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1
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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8
9 IN RE ROYAL DUTCH/SHELL |
10 TRANSPORT SECURITIES |
11 LITIGATION |

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12
13 Videotaped Deposition of
14 IAN HINES
15 Washington, D.C.
16 Wednesday, October 18th, 2006
17 10:00 a.m.
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23 Job No. 22-87669
24 Pages 1 - 215
25 Reported by: Laurie Bangart-Smith

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2 Videotaped Deposition of
3 IAN HINES
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6 Held at the offices of:
7 LEBOEUF, LAMB, GREENE & MACRAE, LLP
8 1875 Connecticut Avenue, Northwest
Suite 1200
Washington, D.C. 20009

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 Taken pursuant to notice, before Laurie
Bangart-Smith, Registered Professional Reporter
and Notary Public in and for the District of
Columbia.

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0006

1	
2	EXAMINATION INDEX
3	PAGE
4	EXAMINATION BY MS. MARSHALL 10
5	EXAMINATION BY MR. WEED 209

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

0007

1	
2	EXHIBITS
3	(Attached to the transcript)
4	DEPOSITION EXHIBITS PAGE
5	No. 1 Document SMJ00017508 - 7512 53
6	No. 2 Document RJW00260725 - 0748 65
7	No. 3 Document LON00570302 - 0324 87

8	No. 4	Document RJW00290046 - 0062	249
9	No. 5	Document SMJ00034872 - 4875	102
10	No. 6	Document SMJ00037669 - 7674	110
11	No. 7	Document SMJ00038656 - 8658	121
12	No. 8	Document SMJ00040503 - 0511	124
13	No. 9	Document SMJ00039961 - 9966	151
14	No. 10	Document SMJ00040479 - 0482	161
15	No. 11	Document SMJ00016212 - 6221	164
16	No. 12	Document SMJ00038870 - 8872	169
17	No. 13	Document SMJ00037466 - 7536	175
18	No. 14	Document SMJ00037336 - 7337	183
19	No. 15	Document SMJ00039687 - 9688	191
20	No. 16	Document SMJ00039051 - 9058	200
21	No. 17	Document SMJ00038064 - 8069	206

22
23
24
25

0008

1 IAN HINES, October 18th, 2006
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 Ian Hines, in the
5 matter of Royal Dutch/Shell Transport Securities
6 Litigation in the United States District Court,
7 District of New Jersey, Case Number 04-374.
8 Today's date is October 18th, 2006. The time is
9 10:05 a.m. The video operator today is Cali Day
10 of LegaLink New York. This deposition is taking
11 place at 1875 Connecticut Avenue, Northwest,
12 Washington, D.C., 20009.
13 Would counsel please identify themselves
14 and state whom they represent.
15 MS. MARSHALL: Caroline Marshall,
16 Bernstein, Liebhard & Lifshitz, on behalf of the
17 lead plaintiffs in the class.
18 MS. STATSKY SMITH: Dana Statsky Smith,
19 Bernstein, Liebhard & Lifshitz, for lead
20 plaintiff.
21 MR. PEITLER: Steven Peitler, Bernstein,
22 Liebhard & Lifshitz, lead plaintiff.
23 MR. HABER: Jeffrey Haber, Bernstein,
24 Liebhard & Lifshitz, on behalf of the lead

25 plaintiff, Peter Wood and the Platts. 24171

0009

1 IAN HINES, October 18th, 2006
2 MS. MACKINTOSH: Christine Mackintosh
3 from Grant & Eisenhofer on behalf of the opt-out
4 plaintiffs.

5 MR. HORN: William Horn on behalf of the
6 corporate defendants.

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

9 MR. CLARK: Christopher J. Clark,
10 LeBoeuf, Lamb, Greene & MacRae, for the Shell
11 corporate defendants and the witness, Mr. Hines.

12 MR. TISKA: Tracey Tiska from Hogan &
13 Hartson for KPMG Accountants, N.V.

14 MR. FOUKAS: Saavas Foukas, Hughes,
15 Hubbard & Reed, for PricewaterhouseCoopers, LLP.

16 MS. LIEBERMAN: Sharan Lieberman with
17 Mayer, Brown, Rowe & Maw, LLP, for Sir Philip
18 Watts.

19 MS. WICKHEM: Rebecca Wickhem of Foley &
20 Lardner, LLP, for Judith Boynton.

21 MR. FERRARA: Good morning. Ralph
22 Ferrara, LeBoeuf Lamb, on behalf of the two
23 corporate defendants, Shell Transport and Trading,
24 Royal Dutch/Shell, and Mr. Hines, who is our
25 witness here today.

0010

1 IAN HINES, October 18th, 2006

2 THE VIDEOGRAPHER: The court reporter
3 today is Laurie Bangart-Smith of Legalink New
4 York. Would the reporter please swear in the
5 witness.

6 IAN HINES,
7 having been duly sworn, testified as follows:

8 EXAMINATION BY COUNSEL FOR PLAINTIFFS
9 BY MS. MARSHALL:

10 Q Good morning, Mr. Hines. My name is
11 Caroline Marshall. We met earlier. Have you ever
12 been deposed before?

13 A No, I have not.

14 Q Well, just briefly, I'm sure your
15 attorneys have explained to you how this works,

16 but the ground rules are that I ask you a 24172
17 question. You need to try to wait until I finish
18 my question before you answer, even if the
19 question is obvious from the get-go. You need to
20 answer verbally so that the court reporter can
21 take down both my question and your answer. If I
22 ask you a question that you don't understand, you
23 can ask me to rephrase it, and I will. If at any
24 point you need to take a break, just let know, and
25 we can accommodate you. Okay?

0011

1 IAN HINES, October 18th, 2006

2 A Thank you.

3 Q For the purpose of this deposition, when
4 I say "Shell," I mean Shell, Royal Dutch/Shell
5 Transport and the operating companies and service
6 companies in which they hold an interest, so if
7 there's any point when you want it clarified more
8 than that, let me know, but otherwise that's what
9 I'm referring to. Okay?

10 A Okay.

11 Q Can you please tell us what your current
12 address is.

13 A My current address is Willemstraat, 86A,
14 in The Hague in the Netherlands.

15 Q And how long have you been at that
16 current location?

17 A Just over two years.

18 Q Now, going back to your education, where
19 did you receive your undergraduate degree?

20 A University College London.

21 Q What year was that?

22 A 1973.

23 Q Where did you -- did you have a
24 particular specialty?

25 A I studied mechanical engineering.

0012

1 IAN HINES, October 18th, 2006

2 Q With any particular concentration or
3 focus?

4 A Fluid dynamics and structures.

5 Q What does that mean?

6 A The behavior of air flow in terms of how

7 it affects the performance of structures, 24173
8 airplanes, offshore platforms, and the structural
9 analysis thereof to determine whether their
10 integrity is adequate.

11 Q After you completed that degree, did you
12 receive another degree?

13 A I did.

14 Q Where did you receive the subsequent
15 degree?

16 A At Cranfield Institute of Technology in
17 the U.K. in offshore engineering.

18 Q What year was that degree completed?

19 A 1977.

20 Q Did you go right from the first degree
21 to the second degree?

22 A No. I worked in industry for a number
23 of years.

24 Q What did you do?

25 A I worked in the aerospace industry for
0013

1 IAN HINES, October 18th, 2006
2 three years with the British Aircraft Corporation
3 in the U.K., and then I moved to Lloyd's
4 Registered Shipping in London where I was involved
5 in the appraisal of offshore platforms used for
6 the production of oil and gas.

7 Q How long did you do the second position
8 for?

9 A Two -- just over two years.

10 Q When you completed your graduate degree,
11 did you receive any subsequent degrees after that?

12 A The second degree that I did, the one I
13 described in 1977, was a master's in offshore
14 structures engineering.

15 Q Was that the last degree you received?

16 A Yes, it was.

17 Q Did you have any particular
18 concentration?

19 A I studied structural engineering as
20 relevant to the design of offshore platforms used
21 for hydrocarbon oil and gas production.

22 Q After you completed that degree, did you
23 receive any professional licenses?

24 A I'm a member of the Institute of 24174
25 Mechanical Engineers in the U.K.
0014

1 IAN HINES, October 18th, 2006

2 Q When did you become a member?

3 A Somewhat later, early nineties. 1992,
4 if I recall correctly.

5 Q When -- where was your first job after
6 you completed the master's in 1977?

7 A I joined Shell International Exploration
8 and Production, Royal Dutch/Shell, as it's now
9 known, in September 1977.

10 Q And is that where you're currently
11 employed?

12 A I'm employed in a subsidiary of Shell
13 International, Shell Global Solutions, also based
14 in Rijswijk in the Netherlands.

15 Q So now we're going to need to go through
16 from 1977 through to today, the different
17 positions you've held.

18 MR. CLARK: At Shell?

19 BY MS. MARSHALL:

20 Q At Shell, yeah. So why don't we start
21 with the first one.

22 A I joined Shell in 1977, and I was
23 recruited as a Field Engineer in the Exploration
24 and Production Department. I spent four years
25 working in The Hague in Central Offices on the
0015

1 IAN HINES, October 18th, 2006

2 appraisal and analysis of various offshore
3 production systems used for hydrocarbon oil and
4 gas exploration and production.

5 Q And when you say "appraisal and
6 analysis," is there a way that you can describe
7 more specifically what you were looking at?

8 A Looking at the integrity of particularly
9 offshore platforms, offshore platforms used for
10 oil and gas in the offshore areas, in terms of
11 their integrity, structural integrity, are the
12 platforms sufficiently strong to do the job that
13 they're designed for.

14 Q Did you do any work in relation to the

15 appraisal of the wells themselves? 24175
16 A No.
17 Q What was the next position after that?
18 A I moved to what was Shell Oil Company in
19 Houston, Texas, in 1981, and I was involved in the
20 detail design of a number of offshore platforms
21 for the Gulf of Mexico.
22 Q How long did you hold that position?
23 A Twenty months.
24 Q What was your next position, please?
25 A I moved back to the Netherlands Central

0016

1 IAN HINES, October 18th, 2006
2 Office in The Hague, and I was engaged in design
3 and appraisal of offshore developments in and
4 around both the North Sea and other areas in the
5 world.

6 Q When you say "design and appraisal of
7 offshore development," can you describe more
8 specifically what you're referring to.

9 A Assessing their suitability for oil and
10 gas production in both shallow water and deep
11 water in terms of their structural integrity and
12 stability.

13 Q You were looking at the platforms
14 themselves?

15 A Yes.

16 Q How long did you hold that position?

17 A Until 1987.

18 Q And from there where did you move?

19 A I moved to Miri, which is East Borneo,
20 and Sarawak. I worked for Shell Sarawak Petroleum
21 in Malaysia for a period of four years as head of
22 the Offshore Structures Department.

23 Q What were your responsibilities as head
24 of the Offshore Structures Department there?

25 A I was responsible for the design

0017

1 IAN HINES, October 18th, 2006
2 integrity of a number of offshore facilities that
3 were installed in Asia, facilities that were
4 operated by Shell Sarawak, so again it's a
5 structural engineering position. I was

6 responsible for the design and installation of 24176
7 those platforms.

8 Q What was your position after that?

9 A I moved back to the Netherlands to work
10 for Nederland Aardolie, which is the Dutch
11 Operating Company in the North Sea, and I was a
12 Project Manager for some elements of the F3
13 Project.

14 Q From what years did you hold that
15 position?

16 A 1991 to 1993.

17 Q And what were your responsibilities as
18 Project Manager?

19 A In delivery of platform facilities for
20 gas production, condensate production from the F3
21 platform in the North Sea.

22 Q What was your next position?

23 A I moved to the U.K., Shell U.K. ExPro in
24 Aberdeen, in Scotland, and I was head of Offshore
25 Engineering for three years.

0018

1 IAN HINES, October 18th, 2006

2 Q As head of Offshore Engineering in
3 Aberdeen, what was your -- what were your
4 responsibilities?

5 A I was responsible for the integrity
6 of -- the structural integrity and offshore
7 integrity of existing and new projects for oil and
8 gas production in the operating area controlled by
9 Shell U.K.

10 Q Did you have any responsibilities
11 outside the structural platforms?

12 A No.

13 Q So you held that position through what
14 year?

15 A Until 1996.

16 Q In 1996 then where did you move?

17 A I moved from Aberdeen back to The Hague,
18 and I joined a front-end engineering group which
19 was based in The Hague, responsible for looking at
20 the facilities engineering, the production
21 facilities, for emerging deepwater developments.

22 Q I just want to make sure that I

23 understood and the court reporter wrote it down

24 accurately. You said you moved to a what

25 engineering group?

0019

1 IAN HINES, October 18th, 2006

2 A Front-end engineering.

3 Q Front-end?

4 A Front-end, yes. Preliminary

5 engineering, in other words, for projects in deep

6 water.

7 Q And those projects were all over the

8 world?

9 A Yes.

10 Q And what was your responsibility in that

11 role or responsibilities?

12 A Preliminary field development planning

13 for emerging projects, opportunities that had been

14 either purchased or about to be explored, in order

15 to assess their commercial viability.

16 Q So am I correct that this role was

17 slightly different than your other roles, because

18 you were looking beyond the actual platform?

19 A It was a broader role than I had held

20 hitherto.

21 Q Did you receive any particular training

22 when you transitioned to this broader role or

23 after you transitioned to this broader role?

24 A Training was primarily on the job by

25 exposure to other disciplines other than the

0020

1 IAN HINES, October 18th, 2006

2 surface discipline, the engineering disciplines

3 that I had been exposed to for most of my career.

4 Q How long did you hold that position?

5 A Through until about 1999.

6 Q Was there a particular name for that

7 group?

8 A It had a departmental name. It was --

9 the reference indicator escapes me, but I guess it

10 would have been just "Front-end Engineering."

11 Q Front-end Engineering?

12 A Yes.

13 Q And who did you report to?

14 A Don Henry.

15 Q And what was his title if you recall?

16 A He was head of the department in Shell
17 simply titled "EPD-5."

18 Q EPD-5?

19 A Five, and the "D" is essentially for
20 development.

21 Q And what is the five signify if you
22 know?

23 A It's just the name of that particular
24 part of the organization. Other parts had
25 different numbers, so EPD-4, EPD-6.

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1 IAN HINES, October 18th, 2006

2 Q How many different EPDs were there?

3 A I don't remember.

4 Q Were you focusing on certain regions in
5 the world when you were at -- when you were in
6 your role as part of EPD-5?

7 A No. The opportunities were worldwide,
8 so I had a number of, a number of opportunities
9 that I was involved in in Asia, in Africa, in
10 South America and also in the Gulf of Mexico.

11 Q And where -- and do you know who Don
12 Henry reported to?

13 A I don't recall.

14 Q Where did you move from there?

15 A I moved to the USA early 2000,
16 January 2000.

17 Q Was that in Houston?

18 A Houston, Texas.

19 Q And how did that move come about?

20 A A decision was made in 1999 to coalesce
21 all parts of the Deepwater Business in a single
22 company: Shell Deepwater Services. I had been
23 doing opportunity evaluation for deepwater
24 opportunities, and the position that I held was
25 physically transferred from Rijswijk to Houston,

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1 IAN HINES, October 18th, 2006

2 and I elected to move with that job.

3 Q When you say all parts of Deepwater

4 Services were put in a single business, what were

5 the different parts that were put together in the 24179
6 single business?

7 A The U.S. had already delivered a number
8 of deepwater projects for the Gulf of Mexico, so
9 there was a significant pool of expertise in the
10 USA based in Houston and New Orleans. We were
11 doing opportunity evaluations, as I described
12 earlier, for other locations from Rijswijk, and
13 what was decided was that that piece of the
14 business would join the existing critical mass of
15 staff in Houston within a company called Shell
16 Deepwater Services.

