shares of N.fl.1.25 each.

Ordinary shares of 25p each

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
Outstanding as of December 31, 1999: 9,943,509,726 Ordinary shares of the nominal amount of 25p each.

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark which financial statement item the registrants have elected to follow.
Item 17 Item 18

Copies of notices and communications from the Securities and Exchange Commission should be sent to:

CRAVATH, SWAINE & MOORE
Worldwide Plaza
825 Eighth Avenue
New York, N.Y. 10019
Attn: Peter S. Wilson

RJW00101977

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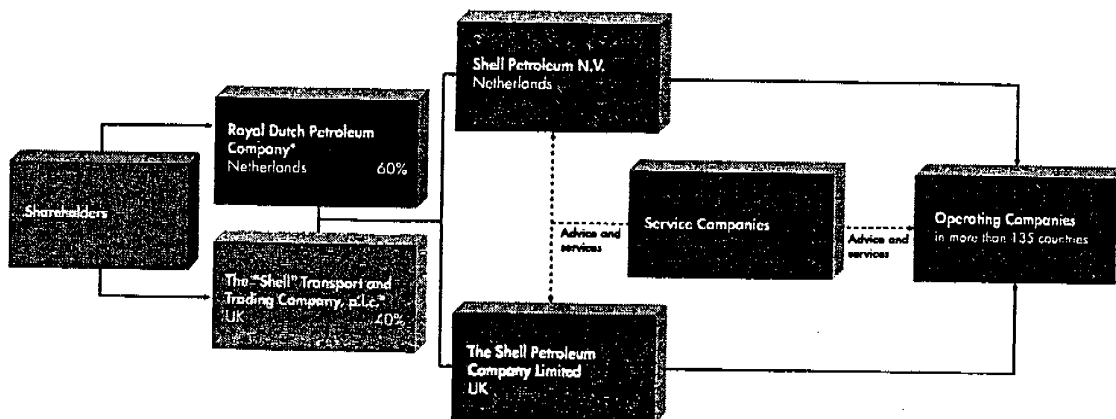
Cross Reference Sheet for Annual Report on Form 20-F

Item Number & Captions	Heading in this Annual Report which relates to:	
	<p>N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company)</p>	<p>The "Shell" Transport and Trading Company, Public Limited Company</p>
1. Description of Business } 2. Description of Property } 3. Legal Proceedings	Royal Dutch/Shell Group of Companies – Business and Property Note 26 to the Financial Statements on Page G-28 of this Annual Report	Royal Dutch/Shell Group of Companies – Business and Property Note 26 to the Financial Statements on Page G-28 of this Annual Report
4. Control of Registrant	Royal Dutch Petroleum Company, Control of Registrant	The "Shell" Transport and Trading Company, Public Limited Company, Control of Registrant
5. Nature of Trading Market	Royal Dutch Petroleum Company, Nature of Trading Market	The "Shell" Transport and Trading Company, Public Limited Company, Nature of Trading Market
6. Exchange Controls and Other Limitations Affecting Security Holders	Royal Dutch Petroleum Company, Exchange Controls and Other Limitations Affecting Security Holders	The "Shell" Transport and Trading Company, Public Limited Company, Exchange Controls and Other Limitations Affecting Security Holders
7. Taxation	Royal Dutch Petroleum Company, Taxation	The "Shell" Transport and Trading Company, Public Limited Company, Taxation
8. Selected Financial Data	Selected Financial Data, Royal Dutch Petroleum Company Discussion and Analysis of Financial Condition and Results of Operations: Royal Dutch/Shell Group of Companies	Selected Financial Data, The "Shell" Transport and Trading Company, Public Limited Company Discussion and Analysis of Financial Condition and Results of Operations: Royal Dutch/Shell Group of Companies
9. Management's Discussion and Analysis of Financial Condition and Results of Operations	Discussion and Analysis of Financial Condition and Results of Operations: Royal Dutch Petroleum Company Royal Dutch/Shell Group of Companies	Discussion and Analysis of Financial Condition and Results of Operations: The "Shell" Transport and Trading Company, Public Limited Company Royal Dutch/Shell Group of Companies
9A. Quantitative and Qualitative Disclosures about Market Risk	Discussion and Analysis of Financial Condition and Results of Operations: Royal Dutch/Shell Group of Companies, Risk management and internal control Treasury and trading risks	Discussion and Analysis of Financial Condition and Results of Operations: Royal Dutch/Shell Group of Companies, Risk management and internal control Treasury and trading risks
10. Directors and Officers of Registrant	Royal Dutch Petroleum Company, Management	The "Shell" Transport and Trading Company, Public Limited Company, Management
11. Compensation of Directors and Officers	Royal Dutch Petroleum Company, Management	The "Shell" Transport and Trading Company, Public Limited Company, Management
12. Options to Purchase Securities from Registrant or Subsidiaries	Royal Dutch Petroleum Company, Management	The "Shell" Transport and Trading Company, Public Limited Company, Management
13. Interest of Management in Certain Transactions	Royal Dutch Petroleum Company, Management	The "Shell" Transport and Trading Company, Public Limited Company, Management
14. Description of Securities to be Registered	Not applicable	Not applicable
15. Defaults upon Senior Securities	Not applicable	Not applicable
16. Changes in Securities and Changes in Security for Registered Securities	Not applicable	Not applicable
17. Financial Statements	Financial Statements: Royal Dutch Petroleum Company Royal Dutch/Shell Group of Companies	Financial Statements: The "Shell" Transport and Trading Company, Public Limited Company Royal Dutch/Shell Group of Companies
18. Financial Statements	Not applicable	Not applicable
19. Financial Statements and Exhibits	Index to Financial Statements and Exhibits	Index to Financial Statements and Exhibits