17 Q Were there other parts of the deepwater
18 areas that had been operating outside of Houston
19 that also moved to Houston when your group did?

20 MR. CLARK: Objection.

21 You can answer the question if you can.

22 THE WITNESS: I don't recall how the
23 organization was structured at the time.

24 BY MS. MARSHALL:

25 Q Prior to your moving to Houston in early
0023

1 IAN HINES, October 18th, 2006
2 2000, had you had any interaction with the
3 Deepwater Group in the United States?

4 A We had held a number of meetings in
5 Rijswijk to talk about how we were going to
6 cooperate, given the decisions that had been made
7 about combining work force that existed in
8 Rijswijk and in Houston.

9 Q Prior to the meetings about the
10 combination, had there been any back-and-forth or
11 exchange of ideas that you're aware of between the
12 group in Houston and the group you were with?

13 MR. CLARK: Objection. I think his
14 testimony is there were people in New Orleans,
15 there were people in Houston, if that's what
16 you're asking about.

17 BY MS. MARSHALL:

18 Q Yeah, either the people in Houston or
19 the people in New Orleans.

20 A Could you repeat the question.

21 Q Sure. Prior to the meetings that you

22 just referred to about how to combine the groups
23 in the United States and your group in The Hague,
24 was there any interaction between your group and
25 the people that had been working in the United
0024

1 IAN HINES, October 18th, 2006

2 States prior to the merge?

3 A Yes.

4 Q And can you describe what type of
5 interactions there had been.

6 A There had been discussion about how
7 development planning activities, if I described my
8 own work in that context, and those being carried
9 out in New Orleans and in Houston would be
10 coalesced.

11 Q Let's look back let's say to 1998. Did
12 you ever have any occasion in 1998 to have any
13 interaction with any of the individuals or groups
14 that were working in Houston or New Orleans?

15 MR. CLARK: If you can recall.

16 BY MS. MARSHALL:

17 Q Obviously, everything is if you can
18 recall.

19 A Not in 1998.

20 Q Had you had any in 1997 if you can
21 recall?

22 A I don't remember.

23 Q Had you had any in 1999 prior to talks
24 about combining and moving to Houston?

25 A My recollection is yes.

0025

1 IAN HINES, October 18th, 2006

2 Q And can you -- what was your
3 recollection about those conversations?

4 A The recollection I have is that we
5 discussed how the work force which was coexisting
6 in Rijswijk would be merged with the organization
7 that already existed in both New Orleans and
8 Houston.

9 Q So prior to conversations about the
10 merger, had you ever had any need to speak with
11 anybody in the Houston or the New Orleans
12 Deepwater Offices?

13 A Yes.

14 Q And what were those conversations about?

15 A About their experiences in the
16 development of deepwater fields.

17 Q And would there be particular instances
18 that you would seek out their knowledge if you
19 recall?

20 A Yes, for opportunities in the Americas
21 which is where they typically were focusing their
22 efforts.

23 Q So if you were working on a project that
24 was in the Americas, you would contact them --

25 A Uh-huh.

0026

1 IAN HINES, October 18th, 2006

2 Q -- to find out what they knew?

3 A And because that was the Center of
4 Excellence for the organization for deepwater.

5 Q When did that become the Center of
6 Excellence in the organization for deepwater if
7 you know?

8 A By virtue of the fact that they had
9 delivered a series of deepwater projects over a
10 number of years, stretching from the mid-nineties.

11 Q So had they done more work in the
12 deepwater than other Shell entities in the rest of
13 the world?

14 A Yes.

15 Q Prior to 2000, do you know what, if any,
16 was the difference between the group in New
17 Orleans and the group in Houston? Did they have
18 different areas of specialty?

19 A I think that the roles and
20 responsibilities of both Houston and New Orleans
21 can be quite similar. The focus in New Orleans is
22 more to supporting the operational side of the
23 business, the actual operations offshore. The
24 people in Houston typically are involved in the
25 assessment, design and supervision of projects,

0027

1 IAN HINES, October 18th, 2006

2 but with support from staff from New Orleans as
3 well, so the work force is balanced between the

4 two locations.

5 Q Prior to 2000 did the group in New
6 Orleans have a particular name that you are aware
7 of?

8 A I don't recall.

9 Q How about in Houston?

10 A Well, it operated under the auspices of
11 Shell Oil Company until it became part of SIEP.

12 Q Going back to the conversations you
13 alluded to regarding how the groups would merge
14 together, who was involved in those conversations?

15 MR. CLARK: Objection.

16 BY MS. MARSHALL:

17 Q You can answer the question.

18 A Lots of people were involved.

19 Q Did the conversations occur in meetings,
20 face-to-face meetings, or were they through
21 e-mail, telephone or all of the above?

22 MR. CLARK: Objection.

23 THE WITNESS: I was not part of those
24 conversations, and therefore I find it very
25 difficult to answer your question.

0028

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q Okay. So you were not yourself involved
4 in conversations about how the group was going to
5 merge; is that correct?

6 A As I mentioned earlier, I was involved
7 in discussions about how the small team that I was
8 part of in Rijswijk would work together with the
9 organization in Houston once Shell Deepwater
10 Services was formed.

11 Q Who did you have those conversations
12 with?

13 A Barry Knight.

14 Q What was his role at that time?

15 A Development Planning Manager.

16 Q Did you directly report to him?

17 A Once I moved to Houston in 2000, yes.

18 Q Did you speak with anybody other than
19 Barry Knight?

20 A Rich Sears.

21 Q What was his role at the time if you 24183
22 recall?

23 A He was part of the Management Team that
24 put together the proposals for the coalescing of
25 the business.

0029

1 IAN HINES, October 18th, 2006

2 Q Did you speak with anybody else other
3 than Barry Knight and Richard Sears?

4 A Members of the Development Planning Team
5 in New Orleans and Houston.

6 Q Do you recall who those people were?

7 A I can't remember their names.

8 Q When you moved over to the United
9 States, did members of your team move as well?

10 A I was one -- if my memory serves me
11 well, I was one of only two or maybe three people
12 who moved from the Rijswijk team to Houston.

13 Q Do you recall who the other one or two
14 people were?

15 A Lim Tin Peng, a Malaysian gentleman who
16 was on the same team as myself.

17 Q Anybody else?

18 A No.

19 Q When you got to Houston were you put on
20 any particular project initially?

21 A Not initially, no.

22 Q When you got to Houston what was your
23 title if you can recall?

24 A Field Development Planning Consultant.

25 Q And what did you understand your role

0030

1 IAN HINES, October 18th, 2006

2 and responsibilities to be?

3 A As a service provider to assess
4 opportunities on behalf of Shell Group customers
5 worldwide.

6 Q And what would assessing opportunities
7 entail?

8 A Producing conceptual field development
9 plans, costs and schedules that would define a
10 notional Field Development Plan --

11 THE REPORTER: That would define what?

12 I'm sorry.

13 THE WITNESS: A Field Development Plan
14 for oil and gas accumulations.

15 MR. CLARK: I think Mr. Hines said that
16 would define a "notional Field Development Plan"
17 the first time, and then when you repeated it, you
18 said "Field Development Plan." Is that accurate?

19 THE WITNESS: That's accurate.

20 MR. CLARK: Okay.

21 BY MS. MARSHALL:

22 Q When you got to Houston, is that when
23 you were reporting directly to Barry Knight?

24 A Yes.

25 Q Did you have a team that you were part

0031

1 IAN HINES, October 18th, 2006

2 of in early 2000?

3 A Yes. I was part of the Development
4 Planning Team in Houston.

5 Q How many people were part of the
6 Development Planning Team?

7 A I don't remember the exact number.

8 Q Do you remember if there were more than
9 five?

10 A Yes.

11 Q Were there more than ten?

12 A I don't remember.

13 Q Do you recall the names of any
14 individuals? I know it's going back a while, so
15 obviously it's just to the best of your
16 recollection.

17 A Well, I mentioned one individual
18 already, Mr. Lim Tin Peng, the Malaysian
19 gentleman. There were also individuals based in
20 New Orleans and were part of the same team.

21 Q Do you recall any of their names?

22 A David Hewitt, Rich Winkle, Patrick
23 McVeigh.

24 Q Was the team in New Orleans when you got
25 to Houston also a part of SDS or were they Shell

0032

1 IAN HINES, October 18th, 2006

2 Deepwater Services or were they something else?

3 A No, they were part of Shell Deepwater 24185
4 Services.

5 Q Why, if you know, were some people
6 located in New Orleans and others in Houston, if
7 you know?

8 A I don't know.

9 Q Do you know why you were located in
10 Houston rather than New Orleans?

11 A Because that's what Management decided.

12 Q Was SDS's Headquarters in Houston at
13 that time, or was it in New Orleans if you know?

14 A Houston.

15 Q When you started do you recall what
16 projects you were looking at or what areas in the
17 world you were focusing on in January of 2000?

18 A I worked on the gas developments for
19 Trinidad to support exploration activity.

20 MS. MARSHALL: I think the record should
21 reflect that counsel just passed a note to the
22 witness.

23 THE WITNESS: He asked me if I would
24 like a break.

25

0033

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q Okay. Would you like a break?

4 A No.

5 Q Okay.

6 MR. CLARK: Go ahead.

7 MS. MARSHALL: Okay.

8 BY MS. MARSHALL:

9 Q Did you receive any particular training
10 when you got to SDS in Houston?

11 A I undertook some HSE training, Health,
12 Safety & Environment, for projects, and I think
13 that's about all I can remember.

14 Q Do you recall who was head of SDS in
15 January of 2000?

16 A Matthias Bichsel.

17 Q Did you have any interaction with him
18 when you got to Houston in January of 2000?

19 A Yes.

20 Q And can you describe that interaction. 24186

21 A We used to meet at the coffee machine
22 every morning, because his office was two doors
23 away from me.

24 Q Other than meeting at the coffee
25 machine, did you have any formal meetings with him
0034

1 IAN HINES, October 18th, 2006
2 as part of your work day?

3 A Town Hall meetings where staff were
4 invited, Town Hall meetings where he would invite
5 the opportunity to a meeting where he would
6 describe the state of play in the organization, it
7 was emerging growing organization, and
8 subsequently on specific projects.

9 Q How often were these Town Hall meetings
10 if you recall?

11 A I don't recall.

12 Q When you got to Houston in January 2000,
13 did the meetings start up right away, these Town
14 Hall meetings?

15 A Yes.

16 Q Approximately how many people attended
17 these meetings?

18 A I don't remember.

19 Q Was it more than a hundred?

20 A Unlikely.

21 Q Okay. Now, at some point did you get
22 involved in a project in Angola?

23 A Yes.

24 Q When did that happen?

25 A I became involved in Angola while I was
0035

1 IAN HINES, October 18th, 2006
2 actually working in Rijswijk in 1999.

3 Q So going back to 1999, can you describe
4 how you were involved in Angola.

5 A I was engaged to support Shell Angola,
6 who were based in Rijswijk, in a jointly operated
7 project, Angola Block 18, operated by BP, and I
8 was asked to provide technical advice to Shell
9 Angola with respect to BP's plans for development
10 of Block 18.

11 Q And who did you work with at Shell 24187
12 Angola on this project?

13 A The Shell Angola Asset Team. At that
14 time the Development Manager was an individual
15 called Lloyd Williams, based in Rijswijk.

16 Q For how long did you work on that Angola
17 project when you were in Rijswijk?

18 A Probably for around a year, up to the
19 point where I moved across to the USA.

20 Q When you were first engaged on the
21 Angola project, do you recall whether or not Shell
22 was contemplating withdrawing from -- withdrawing
23 their interest in Block 18 or in Angola generally?

24 A There had been some discussion about
25 Shell's interests in Angola, and so our continued
0036

1 IAN HINES, October 18th, 2006
2 presence in Angola was something that was
3 regularly discussed.

4 Q Were you part of those discussions?

5 A No, I was not.

6 Q Did anyone ever during that period in
7 1999 explain to you what the status of Shell's
8 involvement in Angola was?

9 A Through conversations that I had with
10 the Asset Team in Rijswijk.

11 Q So what did you understand the level of
12 Shell's involvement to be?

13 A They were a 50 percent joint venture
14 partner in Block 18, but some of the other
15 opportunities that Shell had operated were looking
16 less attractive, in Block 16, for example.

17 Q Were you asked to look at anything other
18 than Block 18 when you were put on the Angola
19 project?

20 A No.

21 Q When you were put on the project in
22 1999, did you travel to Angola?

23 A No.

24 Q Did you ever meet with any of BP's
25 representatives?
0037

1 IAN HINES, October 18th, 2006

2 A Yes.

3 Q Where did you meet with them?

4 A In London.

5 Q Was anybody from Shell Angola at those
6 meetings?

7 A Yes.

8 Q Who was that?

9 A Mark Doyle.

10 MR. CLARK: We're still in 1999?

11 MS. MARSHALL: Yeah.

12 BY MS. MARSHALL:

13 Q Do you recall how many times you met
14 with BP during 1999?

15 A Once.

16 Q Do you recall what the purpose of the
17 meeting was?

18 A It was for BP to appraise Shell Angola
19 of their plans for development of Block 18.

20 Q Why were you at the meeting if you know?

21 A I was an observer gathering information.

22 Q Were there other members of your team
23 that were working on this Shell Angola Block 18
24 project in 1999?

25 A I did not have a team.

0038

1 IAN HINES, October 18th, 2006

2 Q Were you the only person that was
3 working on this project in your group?

4 A From Development Planning, yes.

5 Q Did you report to anybody within your
6 group about your findings or your work in Block
7 18, or did you report directly to Lloyd Williams?

8 A I didn't report to Lloyd Williams. The
9 group that I was in at that time was headed up
10 by -- and now his name escapes me. It will come
11 back to me in a minute. The group that I was
12 working in was a Field Development Planning Unit,
13 which is a service provider to the customer; in
14 this case, Shell Angola.

15 Q Do you know why your group was asked to
16 provide this technical advice?

17 A They had no surface engineering,
18 facilities engineering expertise in the Shell

19 Angola team, and they wanted someone to give them
20 advice about the appropriateness of BP's plans for
21 development of Block 18.

22 Q Did you develop opinions about the
23 appropriateness of BP's plans during that time in
24 1999?

25 A No.

0039

1 IAN HINES, October 18th, 2006

2 Q Why is that?

3 A Because I only became involved and went
4 to one TCM -- Technical Meeting -- with BP, and it
5 wasn't clear whether Shell Angola were actually
6 going to want us to do any specific work to
7 support their interest in Block 18.

8 Q When you were involved with Shell Angola
9 in 1999, do you know whether or not Shell had made
10 a decision to commit to stay in Angola?

11 A I don't.

12 Q So now going forward to 2000 --

13 A Which might be a good point to have a
14 break.

15 Q That's a good idea.

16 THE VIDEOGRAPHER: We are going off the
17 record. The time is 10:45 a.m.

18 (Whereupon, a short recess was taken.)

19 THE VIDEOGRAPHER: We are back on the
20 record. The time is 11:01 a.m.

21 BY MS. MARSHALL:

22 Q Mr. Hines, I think we were about to move
23 forward to 2000 when you were at SDS and became
24 involved with Angola again. Can you describe for
25 me how that transpired.

0040

1 IAN HINES, October 18th, 2006

2 A Towards the end of 1999 the Block 18
3 project underwent an internal review, and the
4 recommendations from that were that there was a
5 material opportunity in Block 18 and essentially
6 encouragement for Shell to continue to support
7 BP's efforts to develop the oil and gas reserves,
8 and so Shell Angola asked Shell Deepwater Services
9 to more actively look at the Field Development

10 Plans that BP had tabled, and so as a service 24190
11 provider to our customer, Shell Angola, we started
12 to investigate more thoroughly the proposals that
13 BP had put on the table at the time.

14 Q And when you say that there had been an
15 internal review in Shell Angola with respect to
16 Block 18, can you describe what you mean.

17 A We have a process inside Shell where
18 projects are evaluated independently, and that
19 process is called the "VAR" process, the Value
20 Assurance Review process, and Block 18 underwent a
21 VAR 1 on behalf of Shell Angola, and the
22 recommendations for that, as I mentioned, gave
23 encouragement that there was a material
24 opportunity in Block 18.

25 Q Were you part of the VAR 1?

0041

1 IAN HINES, October 18th, 2006

2 A I was not.

3 Q Have you ever been part of a VAR team?

4 A I have.

5 Q Do you recall when the first time was?

6 A Maybe I can ask if you would clarify the
7 question when you say "have you ever been part of
8 the VAR." Can you explain what you mean by that.

9 Q Sure. Have you ever been part of the
10 team that was conducting the review?

11 A I had been part of Review Teams even
12 prior to the formation of the VAR organization in
13 Shell ExPro in the nineties, and subsequently then
14 assignments from 1999 onwards.

15 Q Were you part of a VAR review in 1999?

16 A No, I was not.

17 Q Do you know how VAR teams are chosen?

18 A We have an organization which focuses
19 specifically on the VAR review process. Senior
20 members of the team are chosen from within that
21 independent organization, and the team is then
22 staffed with the required skills, depending on the
23 opportunity being examined.

24 Q When you became part of SDS -- after you
25 became part of SDS, did you ever work on a VAR

0042

1 IAN HINES, October 18th, 2006 24191

2 Review Team?

3 A No.

4 Q Did you ever take part in a VAR review
5 for Norway?

6 A I stand corrected. I was on a VAR in
7 Norway in 1999.

8 Q That's okay. Was that when you were
9 based in Rijswijk, that was part of --

10 A Yes, just prior to being transferred to
11 Houston.

12 Q And do you recall what that VAR review
13 entailed?

14 A It was looking at the viability of
15 exploration opportunities in Norway.

16 Q Was it a VAR 1?

17 A I believe so.

18 Q How long did you work on that review?

19 A It was about a week.

20 Q Do you recall what the findings were?

21 A I don't.

22 Q At the end of 1999 when this VAR review
23 was taking place, were you involved in any way,
24 not as part of the Review Team, but as part of the
25 work you had been doing with respect to Angola
0043

1 IAN HINES, October 18th, 2006

2 Block 18?

3 A No, because the VAR occurred at the time
4 that I was physically transferring from Rijswijk
5 to Houston, so I saw the results of the VAR after
6 it was completed.

7 Q Do you know if anybody from Houston or
8 New Orleans participated in that VAR review?

9 A I don't.

10 Q So after coming to Houston you learned
11 about the results of the VAR; is that correct?

12 A Yes.

13 MR. CLARK: We're talking about the
14 Norwegian VAR now?

15 MS. MARSHALL: No, we're talking about
16 the Angola VAR.

17 MR. CLARK: Okay.

18 MS. MARSHALL: Thanks.

24192

19 BY MS. MARSHALL:

20 Q And when is it that you were assigned to
21 get reinvolved with Angola Block 18?

22 A It was within a couple of months of my
23 arrival in Houston in January 2000.

24 Q And after you came to Houston in
25 January 2000 and started working on the Angola
0044

1 IAN HINES, October 18th, 2006

2 project, did you have any interaction at all with
3 any of the individuals in Rijswijk as part of that
4 project?

5 MR. CLARK: Objection.

6 THE WITNESS: I knew the Asset Manager
7 Elect, Robert Inglis, because I had actually been
8 working in the same team as him in Rijswijk prior
9 to my transfer to Houston.

10 BY MS. MARSHALL:

11 Q What was Robert Inglis's role in 1999 if
12 you can recall?

13 A In 1999 I don't think he had a formal
14 role in Shell Angola.

15 Q So he was working in that same
16 Development Planning Group that you had been
17 working in; is that correct?

18 A Correct.

19 Q Do you know which particular projects he
20 was working on?

21 A He was working on a range of projects
22 in, in Africa.

23 Q Were you working with him when you were
24 looking at Angola when you were part of that
25 Planning Group in 1999?

0045

1 IAN HINES, October 18th, 2006

2 A No.

3 Q When you started working on the Shell
4 Angola project in 2000 when you were at SDS, was
5 Robert Inglis still with that Development Planning
6 Group or was he now with Shell Angola?

7 A He was now with Shell Angola.

8 Q Did you have any interaction in 2000

9 when you were in Houston with anybody who was
10 working in Development Planning in Rijswijk?

11 A The Development Planning Team in
12 Rijswijk basically collapsed and was coalesced, as
13 I described earlier, with the business in Houston,
14 so the development planning activities, per se,
15 were not being conducted from Rijswijk after the
16 formation of Shell Deepwater Services in Houston
17 early in 2000.

18 Q Were there any activities that were
19 conducted in Rijswijk after SDS was formed in 1999
20 or 2000 that you had any interaction with as part
21 of your work on Shell Angola?

22 A Could you rephrase the question, please.

23 Q Yeah, I think it was a terrible
24 question. That was a good point. Did you -- when
25 you were at SDS did you have any reason to

0046

1 IAN HINES, October 18th, 2006
2 interact with anybody in Rijswijk other than
3 individuals who were working for Shell Angola?

4 A I don't recall.

5 Q Were there any aspects of deepwater
6 projects that remained in Rijswijk after 2000?

7 A I don't think so.

8 Q Practically, how is it that you ended
9 up -- you know, did you get formally assigned to
10 Angola Block 18 in 2000 when you were at SDS, or
11 how did that work?

12 A Basically requests for services came in
13 from customers, numerous customers, and work was
14 allocated amongst the Development Planning Team in
15 the U.S. Because I had had some contact with the
16 BP team, as I described earlier, and the Block 18
17 opportunity, when it was decided to support that
18 project following the VAR, I was asked to carry
19 out those activities.

20 Q When you say that "requests for services
21 came in from customers, numerous customers, and
22 work was allocated amongst the Development
23 Planning Team in the U.S.," other than the
24 requests that came from SDAN, do you recall what
25 other requests were being made from other parts of

0047

1 IAN HINES, October 18th, 2006
2 the world around that time in early 2000?

3 A I wasn't responsible for allocating
4 work, so I think that question is more
5 appropriately addressed to the people in the
6 leadership positions.

7 Q And who would those people be?

8 A Barry Knight.

9 Q Anybody else?

10 A Rich Sears, Chandler Wilhelm.

11 Q Is the Angola project the first project
12 you heard about when you came to the United States
13 for SDS?

14 A No.

15 Q What were some of the projects that you
16 heard about that were going on?

17 A Bonga.

18 Q I'm sorry?

19 A Bonga.

20 Q And what had you heard about that
21 project?

22 A Bonga was being worked from Rijswijk
23 prior to business being moved to Houston.

24 Q Do you know when the work that had
25 been -- that had been being done in Rijswijk moved

0048

1 IAN HINES, October 18th, 2006
2 to Houston? I think I ought to rephrase that
3 question. Do you know when the work on the Bonga
4 project started in Rijswijk?

5 A Not precisely, no.

6 Q Do you know generally what year you
7 recall knowing that it was going on?

8 A '97, '98.

9 Q Do you know if prior to 2000 any of the
10 work that was being done for Bonga had been done
11 also in Houston or New Orleans prior to 1999 or
12 2000?

13 A I was not involved directly in the Bonga
14 project.

15 Q Do you know when the -- do you know when
16 the Bonga project moved from Rijswijk to the

17 United States? 24195

18 A It was around the same time as other
19 elements were merged into the Houston-based
20 organization, so it's sometime in the later half
21 of '99, early 2000.

22 Q Do you know whether, when the work on
23 the Bonga project moved to Houston, whether there
24 was staff that remained in Rijswijk?

25 A I don't remember.

0049

1 IAN HINES, October 18th, 2006

2 Q Were there other groups other than the
3 Development Planning Group in Rijswijk that became
4 part of SDS the end of 1999 and 2000?

5 MR. CLARK: Objection.

6 BY MS. MARSHALL:

7 Q You can answer the question.

8 A I don't recall other groups.

9 Q Did you first -- was it Barry Knight
10 that assigned you to the Angola Block 18 project
11 when you were with SDS?

12 A I had a -- people in Development
13 Planning generally had two line supervisors. I've
14 mentioned both of them. Barry Knight was one,
15 Chandler Wilhelm was the other. Depending on the
16 nature of the work, one or the other of them would
17 take the lead. Barry was the person that
18 suggested that I continue my involvement in Block
19 18.

20 Q And what type of work would Chandler
21 Wilhelm get more involved with?

22 A Exploration opportunities, very, very
23 early assessments of the value of an opportunity,
24 hydrocarbon opportunity, prior to exploration or
25 during exploration.

0050

1 IAN HINES, October 18th, 2006

2 Q And then when would Barry Knight
3 typically get involved?

4 A They worked jointly, they worked
5 together, so the criteria for who took the lead
6 was really dependent upon how much work there was
7 in the organization, and also the nature of the

8 work.

9 Q Now, when you first then became part of
10 this team --

11 A Now, which team? Sorry.

12 Q The Angola Block 18 team when you were
13 part of SDS. That's now what we're going to focus
14 on.

15 MR. CLARK: Have we talked about the
16 team yet, though? I think that's what he said.

17 BY MS. MARSHALL:

18 Q So you were first told that you were
19 going to get involved in Block 18 again?

20 A Correct.

21 Q And after hearing that, what did you do?
22 Did you meet with anybody with SDAN?

23 A Yes, we had -- well, we had virtual
24 meetings and -- as a way to map out what level of
25 support Shell Angola would require.

0051

1 IAN HINES, October 18th, 2006

2 Q Who was involved in those meetings on
3 the SDS side?

4 A From the results of the VAR, we had a
5 rough idea about the kind of work that would need
6 to be done to support the levels of investment
7 that were being tabled, and so we assigned a small
8 team that was working part-time initially to get
9 up to speed on Shell Angola, production geologists
10 and a reservoir engineer and a surface engineer,
11 and we started to put together plans for how we
12 would engage together with Shell Angola, with BP,
13 to assess BP's Field Development Plans.

14 Q And was Robert Inglis your main contact
15 at Shell Angola?

16 A Yes, he was.

17 Q And who were the first members of the
18 SDS team that were put together for Angola Block
19 18?

20 A Rudolf de Ruiter was our production
21 geoscientist; Alan Lockwood was the reservoir
22 engineer; Wytse Sikkema, who had also worked on
23 Angola in Rijswijk in the Shell Angola team; and
24 Pat Smith, who was a surface engineer responsible

25 for the equipment production facilities that would

0052

1 IAN HINES, October 18th, 2006

2 be used to develop the resources.

3 Q And then at some point was Derek
4 Newberry put on the team?

5 A He was not immediately involved, because
6 Derek was working on other things, but he
7 subsequently became involved.

8 Q Do you recall approximately when that
9 was?

10 A That was in the middle, getting towards
11 the middle of the year 2000. Second half of
12 Quarter 2, if my memory serves me well.

13 Q Maybe I'll show you a document to see if
14 it might refresh your recollection.

15 I'm going to show you a document -- are
16 you asking him if he wants a break?

17 MR. CLARK: Is there a rule that I'm not
18 allowed to consult with the witness?

19 MS. MARSHALL: I just want the record to
20 reflect if you consult with him.

21 MR. CLARK: You want the record to
22 reflect that I consulted with the witness? I just
23 consulted with the witness.

24 MS. MARSHALL: Okay. Great.

25 MR. CLARK: The record should so

0053

1 IAN HINES, October 18th, 2006

2 reflect.

3 MS. MARSHALL: I'm going to show you a
4 document which we'll mark as Hines Exhibit 1 for
5 identification, bearing Bates SMJ00017508 through
6 17512.

7 (Exhibit No. 1 was marked for
8 identification and attached to the deposition
9 transcript.)

10 BY MS. MARSHALL:

11 Q Why don't you take a minute to look at
12 the document, Mr. Hines.

13 Have you had an opportunity to look at
14 this document?

15 A Yes.

16 Q What do you recognize it to be? 24198
17 A It's the summary of a conversation that
18 we held with the customer to try and map out the
19 level of technical support that they might require
20 to help them evaluate the opportunity.
21 Q And so the record is clear, when you say
22 "customer," you're also -- you're referring to
23 Shell Angola?
24 A That's correct.
25 Q Okay. Does this document refresh your
0054

1 IAN HINES, October 18th, 2006
2 recollection of when Derek Newberry became
3 involved in the Shell Angola project?
4 A He was present at the meeting. As I
5 stated earlier, he was working on other business
6 at this time. It was our aspiration to get him
7 involved in a leadership position within my team,
8 but he hadn't actually taken that step at the time
9 this meeting took place, if my recollection serves
10 me right.

11 Q Okay, and this was a videoconference; is
12 that correct? If you look at the top of Page 1 of
13 your note.

14 A Yeah, so the Asset Team were based in
15 Rijswijk, and the individuals from SDS were based
16 in Houston.

17 Q And the meeting was in March of 2000,
18 correct?

19 A Correct.

20 Q Do you recall whether or not this was
21 one of the first meetings that you had discussing
22 the project or whether there had been many prior
23 meetings?

24 A My recollection is that this was a
25 planning meeting, which was actually what's --
0055

1 IAN HINES, October 18th, 2006
2 that's the title of the document, which was our,
3 our steps to establish the work scope for the
4 Shell Deepwater Team.

5 Q Was this a process by which the customer
6 would tell you what they wanted, or was it a

7 back-and-forth between the two, discussing what

8 they might need as well as what they wanted?

9 MR. CLARK: Objection; compound

10 question.

11 BY MS. MARSHALL:

12 Q You can answer if you understand it.

13 A I think you have multiple questions

14 there, so maybe you can separate them out.

15 Q Okay. Did SDS make recommendations to

16 Shell Angola about what work would be required in

17 order for you to provide technical support for

18 them?

19 A That was established through a process

20 of dialogue with the customer, trying to match

21 their needs with our view of the opportunity.

22 Q And when you say "our view of the

23 opportunity," you mean SDS's view?

24 A Correct.

25 Q If you look at the second paragraph at

0056

1 IAN HINES, October 18th, 2006

2 the bottom, it says, "However, the key decisions

3 and BPA's underlying philosophy and strategy for

4 block development and management of

5 uncertainty --"

6 MR. CLARK: Sorry. I'm trying to

7 follow. Second paragraph?

8 MS. MARSHALL: Second paragraph, last

9 sentence.

10 MR. CLARK: Okay.

11 MS. MARSHALL: Sorry.

12 BY MS. MARSHALL:

13 Q So, "However, the key decisions and

14 BPA's underlying philosophy and strategy for block

15 development and management of uncertainty are

16 unclear and have not been well documented nor

17 enunciated to SDA."

18 What was meant by "the key decisions" if

19 you know?

20 A The manner in which the field would be

21 developed.

22 Q So that had yet to be decided in March

23 of 2000; is that correct?

24 A Correct. 24200

25 Q And as of March of 2000, were

0057

1 IAN HINES, October 18th, 2006

2 exploration wells the only type of wells that had
3 been drilled?

4 A They had drilled three discovery wells.

5 Q And what, if anything, was the
6 difference between a discovery well and an
7 exploration well?

8 A They're one and the same.

9 Q Okay. Now, in the second to the last
10 paragraph, I think it's the third to the last
11 sentence, it says --

12 A Still on the first page?

13 Q Yes. Thank you.

14 It says, "SDA are carrying a more
15 realistic end 2001 schedule -- based upon
16 extrapolation of the Bonga experience."