**N.V. Koninklijke Nederlandsche Petroleum Maatschappij
(Royal Dutch Petroleum Company)
The "Shell" Transport and Trading Company,
Public Limited Company**

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INTRODUCTION



* Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, p.l.c. between them also hold a controlling interest in US-based Shell Petroleum Inc., which *inter alia*, holds all the shares of Shell Oil Company of the USA. The dividends from Shell Petroleum Inc., however, flow to Shell Petroleum N.V., which holds non-controlling equity shares in that company.

A. THE PARENT COMPANIES

N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company, hereinafter referred to as "Royal Dutch") was incorporated on June 16, 1890, under the laws of the Netherlands.

The "Shell" Transport and Trading Company, Public Limited Company (hereinafter referred to as "Shell Transport") was incorporated on October 18, 1897, under the laws of England.

Royal Dutch and Shell Transport do not engage in operational activities. They derive the whole of their respective incomes – except for interest income on cash balances or short-term investments – from their respective interests in the companies known collectively as the Royal Dutch/Shell Group of Companies.

B. ROYAL DUTCH/SHELL GROUP OF COMPANIES

The Royal Dutch/Shell Group of Companies has grown out of an alliance made in 1907 between Royal Dutch and Shell Transport by which the two companies agreed to merge their interests on a 60:40 basis while remaining separate and distinct entities. Today, the title describes a group of companies engaged in the businesses of oil, natural gas, chemicals, power generation, renewable resources and coal as well as in other businesses throughout the world. Royal Dutch and Shell Transport are the Parent Companies of the Group but are not themselves part of it.

The illustration on this page shows the relationship between the Parent Companies and the Royal Dutch/Shell Group of Companies. There are two Group Holding Companies: Shell Petroleum N.V. in the Netherlands and The Shell Petroleum Company Limited in the UK. The Group Holding Companies between them hold all the shares in the Service Companies and, directly or indirectly, all Group interests in the Operating Companies. Some of these interests, including all the shares in the US-based Shell Oil Company (hereinafter referred to as "Shell Oil", which expression shall include its subsidiaries), are held by Shell Petroleum Inc.¹, incorporated in Delaware, USA. Shell Petroleum N.V. holds equity shares in Shell Petroleum Inc. that entitle it to the dividend flow from that company, but direct controlling interest in Shell Petroleum Inc. is jointly held by Royal Dutch and Shell Transport.