17 Can you explain what the Bonga
18 experience was and how it related to the Angola
19 Block 18 project.

20 A One of BP's notional development plans
21 was for a large floating production system
22 analogous to the one that was being proposed for
23 Bonga at the time, and Rob Inglis had taken
24 benefit from the experience on Bonga and embedded
25 that within the internal planning that Shell

0058

1 IAN HINES, October 18th, 2006

2 Development Angola were using for their schedule
3 and budgetary assumptions.

4 Q Was Shell Angola imagining a longer
5 schedule than BP was at the time?

6 A Correct.

7 Q On the second page of the note under the
8 heading "Exploration/Appraisal," the second
9 paragraph where it says, "Short-term objectives
10 are to prove up volumes in excess of 750 MMbbl for
11 the greater Plutonio area." Can you explain to me
12 what "prove up" means in this context.

13 A To establish scope for recovery, to
14 explore for the presence of hydrocarbons, and then

15 to estimate the in-place volumes and those that
16 could potentially be recovered.

17 Q Do you know where the figure 750 MMbbl
18 came from?

19 A Those numbers were being talked about by
20 BP at the time.

21 Q Now, if you go to the bottom of the page
22 where it says, "Support Required From SDS," the
23 first sentence, "Establish a core team in SDS to
24 support SDA and build up understanding and a
25 long-term relationship based on intimate customer

0059

1 IAN HINES, October 18th, 2006
2 knowledge." What did you imagine the, the length
3 of the relationship to be? By "long-term," what
4 did this mean?

5 A Well, Shell was a 50 percent joint
6 venture partner with BP, and we'd got signals from
7 the VAR that there was commitment to supporting
8 this through to production, so a long-term
9 relationship means exactly that. We bring the
10 thing on-stream, and then we support it and get
11 benefits from the production as a joint venture
12 partner.

13 Q So as long as Shell remained in Angola
14 Block 18, then SDS would be part of the project?

15 MR. FERRARA: That's not what he said.
16 He talked about the relationship between Shell and
17 BP.

18 MS. MARSHALL: Right, and I asked him a
19 question about SDS and SDA.

20 BY MS. MARSHALL:

21 Q So I'm trying to understand that if
22 Shell was going to be in Angola long-term, did
23 that also mean that SDS was going to be working
24 with Shell Angola long-term?

25 A That's an aspiration. We're a service
0060

1 IAN HINES, October 18th, 2006
2 provider. They're the customer. If they wish for
3 us to be involved by virtue of the services that
4 we provide, then that's the way we'd like things
5 to continue.

6 Q Well, it's listed under "General
7 Requirements" that there was to be a long-term
8 relationship. Whose requirement was that?

9 MR. CLARK: Objection.

10 BY MS. MARSHALL:

11 Q You can answer the question.

12 MR. CLARK: If you can.

13 THE WITNESS: The way that Shell
14 Deepwater Services was set up was to provide
15 technical services to its customers. If Shell
16 Angola had an asset and chose not to have its own
17 resources to provide technical work, then Shell
18 Deepwater Services could provide those services
19 and support, and that's what's implied from that
20 statement.

21 BY MS. MARSHALL:

22 Q If you go towards the middle of Page 3,
23 the next page, there's 3.2, it lists "Specific
24 Needs." Just two short paragraphs up from that,
25 it says, "Assist SDA with internal reporting needs

0061

1 IAN HINES, October 18th, 2006
2 (e.g., support to the GDPI initiative)." What is
3 the GDPI initiative if you know?

4 A I can't actually remember.

5 Q Do you know what any other internal
6 reporting needs would mean in this context?

7 A Briefings to management on the scale of
8 the opportunity, volumetric potential.

9 Q And by "volumetric potential" what do
10 you mean?

11 A Scope for recovery.

12 Q Would it also -- could it also mean
13 assist SDA with internal reporting relating to
14 proved reserves?

15 A A provision of technical information
16 that would enable them to prepare an ARPR
17 submission, yes.

18 Q If you go under 3.2, "Specific Needs,"
19 towards the bottom of the page, three paragraphs
20 up, it says, "Define means to optimize VOI of the
21 exploration and appraisal programme." Would you
22 mind explaining to me what that means.

23 A "VOI" stands for the Value Of 24203
24 Information, so we have a means to express the
25 value that we will gain from the information that
0062

1 IAN HINES, October 18th, 2006
2 we get in a well that we drill, and then to assess
3 that in commercial terms to make a judgment about
4 whether it's actually worth spending the money.

5 Q And that was something that SDS was
6 going to be assisting SDAN with --

7 MR. CLARK: Objection.

8 BY MS. MARSHALL:

9 Q -- correct?

10 A It was one possible scope item. This is
11 a planning meeting, one of the earliest that we
12 held, and it would have led to the establishment
13 of a contract, a CTR, between the two
14 organizations for the actual scope that they
15 wanted us to undertake.

16 Q And were you involved in the development
17 of that contract?

18 A Yes.

19 Q Now, on the next page, looks like four
20 paragraphs down, it says, "Develop an independent
21 view of the potential cost and schedule benefits
22 of creating synergy between the Block 18
23 development and other projects which are in the
24 execution phase, such as the Dalia or possibly
25 Bonga developments." Can you explain what this
0063

1 IAN HINES, October 18th, 2006
2 means.

3 A Which particular bits of it do you want
4 me to clarify?

5 Q What is meant by creating a "synergy"
6 between the Block 18 development and, for example,
7 the Bonga development?

8 A Bonga had progressed further through the
9 development funnel than Block 18. They were
10 approaching the execution phase, so one possible
11 synergy might be the opportunity to have a similar
12 vessel built in the same yard and get synergy
13 between the construction activities on both

14 projects, improving schedule, improving costs,²⁴⁸⁰⁴
15 those are the kinds of things which are inferred
16 in that paragraph.

17 Q The next item is, "Develop or identify a
18 process to maximize learnings from the Block 18
19 development, and disseminate these within the rest
20 of SDS and the Shell Group." While you were at
21 SDS, did you do anything to help identify a
22 process to maximize the learnings from Block 18
23 and disseminate those within the rest of SDS and
24 the Shell Group?

25 A No.

0064

1 IAN HINES, October 18th, 2006

2 Q Do you know whether any such process was
3 ever developed?

4 A No.

5 Q Now, once you started working on Angola
6 Block -- after you started working on Angola Block
7 18, were you also working on any other projects
8 for SDS?

9 A You need to give me a time frame.

10 Q How about in March of 2000?

11 A At that time I was close to working a
12 hundred percent of my time on Block 18, but I was
13 not a Team Leader. I didn't formally have a team.
14 I had a matrix of part-time staff who were
15 indicated in that, in that note, who were also
16 working on Angola and other opportunities.

17 Q And with the small percentage of the
18 time that you weren't working on Angola Block 18
19 in March of 2000, what were you working on?

20 A I did some work supporting our
21 leadership team internally on the management of
22 non-operated ventures, ventures where Shell is not
23 the operator, as in the case of Block 18.

24 MS. MARSHALL: I'm going to show you a
25 document which we'll mark as Exhibit 2 for

0065

1 IAN HINES, October 18th, 2006

2 identification. It's a document bearing Bates
3 number RJW00260725 through 728. It's obviously a
4 long document. We're not going to go through it

5 page by page, but we're going to see if you 24205
6 recognize it.
7 (Exhibit No. 2 was marked for
8 identification and attached to the deposition
9 transcript.)

10 BY MS. MARSHALL:

11 Q Have you had a chance to just look at
12 the document briefly?

13 A I remember it.

14 Q Can you tell me what this document is.

15 A It's a Position Paper that was written
16 to try and provide some guidance to the manner in
17 which we should support ventures that are operated
18 by companies other than Shell in which we have a
19 joint venture partner interest.

20 Q Did you work on any or did you look at
21 any particular projects in preparing this report?

22 A We talked to a number of people who were
23 engaged in joint venture projects.

24 Q Do you recall which projects?

25 A The West of Shetlands in the U.K., west

0066

1 IAN HINES, October 18th, 2006
2 of the Shetland Islands where at that time Shell
3 was a partner with BP; and also Holstein in the
4 Gulf of Mexico, where again we were a joint
5 venture partner 50/50 with BP.

6 Q Were there any other projects that you
7 looked at in preparing this --

8 A Nakika.

9 MR. CLARK: Do you want an opportunity
10 to review the report?

11 MS. MARSHALL: Yeah, fine.

12 THE WITNESS: It's a thick report, so we
13 could be here a while.

14 MR. FERRARA: Are there particular
15 sections of the report that you're going to focus
16 him on? I mean if you're asking general
17 questions, he's going to have to look at it, but
18 if there are particular paragraphs, perhaps we can
19 focus him on that.

20 MS. MARSHALL: Sure, that's fine.

21 BY MS. MARSHALL:

22 Q If you look at the first page of -- 24206
23 well, before we go into the report specifically,
24 prior to my showing you this report, you talked
25 about this, something you were doing with
0067

1 IAN HINES, October 18th, 2006
2 management looking at non-operated projects. Was
3 this the end result of that?

4 A Indeed it is.

5 Q And who did you work on that project
6 with?

7 A I basically worked on the project with
8 Barry Knight and Jerry Gause, who are the
9 individuals named as coworkers.

10 Q And I see that there's three individuals
11 that are listed as "reviewed by." What does that
12 mean?

13 A They would have read the document and
14 provided comments.

15 Q And the first individual, T. --

16 A Tom Bourgeois.

17 Q What was his role at the time?

18 A He was previously head of the
19 organization in Rijswijk that I worked for in the
20 development planning capacity.

21 Q And from June to October of 2000 --

22 A He had a -- I can't remember his exact
23 role and title, but he had an Asset Management
24 role that I think was based in Rijswijk at that
25 time.

0068

1 IAN HINES, October 18th, 2006

2 Q And what about Gordon -- is "G. Parry"
3 Gordon Parry?

4 A Correct.

5 Q What was his role during the time that
6 you worked on this project?

7 A He worked in EPG.

8 Q Where was he stationed?

9 A Rijswijk.

10 Q And what about B. Jefferis?

11 A Bob Jefferis is a Project Manager for
12 execution of projects in the Gulf of Mexico.

13 Q Where was he located? 24207

14 A In the USA.

15 Q And who is the third individual listed

16 on the title page? It's Barry Knight, there's

17 yourself, and there's J. Gause?

18 A Jerry Gause was a member of the

19 Development Planning Team based in Houston, the

20 team that I was also a member of.

21 Q Had he been a member of the Development

22 Planning Team that had been in Rijswijk?

23 A No. He was based in the U.S.

24 Q And do you know why the three

25 individuals who are listed as "reviewed by" were

0069

1 IAN HINES, October 18th, 2006

2 the individuals that were chosen to review this

3 work?

4 A Well, Bob Jefferis had had firsthand

5 experience with working with a number of companies

6 and the projects that were in the report; Tom

7 Bourgeois was selected because of his involvement

8 also in deepwater projects in the USA when he was

9 previously working in the U.S; and Gordon Parry,

10 because of the EPG relationship and the governance

11 that they held over projects like Angola Block 18.

12 Q When had Tom Bourgeois been working in

13 the United States?

14 A Certainly in the nineties. He was in

15 Rijswijk, if my memory serves me correct, from '97

16 or '98.

17 Q Prior to that he had been in the United

18 States?

19 A Yes.

20 Q And do you know what he was doing in

21 Rijswijk in the late nineties?

22 A He was the manager of the group that I

23 worked in in Rijswijk.

24 Q Do you know if he continued to do any

25 work in the United States when he was the manager

0070

1 IAN HINES, October 18th, 2006

2 of that group in Rijswijk?

3 A I don't.

4 Q Was this study or this document prepared
5 at the direction of anybody in particular?

6 A Well, it was an internal initiative,
7 something that I discussed with Barry, but it
8 built on a number of experiences that we had had
9 with other operators, particularly with BP, and so
10 people like Bob Jefferis were certainly interested
11 in, in reviewing the proposal, but I don't recall
12 it being the result of a specific initiative by
13 management.

14 Q What is it about BP or Shell's
15 experience with BP that caused you to focus on
16 them?

17 A We've had, we've had a healthy
18 partnership on a significant number of projects.
19 Some of the more recent ones have not gone as well
20 as we would have liked, and there was a suggestion
21 that perhaps we could manage that interface
22 somewhat better.

23 Q Which were the projects that had not
24 gone as well as you would have liked?

25 A Those in the West of Shetland, Holstein,
0071

1 IAN HINES, October 18th, 2006
2 and Nakika, but they're not the sole focus of this
3 document.

4 Q Was BP also the operator in Ormen Lange
5 in Norway?

6 A They had an interest. I don't recall
7 whether they were the operator.

8 Q Was Shell the operator?

9 A My recollection of the situation is that
10 Shell would become the production operator, but
11 Norske Hydro were the development operator.

12 Q Is there a way that you can summarize
13 what the purpose of the document was?

14 A To help formulate a strategy for working
15 effectively with joint venture partners.

16 Q Was it a strategy for Shell to work with
17 joint venture projects, or was it more
18 specifically focused on SDS's involvement in those
19 projects?

20 A It contained projects that could be

21 ported to the wider Shell landscape. 24209

22 MR. CLARK: When you have a convenient
23 point, maybe we can take a brief break and perhaps
24 we can solve the issue of the report, because
25 maybe Mr. Hines can take a look at it during the
0072

1 IAN HINES, October 18th, 2006

2 break.

3 MS. MARSHALL: Okay. That's fine.

4 THE VIDEOGRAPHER: This marks the end of
5 Tape Number 1 in the deposition of Mr. Hines. We
6 are going off the record. The time is 11:54 a.m.

7 (Whereupon, a short recess was taken.)

8 THE VIDEOGRAPHER: This marks the
9 beginning of Tape 2 in the deposition of
10 Mr. Hines. We are back on the record. The time
11 is 12:11 p.m.

12 BY MS. MARSHALL:

13 Q Mr. Hines, were any specific actions
14 taken as a result of this study? And I'm
15 referring to the study that's Exhibit 2.

16 A Yes.

17 Q What were they?

18 A It was agreed to establish a dedicated
19 integrated team to support the Angola Block 18
20 effort, and the work was subsequently matured by
21 another member of the Deepwater organization,
22 which led to the creation of a Non-operated
23 Venture Network to connect projects that fell
24 under this broad umbrella.

25 Q And who was the person that the work was
0073

1 IAN HINES, October 18th, 2006

2 subsequently matured by?

3 A Patrick McVeigh.

4 Q And you just spoke of the creation of a
5 "non-operated venture network to connect the
6 projects that fell under this broad umbrella."
7 Was that given a name?

8 A The name I just described.

9 Q I'm sorry. I missed it. Could you tell
10 me what it is.

11 A It's a Non-operated Venture Network.

12 Q That is, in fact, the name? 24210
13 A Yeah, I believe so.
14 Q And when was that created?
15 A Sometime after this document.
16 Q Was it in 2000 if you know?
17 A I can't remember.
18 Q Was there -- was somebody placed in the
19 position of leading that network?
20 A Probably.
21 Q So you don't know who that was?
22 A I don't know who it is, no.
23 Q Is there a Non-operated Venture Network
24 in existence today?
25 A I believe so.

0074

1 IAN HINES, October 18th, 2006

2 Q Did the work that went into this report
3 help determine how your team approached Angola
4 Block 18?

5 A Some of the principles, yes.

6 Q Which principles were those?

7 A Looking at the levels of capital
8 investment in the project; making an assessment of
9 the capability of the operator; picking areas,
10 technical areas that needed to be explored
11 independently; and then building a team that could
12 actually provide that capability.

13 Q And was this Non-operated Venture
14 Network based in any particular location once it
15 was created?

16 A I need to clarify your interpretation.
17 I'm talking about the creation of the Angola Block
18 18 Team.

19 Q Right, and I'm going back to the
20 creation --

21 A The network, the network did not exist
22 at that time, and it was sometime after that that
23 the network was created under the stewardship of
24 Mr. McVeigh.

25 Q When you say "sometime after," was it

0075

1 IAN HINES, October 18th, 2006

2 years later?

3 A Possibly, yes. I can't remember the 24211
4 exact date.

5 Q And where was it located?

6 A It's web-based.

7 Q And do you know where he is located?

8 A He's currently based in Houston.

9 Q And when you say "web-based," what do
10 you mean by that?

11 A It has information which is accessible
12 through a web portal.

13 Q Is there a particular title to that web
14 portal?

15 A I don't know.

16 Q In the course of this study did you
17 determine that BP had poor performance in Block
18 18?

19 A We gathered data from various projects,
20 some of which is included in the report itself,
21 that shows how BP have performed on a number of
22 projects that we've had joint venture interests
23 in.

24 Q And what was your assessment as to how
25 BP was performing in Angola in the middle of 2000?
0076

1 IAN HINES, October 18th, 2006

2 A We hadn't got enough evidence to make an
3 objective assessment at the time that this
4 document was written, but the levels of capital
5 investment that were being talked about were very
6 significant, and Shell has a 50 percent interest,
7 or did have, in Block 18, so the level of exposure
8 suggested that we needed to do something to
9 determine what level of risk we were carrying, and
10 that was, that was the task that we undertook
11 jointly with Shell Angola.

12 Q Had there been projects where Shell's --
13 where BP's performance had been considered poor?

14 A Yes.

15 Q And what were those projects?

16 A They're listed in the report.

17 Q Can you show me where.

18 A There is some indications on Page 11.

19 MR. FERRARA: Sorry. Do you mean Page

20 11 of the Power Point in the back of the 24212

21 document --

22 THE WITNESS: Yes. I apologize.

23 MR. FERRARA: -- 260740?

24 THE WITNESS: Yes.

25

0077

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q Where is the first project that's
4 listed? I can't pronounce it. Foinaven?

5 A The first two projects are in the West
6 of Shetlands off the U.K.

7 Q And how about the third and fourth
8 projects?

9 A They're in the U.S.

10 Q If you go to Page 1 of the document,
11 which is Bates RJW00260730, the bottom of the
12 page, 2.0, "Case for Action," the first sentence,
13 "Deepwater projects require a greater level of
14 integration and alignment of key technical and
15 commercial skills than many conventional, less
16 technologically demanding projects." Why is that
17 the case with deepwater projects?

18 A Because of the complexity of the
19 technology and the level of capital investment.

20 Q What was the level of the technical
21 staff in SDAN in early 2000?

22 MR. CLARK: Objection.

23 THE WITNESS: I can't comment on the
24 technical capabilities of the individuals, but it
25 was a small team, staffed by two to three

0078

1 IAN HINES, October 18th, 2006

2 individuals reporting to a General Manager.

3 BY MS. MARSHALL:

4 Q Did you think that that team had the
5 capacity to complete the technical work that was
6 necessary for the Angola Block 18 project?

7 MR. CLARK: Objection.

8 THE WITNESS: It's not for me to
9 speculate. Management had made a decision that
10 they were going to create a very small Asset Team

11 in Rijswijk and rely on technical support, when
12 necessary, from ourselves in Shell Deepwater
13 Services.

14 BY MS. MARSHALL:

15 Q So you never formed an opinion on
16 whether you thought that the asset was capable of
17 doing this work all by themselves?

18 MR. CLARK: Objection; asked and
19 answered.

20 MS. MARSHALL: I never asked that
21 question.

22 MR. CLARK: He can answer it. You can
23 argue with me.

24 THE WITNESS: It's not for me to form
25 opinions on the capability of people in the team.

0079

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q I didn't ask you to form opinions on the
4 capability of the specific people on the team, but
5 did you form an opinion as to the capability of
6 the Angola Block -- of the SDAN team's ability to
7 complete the technical work required for the
8 Angola Block 18 project?

9 MR. CLARK: Same objection.

10 THE WITNESS: No, I didn't.

11 BY MS. MARSHALL:

12 Q Well, as you sit here today, do you
13 think that in 2000 that Shell Angola's Technical
14 Team was capable of completing all the technical
15 work required by themselves?

16 MR. CLARK: Objection.

17 THE WITNESS: Well, given that BP had a
18 team of 50 people working on the project, if they
19 were performing competently, three people may have
20 been capable of managing the work. We're not the
21 operator.

22 BY MS. MARSHALL:

23 Q Well, if you turn to the third or fourth
24 page of the document, it has a three little "i's"
25 at the top, and it ends Bates 260728.

0080

1 IAN HINES, October 18th, 2006

2 MR. FERRARA: What was the Bates number
3 again?

4 BY MS. MARSHALL:

5 Q It ends 728. If you look at the
6 paragraph prior to the heading of "Cost
7 Consequences," why don't you take a moment and
8 read that paragraph.

9 Have you had a chance to read that
10 paragraph?

11 A Yeah.

12 Q Why was Shell taking an opportunity to
13 fill a senior reservoir engineering position with
14 respect to Angola Block 18 if BP had 50 engineers
15 already working on the project?

16 MR. CLARK: Objection.

17 THE WITNESS: That's commensurate with
18 the strategy that's outlined here of trying to put
19 technical staff into key positions in projects
20 with large exposure where we have contractual
21 rights within the JOA.

22 BY MS. MARSHALL:

23 Q And here it says, "Given BPA's poor
24 performance in Project Management of major
25 contracts, it is also recommended to explore

0081

1 IAN HINES, October 18th, 2006
2 opportunities for a key Project Controls position
3 in current and future teams," so was potential
4 poor performance of BPA a factor in Angola Block
5 18?

6 A Yes.

7 Q Now, if you turn to Page 12, going back
8 toward the end where there was those Power Points,
9 Bates ending 741, it says, "Alternative
10 Non-operated Models," and there's two strategies
11 listed on this page. "Let the operator operate"
12 and "Let's be friends and help/educate the
13 operator" are the first two strategies, and then
14 on the next page there's a third strategy, "Make
15 the operator operate Active Stewardship to full
16 intervention," and 4 is "Coveted Operatorship."

17 Was there a strategy that was determined
18 best to pursue with Angola Block 18?

19 MR. CLARK: Objection. By whom? 24215
20 MS. MARSHALL: By SDS and the Asset.
21 MR. CLARK: It's a compound question.
22 MS. MARSHALL: Why don't you see if he
23 understands it.
24 THE WITNESS: What was done was to look
25 at the risk profile of the project and adopt a
0082

1 IAN HINES, October 18th, 2006
2 more proactive strategy than the first one, so the
3 model that was used, the model that was agreed
4 jointly between Shell Angola and ourselves is
5 probably somewhere between Strategy 2 and 3.

6 BY MS. MARSHALL:
7 Q And if you look at Page 14, the title is
8 "Preferred Shell Non-operated Model." Does this
9 describe the model that was attempted in Angola?

10 A It's something approaching this. We did
11 not get what I would call the preferred or ideal
12 model, but we certainly had a significant team
13 that was able to focus on key technical issues.

14 Q At a certain point did you undertake to
15 build a team within SDS on Angola Block 18?

16 A Yes, we did.

17 Q When did that commence?

18 A In the second half of 2000.

19 Q And whose responsibility was it to build
20 a team?

21 A Barry Knight and Chandler Wilhelm had
22 responsibility for making a team.

23 Q And what was your role?

24 A My role was the Technical Team Leader.

25 Q And what were your responsibilities as a
0083

1 IAN HINES, October 18th, 2006
2 Technical Team Leader for Angola Block 18?

3 A I had responsibilities in terms of
4 selection of staff that went into the team once my
5 position had been secured, and subsequently for
6 dialogue with the customer on the activities that
7 we were to undertake on their behalf.

8 Q Now, I have a question going back to an
9 earlier document. It was marked as Exhibit 1. On

10 the last page, Page 4, I had asked you a question

11 about the synergies --

12 A Yeah.

13 Q -- creating synergy between Block 18.

14 Was -- were any synergies with the Bonga

15 development ever achieved?

16 A No, I don't think so.

17 Q When you were working on the project

18 that culminated in the report that's Exhibit 2,

19 they're then working on the Angola Block 18

20 project. Were you involved in any other projects?

21 A As I explained earlier, I was providing

22 limited support within the matrix of the

23 organization you show here, trying to plan the

24 collaboration with BP and with Shell Angola. I

25 also worked on this joint venture document. I

0084

1 IAN HINES, October 18th, 2006

2 think I mentioned earlier that I also did some

3 work for Trinidad on gas developments.

4 Q So other than those three projects --

5 A Those are the ones that I can remember.

6 Q Okay. And how long did you work on the
7 Angola Block 18 project?

8 A During which period?

9 Q Once you joined SDS.

10 A I can't remember the exact percentage,

11 but I certainly was not working on Angola

12 full-time.

13 Q When did your involvement with -- strike

14 that. Did your involvement with Angola Block 18

15 ever end?

16 A Yes.

17 Q When did it end?

18 A When I was transferred from Houston

19 mid-2004.

20 Q Where were you transferred to?

21 A I was transferred to Shell Global

22 Solutions in Rijswijk in June 2004.

23 Q What is Shell Global Solutions?

24 A It's an internal service provider that

25 provides consultancy services for engineering

0085

1 IAN HINES, October 18th, 2006 24217
2 services covering the exploration production
3 midstream and also the downstream part of our
4 business, so construction of refineries, so it's a
5 very different part of the business from anywhere
6 else that I've worked in the rest of my Shell
7 career.

8 Q Did you work for SDS through 2004 when
9 you were transferred?

10 A Yes.

11 Q While at SDS in 2001 did you work on any
12 projects other than the Angola Block 18 project?

13 A No.

14 Q In 2002 did you work on any projects
15 other than the Angola Block 18 project?

16 A No.

17 Q In 2003 did you work on any projects
18 other than the Angola Block 18 project?

19 A No.

20 Q And in 2004 did you work on anything
21 other than the Angola Block 18 project, prior to
22 being transferred?

23 A No.

24 Q So is Angola Block 18 the only thing you
25 worked on in 2001, 2002, 2003 and 2004 prior to
0086

1 IAN HINES, October 18th, 2006
2 being transferred to Houston? I mean not to
3 Houston; back to Rijswijk?

4 A I was dedicated full-time to Angola
5 Block 18. I may have undertaken some review
6 activities or support activities for other
7 projects, but I -- that certainly was not the
8 major part of my portfolio. My role was the
9 Integrated Technical Lead for Angola up to the
10 point where we decided to divest.

11 Q And when was that?

12 A That was early 2004.

13 Q What other projects or reviews can you
14 remember being part of in 2001, 2002, 2003 or 2004
15 up until the point when the decision to divest was
16 made?

17 A I can't remember anything.

18 Q Were you -- you know what I'm going to
19 do? I'm going to mark a document now as Exhibit
20 3. That way, if you want to review something when
21 we take a break, you can do that. I'll ask you a
22 couple of questions just to see if it's going to
23 be necessary or not.

24 MR. CLARK: Great.

25 MS. MARSHALL: Mark a document as

0087

1 IAN HINES, October 18th, 2006

2 Exhibit Number 3 for identification that bears
3 numbers LON00570302 through 324.

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

7 BY MS. MARSHALL:

8 Q Why don't you just quickly look at it
9 and see if you recognize it at all or are familiar
10 with the subject matter of the document.

11 Have you ever seen this document?

12 A I don't recall seeing it.

13 Q Were you ever made aware of discussions
14 within Shell about whether to get involved in
15 Angola Block 34?

16 A Yes.

17 Q Do you recall when those discussions
18 occurred?

19 A No.

20 Q Do you recall who those conversations or
21 discussions were with?

22 A They were between the Asset Team and
23 members of Shell Deepwater Services Management and
24 also some of the members of my Technical Team.

25 Q Which members of your Technical Team

0088

1 IAN HINES, October 18th, 2006

2 were involved in those discussions?

3 A Almost certainly Derek Newberry, but I
4 can't say with any certainty who else.

5 Q Do you recall who from SDS management
6 was involved in those discussions?

7 A No.

8 Q Do you recall who from the asset was

9 involved in those discussions? 24219

10 A Grigore Simon, Robert Inglis and the
11 General Manager, and I can't remember who that was
12 at the time.

13 Q If you look to the bottom of the first
14 page, second to the last paragraph --

15 MR. CLARK: Of which document; the note
16 or the memorandum?

17 BY MS. MARSHALL:

18 Q The note. So it's the first page of the
19 note, which is Bates ending 303. There's a second
20 to the last paragraph, the first sentence, "The
21 bid will be explicit -- on the explicit condition
22 that Shell plays a key role in the development and
23 operations phases through SDS."

24 Were you aware that a bid for Block 18
25 was potentially going to be conditioned on the
0089

1 IAN HINES, October 18th, 2006
2 involvement of SDS?

3 MR. CLARK: Objection. I think the
4 document concerns Block 34.

5 BY MS. MARSHALL:

6 Q I'm sorry. Block 34.

7 A I can remember discussions of that
8 nature.

9 Q Do you remember why, when discussing
10 whether to bid on Block 34, SDS's potential
11 involvement was discussed?

12 A No, I don't.

13 Q Now, if you look at the third paragraph
14 on this page --

15 A Uh-huh.

16 Q -- the last sentence says, "In total we
17 expect to increase proven reserves to 900 MM bbls
18 (100 percent), sufficient to move into the
19 development phase in 2001." Do you know where
20 this figure came from?

21 A No, I don't.

22 Q Do you know if SDS provided this figure?

23 A No, I don't.

24 Q If SDS had provided this figure, would
25 you have been aware of it?

0090

1 IAN HINES, October 18th, 2006

2 MR. CLARK: Objection. Is that a

3 hypothetical question?

4 BY MS. MARSHALL:

5 Q Are you aware of any times that SDS was

6 providing figures to the Asset?

7 A What figures?

8 Q The figure of "we expect to increase

9 proven reserves to 900 MM bbls."

10 MR. CLARK: Objection.

11 MS. MARSHALL: That's the figure I'm

12 referring to.

13 MR. CLARK: Do you know what question is

14 pending right now, Mr. Hines?

15 THE WITNESS: I do.

16 MR. CLARK: Okay.

17 THE WITNESS: No, I don't.

18 MS. MARSHALL: Okay. I think that we

19 should probably take our lunch break, because it's

20 set up now.

21 MR. CLARK: Great, good.

22 THE VIDEOGRAPHER: We are going off the

23 record. The time is 12:41 p.m.

24 (Whereupon, the lunch recess was taken.)

25 THE VIDEOGRAPHER: We are back on the

0091

1 IAN HINES, October 18th, 2006

2 record. The time is 1:38 p.m.

3 MS. MARSHALL: Mr. Hines, I'm going to

4 show you a document that we'll mark as Exhibit

5 Number 4 for identification. It's bearing Bates

6 numbers RJW00290046 through 62.

7 (Exhibit No. 4 was marked for

8 identification and attached to the deposition

9 transcript.)

10 BY MS. MARSHALL:

11 Q I'm first just going to ask you to look

12 at the document quickly to see if you recognize

13 it.

14 MR. FERRARA: Is there some particular

15 part of this you would like him to --

16 MS. MARSHALL: I'm just going to ask if

17 he recognizes the document or any parts of it.24221

18 THE WITNESS: I recognize the title and
19 some of the text, but I don't think I've ever seen
20 the document in its entirety.