The main business of the Service Companies is to provide advice and services to other Group and associated companies.

Arrangements between Royal Dutch and Shell Transport provide, *inter alia*, that, notwithstanding variations in shareholdings, Royal Dutch and Shell Transport shall share in the aggregate net assets and in the aggregate dividends and interest received from Group companies in the proportion of 60:40. It is further arranged that

¹ As from this year, Shell Petroleum Inc. is not shown as a Group Holding Company in the illustration on this page, because there no longer are Group Managing Directors serving on its Board of Directors.

the burden of all taxes in the nature of or corresponding to an income tax leviable in respect of such dividends and interest shall fall in the same proportion. Details of supplemental arrangements to the 60:40 arrangements are given in Note 1 on page G-5.

Royal Dutch is entitled to have its nominees elected as a majority of, and Shell Transport is entitled to have its nominees elected as the balance of, the members of the Boards of Directors of the two Group Holding Companies. Every member of the Board of Management of Royal Dutch and every Managing Director of Shell Transport is also a member of the Presidium of the Board of Directors of Shell Petroleum N.V. and a Managing Director of The Shell Petroleum Company Limited. As such, they are generally known as "Group Managing Directors". They are also appointed by the Boards of Shell Petroleum N.V. and The Shell Petroleum Company Limited to a joint committee known as the Committee of Managing Directors, which considers and develops objectives and long-term plans.

C. PRESENTATION OF INFORMATION

The information in this report relating to Royal Dutch has been provided by Royal Dutch and that relating to Shell Transport has been provided by Shell Transport.

The information given in this report for the Royal Dutch/Shell Group of Companies reflects the operational and financial results of Group companies throughout the world. The financial information given is an aggregation of the accounts of all Group companies (except where otherwise indicated) expressed in US dollars. It should be noted that the accounts of Royal Dutch for the year 1999 (of which the Financial Statements of the Royal Dutch/Shell Group of Companies and the notes thereto form part) are subject to finalisation by the General Meeting of Shareholders to be held on May 9, 2000.

The companies in which Royal Dutch and Shell Transport directly or indirectly own investments are separate and distinct entities, but in this report the collective expressions "Shell" and "Group" are sometimes used for convenience in contexts where reference is made to the companies of the Royal Dutch/Shell Group in general. These expressions are also used where no useful purpose is served by identifying the particular company or companies. The expression "Group companies" as used in this report refers to companies in which Royal Dutch and Shell Transport either directly or indirectly have control, by having either a majority of the voting rights or the right to exercise a controlling influence. The companies in which Group companies have significant influence but not control are referred to as "associated companies".

The expression "Operating Companies" as used in this report refers to those Group and associated companies which are engaged in various branches of the businesses of oil, natural gas, chemicals, power generation, renewable resources and coal as well as in other businesses. The term "Group interest" is used for convenience to indicate the direct or indirect equity interest held by the Group Holding Companies in a venture or partnership or company (i.e., after exclusion of all third-party interests).

The figures shown in most of the tables in this report represent those in respect of Group companies only, without deduction of minority interests. However, where figures are given specifically for oil production (net of royalties in kind), natural gas sales, and both the refinery processing intake and total oil product sales volumes of the Equilon and Motiva joint ventures, the term "Group share" is used for convenience to indicate not only the volumes to which Group companies are entitled (without deduction in respect of minority interests in Group companies) but also the portion of the volumes of associated companies to which Group companies are entitled or which is proportionate to the Group interest in those companies.

The forward-looking discussion and analysis in this Annual Report contains statements that are subject to risk factors associated with the oil, natural gas, chemicals, power generation, renewable resources and coal businesses. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a variety of variables which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations; currency fluctuations; drilling and production results; reserve estimates; loss of market; environmental risks; physical risks; and legislative, fiscal and regulatory developments.

* Exceptionally, the minority interest is deducted in respect of production volumes given for Oman.