21 BY MS. MARSHALL:

22 Q Where do you recognize the title from?

23 A From discussions that were taking place
24 prior to the establishment of Shell Deepwater
25 Services.

0092

1 IAN HINES, October 18th, 2006

2 Q And are those the discussions that you
3 testified about earlier this morning?

4 A Which discussions are we talking about?

5 Q Discussions prior to your group in
6 Rijswijk joining SDS.

7 A Between whom?

8 Q Well, why don't you tell me which
9 discussions.

10 A The discussions I talked about were
11 conversations I had with people in the Development
12 Planning Team in Houston.

13 Q And is it from those discussions that
14 you recall the strategic contracts between Shell
15 Deepwater Services and the OUs?

16 A In conversations with -- it was
17 mentioned in conversations by Richard Sears.

18 Q And what about it was mentioned by
19 Richard Sears?

20 A My recollection is that he was involved
21 in, somewhere in setting up these contracts.
22 That's my recollection.

23 Q Do you know who T.N. Warren is?

24 A Yes.

25 Q Who is that?

0093

1 IAN HINES, October 18th, 2006

2 A It's Tim Warren.

3 Q And what was his role, if you know, in
4 the end of 1999?

5 A I can't remember his official title, but
6 he was basically looking after the organization
7 that was based in Rijswijk for Shell E&P.

8 Q And what was his relationship with Shell
9 Deepwater Services if you know, or his connection
10 with Shell Deepwater Services if you know?

11 A He was one of the decision-makers who
12 was involved in the decision to co-locate
13 Deepwater Services in Houston.

14 Q Can you explain to me what you mean by
15 "co-locate"?

16 A As I explained earlier, work that was
17 being done in Rijswijk, positions that were
18 physically in Rijswijk were moved to Houston to
19 coalesce the Deepwater Business in one location,
20 and that decision was something that Tim Warren
21 was ultimately responsible for, together with the
22 Shell E&P Board.

23 Q If you look at the pages, the chart that
24 begins on the second page of the document, which
25 continues for about a page and a half --

0094

1 IAN HINES, October 18th, 2006

2 A Uh-huh.

3 Q -- if you look through the list of
4 projects in the first column of the table, do you
5 recognize any of these projects as being projects
6 you worked on during your tenure at SDS?

7 A Can you remind me again; what page am I
8 looking at?

9 Q You're looking at the page that's in
10 front of you, Bates ending 47.

11 A All right.

12 Q There's a list on the left-hand side of
13 the column. First there's Shell Angola, which
14 obviously you've testified that you were involved
15 with Shell Angola. Were you ever involved with
16 Shell Brazil?

17 A Not to my recollection.

18 Q Were you ever involved with Shell Congo?

19 A Peripherally, yes.

20 Q What was extent of your involvement?

21 A Some of the data that had been generated
22 by people working specifically on Congo was used
23 to benchmark against Shell Angola development
24 plans being put forward by BP, and I shared an

25 office with someone who was working on Shell Congo
0095

1 IAN HINES, October 18th, 2006

2 opportunities.

3 Q Did you have any involvement at all with
4 the Cote d'Ivoire?

5 A Not to my recollection.

6 Q How about Shell Gabon?

7 A No.

8 Q Morocco?

9 A No.

10 Q How about Oman?

11 A Yes.

12 Q What was your involvement with Oman?

13 A We did some evaluations on the deepwater
14 opportunities in the offshore province in Oman,
15 and I contributed to some presentations that were
16 used to market the capability that Shell had in
17 deepwater.

18 Q And when you say "we," do you mean SDS?

19 A I mean the Shell organization as it was
20 at that time in Rijswijk. SDS wasn't formed until
21 later that year.

22 Q Okay. So when you did -- I think we
23 should go back, because maybe we need to make the
24 record clear. When I asked you about Brazil,
25 Congo, Cote d'Ivoire and Gabon and Morocco, were

0096

1 IAN HINES, October 18th, 2006

2 you just talking about in 1999 having involvement
3 in those projects?

4 A That's the date on the document.

5 Q Well, I recognize that's the date on the
6 document, but my question to you is broader than
7 that. My question to you is whether you've ever
8 had any involvement with any of the projects
9 listed on this document in 1999 or through your
10 time at SDS.

11 A My recollection is that I was
12 peripherally involved in a number of those
13 projects during 1999. I did work for Trinidad, as
14 I explained earlier, from Houston, early 2000, and
15 also for Indonesia for 1999.

16 Q What was your involvement in Indonesia
17 in 1999?

18 A Opportunity evaluations.

19 Q Did you do -- did any of your
20 involvement with Oman continue when you were in
21 Houston?

22 A No, it didn't.

23 Q Did you ever have any involvement with
24 SNEPCO?

25 A No.

0097

1 IAN HINES, October 18th, 2006

2 Q How about SPEX?

3 A Yes.

4 Q What is SPEX?

5 A Shell Philippines Exploration and
6 Production.

7 Q And when was your involvement in SPEX?

8 A 1999.

9 Q What was the extent of your involvement?

10 A I led a feasibility study for the
11 Malampaya development.

12 Q What is SEPCO?

13 A That is the U.S. operating arm of Shell
14 in the United States.

15 Q Did you do any work with SEPCO?

16 A No, I did not.

17 Q Have you done any work with Brunei?

18 A Yes.

19 Q When?

20 A During 1999.

21 Q What was the extent of your work with
22 Brunei?

23 A We were assisting Shell Brunei in
24 discussions with government authorities with the
25 potential opportunity, porter opportunities in

0098

1 IAN HINES, October 18th, 2006

2 Brunei, so that involved preparing presentations
3 that were delivered by senior management as a way
4 to help Shell Brunei gain access to deepwater
5 acreage.

6 Q Have you ever done any work with

7 Malaysia?

8 A Peripherally, yes.

9 Q When was that?

10 A During the same period.

11 Q Okay. How about Shell Canada?

12 A Not that I can recall.

13 Q And what is Woodside?

14 A That is a joint venture partner in

15 Australia.

16 Q Have you ever done any work in

17 connection with Woodside?

18 A No, I haven't.

19 Q Have you ever come across a man named

20 Emmanuel Enu while at SDS?

21 A Could you spell his name for me.

22 Q I really can't. E-N-U, maybe?

23 A It sounds like someone that worked in

24 SDS on African opportunities while I was in the

25 U.S., 2000 to 2004.

0099

1 IAN HINES, October 18th, 2006

2 Q Do you know what type of African
3 opportunities was being worked on?

4 A I would speculate exploration activity,
5 but . . .

6 Q And that was separate from any work
7 involving Angola?

8 A Yes.

9 Q Do you know if it had anything to do
10 with Nigeria?

11 A Probably.

12 Q If you turn back to the exhibit we were
13 looking at just prior to the break --

14 MR. CLARK: Can we just go back to the
15 question you asked on Line 23. I don't know if it
16 was transcribed right or this is what you asked.

17 "Do you know what type of African opportunities
18 was being worked on?" Were you asking him by
19 Mr. Enu or by Mr. Enu with Mr. Hines or by SDS,
20 or --

21 MS. MARSHALL: By Mr. Enu.

22 MR. CLARK: Was that what your answer
23 was about?

24 THE WITNESS: Yeah. 24226
25 MR. CLARK: Okay.
0100

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q So if we go back to Exhibit Number 3, if
4 you'd look to Page 2 of the memorandum, which is
5 ending Bates Number 306, the second paragraph of
6 the document, I mean second paragraph on the page,
7 there's a figure of 520 MM bbls. Do you know
8 where that figure came from?

9 A No, I don't.

10 Q As of August 30th of 2000 had your team
11 done any work regarding the booking of proved
12 reserves in Angola Block 18 for that year?

13 A We were about to.

14 Q Now, if you go to the bottom of the
15 page, the last sentence before this little chart,
16 it says, "The proposed spend also includes six
17 million dollars in 2001 for the UUDW Joint Study
18 which will be carried out in Houston by Shell
19 Deepwater Services together with Sonangol." Do
20 you have any familiarity with a UUDW Joint Study?

21 A I know what is being referred to.

22 Q Can you explain it, please.

23 A It's the ultra, ultra deepwater study
24 being carried out by Sonangol with support from
25 Shell Deepwater Services to look at prospectivity

0101

1 IAN HINES, October 18th, 2006

2 in the outboard blocks that had not yet been
3 assigned or explored in Angola.

4 Q Do you know the genesis of this study?

5 A I can't remember.

6 Q Do you know if the study was conducted?

7 A I can't remember.

8 Q Now, when you say that you were about to
9 start doing work for the reserve bookings in
10 Angola Block 18 in 2000, when did you first become
11 aware of that project?

12 A Early August, if my memory serves me
13 right.

14 Q And how did you first become aware of

15 it?

16 A Through conversations that took place
17 with members of EPG, Gordon Parry and through my
18 line management.

19 Q And who are you referring to when you
20 say your "line management"?

21 A Rich Sears, Barry Knight.

22 Q And do you recall how the project was
23 described to you?

24 A There was a request from EPG via Shell
25 Angola for us to assist the Asset Team and EPG to
0102

1 IAN HINES, October 18th, 2006

2 look at the potential for booking reserves in
3 Block 18.

4 Q Do you recall that there was a specific
5 number quoted as what the hope was from EPG for
6 the booking of reserves?

7 A There was a note written after a series
8 of conversations in which EPG laid out their
9 expectations for reserves bookings in a number of
10 areas under their jurisdiction.

11 MS. MARSHALL: I'm going to show you a
12 document we'll mark as Exhibit 5 for
13 identification. It's Bates Number SMJ00034872
14 through 875.

15 (Exhibit No. 5 was marked for
16 identification and attached to the deposition
17 transcript.)

18 BY MS. MARSHALL:

19 Q Would you take a minute and look at the
20 document. Do you recognize what's contained in
21 this document?

22 A I do, yes.

23 Q And is the last two pages of the
24 document the note that you just referred to?

25 A It is, yes.

0103

1 IAN HINES, October 18th, 2006

2 Q Prior to receiving -- strike that. Do
3 you recall when you received this note?

4 A A few days after it was sent.

5 Q And if you look at this document in the

6 middle of the first page, it appears that it was 24228
7 sent to you from Gordon Parry on September 7th,
8 2000; is that correct?

9 A That's correct.

10 Q And is it your recollection that you
11 didn't receive it until a few days after that?

12 A Well, I got the note through the Asset
13 Team, so Rob Inglis, who is the post address here,
14 and Grigore Simon.

15 Q So you first received it through Rob
16 Inglis?

17 A That's my recollection.

18 Q Did you receive it prior to
19 September 7th if you know?

20 A I can't remember. I got multiple copies
21 of the same document.

22 Q Okay. In your e-mail to Derek Newberry
23 at the top of the page, you wrote, "I may have
24 misunderstood the process, but my understanding
25 was that a discovery only indicated scope for
0104

1 IAN HINES, October 18th, 2006
2 recovery and was not bookable until supported by a
3 viable development."

4 What did -- what did you mean by that
5 statement?

6 A I was merely reflecting my understanding
7 of the Group and SEC Guidelines.

8 Q Had you ever been trained on the SEC
9 Guidelines?

10 A No, I had not.

11 Q And when you say "SEC Guidelines," what
12 specifically are you referring to?

13 A I'm referring to the documents that
14 existed inside Shell for reserves bookings.

15 Q When had you seen those documents?

16 A Very shortly after I received this note.

17 Q So after you received this note, did you
18 go look at the Guidelines?

19 A Yes.

20 Q Where did you go to find them?

21 A There were copies available in Houston.

22 Q And when you say "Guidelines," was that

23 the Shell Guidelines?

24229

24 A I believe that was the first document I
25 looked at.

0105

1 IAN HINES, October 18th, 2006

2 Q Did you undertake to read the SEC Rule?

3 A No.

4 Q Why?

5 A Because I sought advice from people
6 locally who were far more experienced with this
7 process than I was.

8 Q And who did you seek advice from?

9 A Senior Reservoir Engineers, Jeff Seiler,
10 and our Reserves Coordinator, Rod Sidle, plus the
11 members of my own team, who, being from a
12 subsurface background, had a better understanding
13 of the process than I did.

14 Q Prior to this project had you ever been
15 involved with a reserve booking project?

16 A Not at all.

17 Q So when you wrote, "I may have
18 misunderstood the process, but my understanding
19 was that a discovery only indicated scope for
20 recovery and was not bookable until supported by a
21 viable development," where did you get that
22 understanding from?

23 A From the dialogue that I had had after
24 looking at the documents and talking to informed
25 opinions.

0106

1 IAN HINES, October 18th, 2006

2 Q Did you have -- where was Rob Sidle
3 physically located?

4 A In the U.S.

5 Q Did you meet with him?

6 A Subsequently, yes.

7 Q Did you meet with him prior to writing
8 this e-mail on September 7th, 2000?

9 A I can't remember.

10 Q Did you meet with Jeff -- I can't
11 remember how to pronounce his name.

12 A Jeff Seiler.

13 Q Jeff Seiler. Did you meet with him

14 prior to --

15 A We had conversations.

16 Q I'm sorry. You've got to let me finish,
17 for her.

18 A My apologies.

19 Q Did you meet with him prior to writing
20 this e-mail?

21 A Probably.

22 Q Do you recall where you met?

23 A In Houston.

24 Q Did they -- did he work for SDS?

25 A Yes.

0107

1 IAN HINES, October 18th, 2006

2 Q Did Rod Sidle work for SDS?

3 A No.

4 Q Who did he work for? What group was he
5 part of?

6 A He was not part of SDS. I believe he
7 was part of the regional organization previously
8 called SEPCO in the U.S.

9 Q Did you discuss with Jeff Seiler and Rod
10 Sidle whether it was premature to book reserves in
11 Angola Block 18 in 2000?

12 A We discussed what was required to make a
13 reserves booking, what steps would be necessary.

14 Q And were you concerned that it was not
15 going to be possible to meet all of those
16 requirements by the end of 2000?

17 A At that time, based on the information
18 that we had, yes.

19 Q When you -- I assume that you read the
20 e-mail from Gordon Parry that was sent to Robert
21 Inglis, Grigore Simon, Peter Osborne and CC to
22 Remco Aalbers and a few others that begins on
23 September -- the bottom of the first page. It was
24 sent on September 6th, 2000.

25 A Yes.

0108

1 IAN HINES, October 18th, 2006

2 Q Did you have any understanding as to why
3 it may have been critical in Phil Watts' view to
4 book reserves in Angola that year?

5 MS. LIEBERMAN: Objection. 24231

6 BY MS. MARSHALL:

7 Q You can answer the question.

8 A Only by virtue of messages that had been
9 circulating about the need for Shell to consider
10 its reserves replacement position.

11 Q Well, what are those messages? What
12 were those messages?

13 A That we were not meeting internal
14 targets, and therefore reserves additions would be
15 welcome.

16 Q What did you understand the significance
17 of the E&P scorecard to be with respect to reserve
18 replacements and booking of reserves?

19 A At that time I didn't understand.

20 Q Did you ever gain an understanding of
21 the significance of that?

22 A Only in terms of the actions that
23 followed thereafter.

24 Q Can you explain what you mean by that?

25 A The importance of booking reserves and

0109

1 IAN HINES, October 18th, 2006

2 the desire of the organization to include Angola
3 in that, given that we were three quarters of the
4 way through the year, and this was really the
5 first indication that the team had that they were
6 going to need to do technical work to support this
7 activity.

8 Q If you go to the comment a little
9 further down, it says, "Herewith Phil's reactions.
10 We must pull this off aggressively! And we need
11 one well, at least, as appraisal, whatever the
12 purists say!" What did you take the statement
13 "whatever the purists say" to mean?

14 A I have no idea.

15 Q Did you have any conversations with
16 anybody about that statement?

17 A No.

18 Q Did you form an opinion about that
19 statement?

20 A No.

21 MS. MARSHALL: I'm going to show you a

22 document that we'll mark as Exhibit 6. It bears
23 Bates number SMJ00037669 and it goes through
24 37674.

25

0110

1 IAN HINES, October 18th, 2006
2 (Exhibit No. 6 was marked for
3 identification and attached to the deposition
4 transcript.)

5 BY MS. MARSHALL:

6 Q Have you had an opportunity to review
7 this document?

8 A Yes.

9 Q Can you -- is it correct that the note
10 that's attached to the e-mail chain which begins
11 on the third page of this exhibit is a different
12 version or an altered version of the note from the
13 prior exhibit?

14 A That's correct.

15 Q And is it correct that there are
16 comments added to the note that was sent by Gordon
17 Parry?

18 A That's correct.

19 Q And were those comments added by
20 yourself and Mr. Newberry?

21 A That's correct.

22 Q In the -- strike that. How is it that
23 you and Mr. Newberry added comments to this note?

24 A We read the note, we formed some
25 opinions about some of the statements that had

0111

1 IAN HINES, October 18th, 2006
2 been made therein, and we wanted to use that
3 document as the basis for a dialogue with our own
4 management on what was being asked. We felt the
5 best way to do that was to annotate the note with
6 our comments and then share that with our
7 leadership.

8 Q Were you and Mr. Newberry in agreement
9 with respect to the comments that you added to the
10 note?

11 A Those were our opinions at the time.

12 Q If you look at -- it might be helpful

13 for you to get to the first page of the note on 24233
14 both of the exhibits.
15 The second paragraph in Exhibit Number
16 6, the note in Exhibit Number 6 which begins,
17 "There appears to be a lack of communication (and
18 alignment) from the asset to SDS," this appears to
19 be an addition by you and Mr. Newberry; is that
20 correct?

21 A Correct.

22 Q Was the "lack of communication" referred
23 to in this paragraph having to do with the fact
24 that you had just heard about the meeting that
25 apparently occurred on August 22nd, or was there
0112

1 IAN HINES, October 18th, 2006

2 more?

3 A As I mentioned earlier, it was the
4 implication that we were going to have to do
5 technical work to support a reserves booking, and
6 that had not been clearly communicated to us
7 previously for the year 2000.

8 Q And did you and Mr. Newberry have some
9 frustration with respect to that timing?

10 A We tried to understand the magnitude of
11 the task required in terms of the physical
12 technical work that needed to be done for the
13 original Field Development Plan, and that was very
14 significant, because we had really only just
15 started the technical work on Block 18 as the
16 Shell Team, and we were at that stage relying
17 entirely, almost exclusively on the information
18 being provided by BP.

19 Q Was it your understanding that Robert
20 Inglis was also frustrated by the fact that now
21 this reserve booking project was being required so
22 late in the year?

23 MR. CLARK: Objection.

24 THE WITNESS: I think Rob is in a better
25 position to express his views than I am.

0113

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q Did he ever express his views to you?

4 A Yes.

5 Q What did he say?

6 A He understood the magnitude of the task
7 and also the relatively short time available, and
8 was also concerned about our ability to do
9 sufficient technical work to meet EPG's
10 objectives.

11 Q If you look at the second paragraph down
12 from this paragraph which begins, "Currently,
13 neither BP nor Shell are in a position to fulfill
14 the criteria that 'Commercial maturity should be
15 demonstrated over a sufficiently large range of
16 possible scenarios (including all surface and
17 subsurface uncertainties)," does this paragraph
18 accurately reflect your understanding of the work
19 that had been done to support commercial maturity
20 in Block 18 as of that date?

21 A Yes.

22 Q Now, if you skip the next paragraph, the
23 next paragraph begins, "Currently, the Shell view
24 is that it is unlikely that BP will pass the VAR 2
25 gate which is now planned for October." Is that
0114

1 IAN HINES, October 18th, 2006
2 another comment that was added by yourself and
3 Mr. Newberry?

4 A It is.

5 Q The sentence -- the second sentence that
6 reads, "The VAR timing is a response to schedule
7 pressure from BP to proceed through their internal
8 CVP2 gate in order to comment expensive, but, in
9 our view, premature, concept selection studies,"
10 why was it, in your view, premature to commence
11 concept selection studies at that time?

12 A The comment relates to the original plan
13 by BP to develop all the resources in Block 18
14 using a large development. Some of the
15 prospectivity hadn't even been explored.
16 Exploration wells hadn't been drilled at that
17 stage. Some of them were still planned for later
18 that year. And so our assessment of the schedule
19 was reflecting that level of maturity for the full
20 field development, all five fields in the Greater

21 Plutonio area. 24235
22 Q If you skip the next short paragraph and
23 then go to the next paragraph, "This appears to be
24 the key statement: Both BP and SDS appear to have
25 concerns that the economics, for development of
0115

1 IAN HINES, October 18th, 2006
2 the Oligocene reserves in the Greater Plutonio
3 area will be marginal," is this paragraph a
4 paragraph that was added by you and Derek
5 Newberry?

6 A It is.
7 Q Then if you skip the next paragraph and
8 go to the paragraph beginning, "The reserve
9 volumes quoted by EPG appear to be considerably
10 higher than what BP and SDS are currently
11 carrying," is that a paragraph that you and
12 Mr. Newberry added?

13 A I believe so.

14 Q Did you ever gain an understanding of
15 where the reserve volumes that were being quoted
16 by EPG at that time came from?

17 A No, we did not.

18 Q Did you add the next paragraph which
19 begins "Platina reserves may have been included
20 within the EPG numbers"? Is that a paragraph you
21 added as well?

22 A Yes.

23 Q And then did you also add the paragraph
24 that's one below, which begins, "To achieve 750 MM
25 bbls, both the Cromio and Plutonio Salt Flank
0116

1 IAN HINES, October 18th, 2006
2 wells must be successful"? Is that a paragraph
3 you added?

4 A Yes.

5 Q If you look to the next page, the top of
6 the page, there's a paragraph which begins, "The
7 Managanese prospect was evaluated by the original
8 Shell Angola organization as part of the Block 18
9 prospect portfolio. It is unlikely that this
10 evaluation will be of sufficient detail to enter
11 into unitisation discussions." Is that something

12 you added as well?

13 A Yes.

14 Q What is the "unitisation discussions"
15 referring to?

16 A It's referring to aligning that
17 particular prospect with other developments that
18 had taken place in the region by other operators.

19 Q Where you wrote "if it is decided to
20 proceed with the above action, additional SDS
21 resources will be required," why would that have
22 been the case?

23 A Because an evaluation of the prospect
24 would need to be underpinned by technical work,
25 and the contract that we had with Shell Angola was
0117

1 IAN HINES, October 18th, 2006
2 to provide technical services to their portfolio
3 needs.

4 Q Is the paragraph that is two paragraphs
5 down that begins, "If the Plutonio Salt Flank is
6 deepened to test the" -- I can't pronounce that.

7 A Cretaceous.

8 Q Cretaceous. Is that a paragraph that
9 you added as well?

10 A Yes.

11 Q And then is the last paragraph which
12 appears at the bottom of the page one that was
13 added by you and Mr. Newberry as well?

14 A Yes.

15 Q Now, if you look at the e-mail that you
16 sent to Richard Sears and Barry Knight and cc'd
17 Chandler Wilhelm on September 8th, 2000, at the
18 bottom of the first page of this exhibit, it
19 says -- the last few words are, "Given the fragile
20 nature of the Block 18 economics." Can you
21 explain what you meant by "the fragile nature of
22 the Block 18 economics."

23 A To be able to support any form of
24 booking, we would have to have demonstrated or
25 Shell Angola would have to have demonstrated a
0118

1 IAN HINES, October 18th, 2006
2 commercially viable development. For the full

3 field development, the numbers that had come out
4 of reviews by both ourselves and BP indicated that
5 the project, the full field development project
6 was very marginal.

7 Q Prior to September 2000 had you
8 undertaken studies to look at other types of
9 developments of the project other than a full
10 field development?

11 A At that stage we had not. We had
12 considered some of the building blocks that may
13 enable development of the portfolio of fields in
14 Block 18, and we were still formulating our
15 thoughts as to how best to economically and
16 efficiently recover the resource base in Block 18.

17 Q Prior to September of 2000 did you have
18 a timetable under which you were operating to try
19 to -- a timetable by which you were hoping to have
20 enough information to make a decision on what type
21 of development would be best?

22 MR. CLARK: Objection.

23 THE WITNESS: At this stage we were
24 still formulating our own opinion about the
25 options for a Field Development Plan, and we
0119

1 IAN HINES, October 18th, 2006
2 hadn't at that stage, as I recall, got as far as
3 to actually predict when we could get the full
4 five-field development on-stream. That was
5 something that was assessed independently during
6 the VAR 2 that took place later that year and, in
7 fact, confirmed our suspicions that both cost and
8 schedule were being projected fairly
9 optimistically.

10 BY MS. MARSHALL:

11 Q And what do you mean by "confirmed
12 [your] suspicions that both cost and schedule were
13 being projected fairly optimistically"?

14 A Well, that had also been a finding from
15 the VAR 1 that took place at the start of 2000, so
16 essentially it demonstrated that an aggressive
17 schedule and lower costs was the premise under
18 which BM were operating and postulating how they
19 would develop the field.

20 Q And did that appear to be overly
21 optimistic?

22 A In our view it was optimistic at that
23 time.

24 Q Ultimately was BP's view a realistic
25 one? Was it realized?

0120

1 IAN HINES, October 18th, 2006

2 MR. CLARK: Objection.

3 THE WITNESS: During which time frame
4 are we talking about?

5 BY MS. MARSHALL:

6 Q During 2000 and 2001.

7 A Their volumetric potential went down,
8 their costs went up, and their schedule became
9 longer.

10 How many more questions do you have on
11 this particular document? Because I would like to
12 take a break.

13 MS. MARSHALL: That's okay. You can
14 take a break.

15 THE VIDEOGRAPHER: We are going off the
16 record. The time is 2:26 p.m.

17 (Whereupon, a short recess was taken.)

18 THE VIDEOGRAPHER: We are back on the
19 record. The time is 2:35 p.m.

20 MS. MARSHALL: Mr. Hines, I'm going to
21 show you a document that we'll mark as Exhibit 7
22 for identification. It bears Bates Number
23 SMJ00038656 through 58.

24

25

0121

1 IAN HINES, October 18th, 2006

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

5 BY MS. MARSHALL:

6 Q Obviously, take a look at the document
7 as a whole, but I'm going to focus on the e-mail
8 that appears on the second page of this exhibit.

9 A Okay.

10 Q Have you had an opportunity to review

11 the document?

12 A Yes, I have.

13 Q Do you recall this e-mail exchange?

14 A Yes, I do.

15 Q If you look at the bottom of the first
16 page of the document, and onto the second page,
17 this appears to be an e-mail from Robert Inglis to
18 yourself, copying Derek Newberry and Grigore
19 Simon, dated September 11th, 2000. Do you recall
20 whether this was the first e-mail Mr. Inglis had
21 sent you regarding the reserve-booking project?

22 A As I think I mentioned before, there
23 were several documents supporting topics -- the
24 same topic, all being transmitted at various
25 levels in our organization at the same time. The

0122

1 IAN HINES, October 18th, 2006
2 one that we talked about previously, the note from
3 Gordon Parry, notes from my own management, and
4 then this e-mail from Robert Inglis all occurred
5 in roughly the same period.

6 Q When he wrote -- on the top of his
7 e-mail it says, "I want to flag a need we have to
8 work to support reserves booking for Angola this
9 year. The Group has been doing very badly at
10 replacing reserves, and everyone needs to pull out
11 all the stops." Do you know which group he was
12 referring to?

13 A My assumption would be the Shell Group.

14 Q And where he wrote in the -- three
15 paragraphs down, "I envisioned the deliverable as
16 a report providing the necessary backup to justify
17 booking reserves as discussed in the note prepared
18 by Gordon," was that a report that SDS undertook
19 to complete?

20 A We undertook to do technical work to
21 support the reserves booking, and that document
22 was generated by Shell Deepwater Services.

23 Q When you say "support" a booking, what
24 do you mean?

25 A Shell Deepwater Services, as I've

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1 IAN HINES, October 18th, 2006

2 explained, is a technical service provider, has jurisdiction
3 jurisdiction over governance, strategy or
4 submissions of ARPRs, Reserves Statements. They
5 are -- responsibility for that is vested in the
6 Asset Teams, so our responsibility was to do
7 technical work to support their ambitions.

8 Q Is it possible to do a reserve booking
9 without technical support?

10 A Technical information would have to be
11 provided by somebody; in this case either BP or
12 someone else.

13 Q So in this case the technical
14 information was provided by SDS?

15 A Correct.

16 Q And in the next sentence it says,
17 "Grigory and I plan to document the economics of
18 some of the cases and sensitivities we have looked
19 at, but we want SDS to take on primary
20 responsibility for this deliverable." What did
21 you understand "primary responsibility" to mean?

22 A We had a discussion about that. We were
23 not in a position to actually carry out full
24 economics, because we didn't have legislative
25 models, and so our interpretation of what was

0124

1 IAN HINES, October 18th, 2006
2 asked for here was that we would provide costing,
3 phasing, scheduling information and estimations of
4 volumes which could be used for their own economic
5 evaluations. The economics, again governance over
6 those decisions always rests with the Asset Team.

7 MS. MARSHALL: I'm going to show you a
8 document that we'll mark as Exhibit 8 for
9 identification. It bears Bates number SMJ00040503
10 through 511.

11 (Exhibit No. 8 was marked for
12 identification and attached to the deposition
13 transcript.)

14 BY MS. MARSHALL:

15 Q Why don't you take a moment and review
16 this e-mail exchange.

17 Have you had the opportunity to review
18 this document?

19 A Briefly, yes.

20 Q Do you recall this e-mail exchange
21 regarding the DVA concept, the Min-DVA system?

22 A I recall pieces of it, because I was
23 actually copied on some of the documents, but not
24 on all of them, until such time as it was
25 forwarded to me in its entirety.

0125

1 IAN HINES, October 18th, 2006

2 Q And when it was forwarded to you in its
3 entirety, did you review the e-mail exchange to
4 become familiar with the exchanges that had been
5 going back and forth?

6 A Yes.

7 Q Why don't we go to the last page of the
8 document. Now, who is Martijn Minderhoud?

9 A My understanding at the time is that he
10 was the Vice President of Exploration in EPG.

11 Q Have you ever had any direct contact
12 with him?

13 A I had met him twice, I think.

14 Q When was that or when were those times?

15 A Sometime post-2000.

16 Q And who is Mahdi Hasan?

17 A Mahdi was responsible for project
18 delivery within Deepwater Services, Rich Sears'
19 counterpart in the execution phases of the
20 project, Rich being responsible for exploration
21 and development.

22 Q Was Mr. Hasan involved with the Angola
23 Block 18 project in February of 2000?

24 A No, not directly.

25 Q Did he have any indirect involvement

0126

1 IAN HINES, October 18th, 2006

2 that you were aware of?

3 A There was contact between Martijn and
4 Mahdi about a concept that was being matured
5 within Mahdi's organization known as Min-DVA, and
6 this last e-mail refers to that technology.

7 Q Were you aware of this concept as it was
8 being developed, the Min-DVA concept?

9 A Yes, broadly speaking.

10 Q Had anybody approached you about its
11 applicability to Angola Block 18 as of
12 February 2000?

13 A We were approached and asked questions
14 about whether the Min-DVA concept would offer some
15 potential benefits to the project in terms of
16 accelerating delivery of production.

17 Q Who were you approached by?

18 A The request came from Rob Inglis.

19 Q And what was your response?

20 A Our focus at that time was the
21 large-scale five-field development of Block 18,
22 and some of the characteristics of the reservoirs
23 were such that we did not think Min-DVA offered
24 huge potential.

25 Q And is there a way that you can describe

0127

1 IAN HINES, October 18th, 2006

2 the Min-DVA concept to those of us who don't have
3 the technical background that you do?

4 A I'll try.

5 Q Thanks.

6 A The development that we were considering
7 and that BP were considering and what is typically
8 used for these kinds of developments offshore
9 involves use of subsea wells, where the equipment,
10 a lot of the equipment physically sits on the sea
11 bed. Min-DVA is a floating system that enables
12 the well systems to be above water, but that
13 constrains the amount of reach that the wells --
14 the area of the reservoir that the wells can
15 actually target, so it concentrates the amount of
16 volume around a very small area.

17 Q So would it be more likely to be used in
18 a smaller development?

19 A Potentially, yes, or one where the
20 reservoir is extremely compact, which was not the
21 case in Block 18.

22 Q Do you know why Mr. Minderhoud was
23 interested in the applicability to Angola?

24 MR. CLARK: Objection.

25 THE WITNESS: When it was first raised

0128

1 IAN HINES, October 18th, 2006 24243
2 early in the year, my assumption was that it was
3 to try to accelerate the development perhaps in a
4 piecemeal fashion, by developing small parts of
5 the field at a time.

6 BY MS. MARSHALL:

7 Q After Rob Inglis asked your team whether
8 you thought it would be applicable to Angola Block
9 18 and you told him you didn't -- it didn't seem
10 so, did that end the discussions about Min-DVA?

11 A As far as we as a team were concerned,
12 it was not seen as a front runner for development
13 of the entire block.

14 Q Were you later encouraged to look at the
15 system again?

16 A Yes.

17 Q When was that?

18 A I can't remember the exact dates, but
19 somewhere around the middle of the year. They may
20 be in this note.

21 August.

22 Q And did you reach a similar conclusion?

23 A Yes.

24 Q Did you get any push-back from Robert
25 Inglis about the potential applicability of the

0129

1 IAN HINES, October 18th, 2006
2 Min-DVA concept to develop Block 18?

3 A Rob was more familiar with the system
4 than I was, and we had similar opinions about its
5 applicability on Block 18 for full field
6 development.

7 Q Now, if you look at Bates ending 405
8 (sic), there is an e-mail from Mr. Minderhoud
9 dated September 13th, which continues on the next
10 page.

11 A Which document was that? Sorry.

12 Q It's okay. Bates ending 505, it's the
13 third page of the document, and then the e-mail,
14 the body of it is on the next page, 506, where
15 Mr. Minderhoud wrote, "Sorry to keep on hanging
16 (sic) on this one, but the way I see it is (i) to
17 get reserves booked in 2000 one way or another,

18 and (ii) to then start drilling appraisal wells as 24244

19 Capex thereafter."

20 MR. CLARK: Didn't he say "keep on
21 'harping' on this one"?

22 MS. MARSHALL: "Harping," yes. Sorry.
23 I think I need to put my glasses on.

24 BY MS. MARSHALL:

25 Q Do you recall what your reaction was to
0130

1 IAN HINES, October 18th, 2006
2 this statement?

3 A That was the first time I'd seen a
4 connection between this concept and opportunities
5 to get reserves booked.

6 Q Did it make sense to you to use the
7 Min-DVA concept to try to get reserves booking,
8 reserves booked?

9 A It didn't change my opinion in terms of
10 the attractiveness of that concept versus other
11 things that we were looking at.

12 Q Is this the first time it had been
13 expressed to you or been expressed that you had
14 seen that the object was to get reserves booked in
15 2000 one way or another?

16 MR. CLARK: Objection; misstates the
17 document.

18 BY MS. MARSHALL:

19 Q You can answer the question.

20 A Could you repeat the question. I'm
21 sorry.

22 Q Is this the first time anybody had
23 expressed or you had seen somebody express the
24 view that the priority was to get reserves booked
25 in 2000 one way or the other?

0131

1 IAN HINES, October 18th, 2006

2 MR. CLARK: Same objection.

3 BY MS. MARSHALL:

4 Q You can answer the question.

5 A It's in the text here. It's also
6 inferred in some of the earlier e-mails that we
7 got from Gordon Parry.

8 Q Did you feel pressure to make sure that

9 reserves were going to be able to be booked in 24245
10 2000?

11 MR. CLARK: Objection.

12 THE WITNESS: We had been focusing on a
13 large-scale development with no appreciation of
14 the requirement for booking reserves. The
15 technical work necessary to underpin an
16 appropriate ARPR submission, as I said earlier,
17 was very significant, so the pressure Martijn felt
18 was finding a way to actually do the work
19 necessary to make a judgment to provide the
20 technical information that would be needed by
21 Shell Angola.

22 BY MS. MARSHALL:

23 Q If you look further down on this e-mail
24 from Mr. Minderhoud where he wrote, "Nobody said
25 that you actually have to execute that scheme,"

0132

1 IAN HINES, October 18th, 2006
2 and then a little bit further down, "The existence
3 of such smaller 'dummy' scheme would probably not
4 allow you to book more than the reserves you can
5 actually produce with it, but it would be a
6 start." Did you have an opinion about whether or
7 not looking into dummy schemes was appropriate for
8 booking reserves?

9 MR. CLARK: Objection.

10 THE WITNESS: What this dialogue
11 encouraged us to do was to get a better
12 understanding of what would actually be required
13 to shift our focus from a large-scale development,
14 very significant volumes, to something smaller,
15 and that was done in consultation with our
16 advisors in the U.S.

17 BY MS. MARSHALL:

18 Q Okay. I'm asking you whether or not you
19 had an opinion about whether or not looking into
20 dummy schemes was appropriate for booking
21 reserves.

22 MR. CLARK: Same objection, and it's
23 asked and answered.

24 THE WITNESS: I explained that this is
25 the first reserve booking that I had done, and so

0133

1 IAN HINES, October 18th, 2006
2 we sought advice to form opinions about whether
3 this was an appropriate step, and that was done in
4 conjunction with people like Rod Sidle and
5 subsequently our advisors and Tom Barendregt.

6 BY MS. MARSHALL:

7 Q What did Rod Sidle think about the idea
8 of a dummy scheme?

9 A It was not called, nor was it intended
10 to be, a dummy scheme. It was a much smaller
11 development that focused on the information that
12 we actually had at the time at which we were doing
13 technical work to support Shell Angola's
14 ambitions. So what we talked about was focusing,
15 moving away from the five-field development and
16 looking at something that focused on the areas and
17 the volumes that we had actually penetrated.

18 Q And was that focus towards -- with an
19 eye towards developing those schemes, or was that
20 focus with an eye towards being able to book
21 reserves?

22 A We'd have to show that whatever notional
23 development scheme we put together was
24 commercially viable in terms of MPV criteria,
25 commercial criteria.

0134

1 IAN HINES, October 18th, 2006

2 Q Did you ever discuss with any of the
3 people you sought advice from whether or not you
4 needed to intend to pursue the schemes that you
5 were looking at in order to book reserves?

6 MR. CLARK: Objection.

7 THE WITNESS: The schemes that we
8 subsequently explored had to be credible,
9 implementable schemes.

10 BY MS. MARSHALL:

11 Q But did you have to have an intention to
12 implement them?

13 MR. CLARK: Are you asking him whether
14 he thought so or did he discuss that with others?

15 BY MS. MARSHALL:

16 Q First I'll ask you whether you thought

17 so.

18 MR. CLARK: I'll object, but you can
19 answer the question.

20 THE WITNESS: We explored development
21 schemes that could be implemented, not for
22 development of the entire field, but for a
23 development of a small portion of the field,
24 should you choose to do that, recognizing that
25 that may not be the most profitable nor economical
0135

1 IAN HINES, October 18th, 2006
2 way of draining all the resources in Block 18.

3 BY MS. MARSHALL:

4 Q Was it your understanding that Shell was
5 ever going to actually try to implement the
6 smaller development plans that you were working
7 on?

8 A That was a decision that would have to
9 be made by Shell Angola jointly with BP. What we
10 were asked to do was to explore the technical
11 basis for such a small system.

12 Q Did you ever ask Rod Sidle whether you
13 have to actually execute -- you have to plan to
14 execute a scheme in order for the scheme to be
15 commercially viable?

16 A My recollection of the advice that we
17 got was that we had to demonstrate that the scheme
18 met strict criteria that was specified around the
19 volumes and the concept that we were proposing.

20 Q I'm wondering, though, if you ever asked
21 any of the people who were more experienced with
22 reserves booking than yourself, including Rob
23 Sidle, whether or not there had to be a plan to
24 execute a scheme for a scheme to be commercially
25 viable.

0136

1 IAN HINES, October 18th, 2006

2 MR. CLARK: Objection; asked and
3 answered.

4 BY MS. MARSHALL:

5 Q Yes or no?

6 MR. CLARK: If you can answer it yes or
7 no.

8 THE WITNESS: I'm not sure I understand
9 the question.

10 BY MS. MARSHALL:

11 Q I'll read it to you again and you can
12 tell me what you don't understand. "Did you ever
13 ask any of the people who were more experienced
14 with reserves booking than yourself, including Rob
15 Sidle, whether or not there had to be a plan to
16 execute a scheme in order for a scheme to be
17 commercially viable?"

18 A Part of the work we did would be to put
19 forward a plan, because you can't evaluate the
20 economics without a plan for how you would execute
21 it, and that involves costs, schedules and phasing
22 of both those items and also the volumes, so yes,
23 that conversation took place, because we focused
24 on a smaller, much smaller development.

25 Q After the booking was done the end of
0137

1 IAN HINES, October 18th, 2006
2 2000, was the smaller plan developed further?

3 A It was.

4 Q Was it executed?

5 A No, because we couldn't convince BP that
6 a smaller system was more attractive than the Big
7 Bang, which is the system that they ultimately
8 chose to execute, but we looked at smaller
9 facilities that would phase the development of the
10 field in a similar way to the system that was
11 actually evaluated at the end of 2000.

12 Q Did you approach BP prior to the booking
13 to see if they would approve a smaller
14 development?

15 A No, we did not.

16 Q Could you have -- could a smaller
17 development have been done without the approval of
18 BP?

19 A No.

20 Q Why wasn't BP approached prior to the
21 booking if you know?

22 MR. CLARK: Objection.

23 THE WITNESS: I think that's a question
24 for Mr. Inglis.

25

0138

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q Did you have any direct contact with BP?

4 A At this time, yes, because they were
5 focusing on the large development.

6 Q Did you ever ask Mr. Inglis if he spoke
7 to BP about developing a smaller plan prior to the
8 booking in 2000?

9 A No.

10 Q Why?

11 MR. CLARK: Objection.

12 THE WITNESS: We had two parallel
13 efforts ongoing, a piece of work that we were
14 doing to underpin Shell Angola's ambitions to book
15 reserves and also an evaluation of the larger
16 system.

17 BY MS. MARSHALL:

18 Q Why were you still evaluating the larger
19 system?

20 A Because we hadn't drilled the
21 exploration wells necessary to support the larger
22 development at that stage.

23 Q Were you still looking into the
24 potential of a larger development?

25 A Yes.

0139

1 IAN HINES, October 18th, 2006

2 Q So that was still a possibility at the
3 end of 2000?

4 A Yes.

5 Q Was it commercially viable at the end of
6 2000?

7 A All evaluations of Block 18 were
8 marginal, at the screening criteria that were
9 being used by Shell Angola to evaluate
10 prospectivity.

11 Q Were you aware that in 2000 BP did not
12 have plans to book reserves that year?

13 A Yes.

14 Q When did you become aware of that fact?

15 A At the time at which we were asked to

16 consider technical work to support Shell Angola's
17 ambitions.

18 Q How did you get that information about
19 BP's --

20 A From the Asset Team.

21 Q How did you get that information about
22 BP's intentions, and your answer was "from the
23 Asset Team"?

24 A Correct.

25 Q Who in the Asset Team told you?

0140

1 IAN HINES, October 18th, 2006

2 A I can't remember whether it was -- it
3 was Rob Inglis or Grigore Simon.

4 Q What was Heinz Rothermund's role in
5 Angola Block 18 in September of 2000 if you
6 recall?

7 A He was Vice President for Africa within,
8 uh, within SIEP.

9 Q Did you have any direct interaction with
10 him?

11 A We made a number of status briefings to
12 him, potentially one I think in 2000, another one
13 in 2001.

14 Q Where physically did these briefings
15 occur?

16 A In Houston.

17 Q Was he physically in Houston or was he
18 on videoconference?

19 A No, he would visit, he would visit Shell
20 Deepwater Services infrequently, and he would get
21 an update on all the projects that were being
22 executed within his regional portfolio.

23 Q And if you look to Bates ending 505,
24 there's an e-mail from Heinz Rothermund to Gordon
25 Parry, Robert Inglis, and others are cc'd. He

0141

1 IAN HINES, October 18th, 2006

2 writes, "I am getting quite disenchanted to notice
3 that each time a new idea for reserves booking is
4 coming up, we spend determined time to shoot it
5 down rather than to see how to progress it." The
6 next paragraph: "It is a great shame that we did

7 not manage to drill appraisal wells first in Block 14251
8 18. I would not be surprised that one of the
9 reasons for this is that 'ideal' field development
10 was seen as more important than early booking of
11 value."

12 What is your reaction to these
13 statements by Mr. Rothermund?

14 MR. CLARK: As he sits here today?

15 BY MS. MARSHALL:

16 Q Yeah.

17 A Well, I don't understand his
18 interpretation of some of the, uh, some of the
19 concepts, nor what he means by an "ideal field
20 development."

21 Q So you don't understand what he meant by
22 "ideal field development"?

23 A Well, I --

24 MR. CLARK: Objection; asked and
25 answered.

0142

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q You can answer the question.

4 A What he's referring to is a different
5 approach to exploration and appraisal which is
6 driven by early booking of reserves rather than
7 Maximum Commercial Value, MPV, or whatever other
8 terms you wish to use for how you evaluate an
9 opportunity.

10 Q And at SDS were you more concerned with
11 Maximum Commercial Value than early booking?

12 A We had to be guided by our customers'
13 needs. We're a service provider, and therefore
14 his needs were our needs.

15 Q Which did you think was more important?

16 A I've expressed my opinions in the
17 documents that you've read. I did not consider it
18 an appropriate use of our resources to divert
19 attention from the larger block. That was a
20 decision that was made, and we responded
21 accordingly.

22 MS. MARSHALL: We need to take a break
23 to change the tape.

24 THE VIDEOGRAPHER: This marks the end of
25 Tape 2 in the deposition of Mr. Hines. We are
0143

1 IAN HINES, October 18th, 2006
2 going off the record. The time is 3:11 p.m.
3 (Whereupon, a short recess was taken.)
4 THE VIDEOGRAPHER: This marks the
5 beginning of Tape 3 in the deposition of
6 Mr. Hines. We are back on the record. The time
7 is 3:21 p.m.
8 BY MS. MARSHALL:

9 Q Going back to the page that we were on
10 just before Bates ending 505, do you know who
11 Susan Lovelock is? She's cc'd on this e-mail from
12 Mr. Rothermund.

13 A I know where she worked. I've never
14 actually met her.

15 Q What did you understand her role to be
16 at that time within Shell?

17 A Well, she worked within Heinz
18 Rothermund's organization, but I don't know what
19 her specific role was.

20 Q Did you understand her to have any
21 involvement with Angola Block 18?

22 A I've seen e-mails in which she is both
23 copied and also the author.

24 Q Do you know what her interest was in
25 Angola Block 18?

0144

1 IAN HINES, October 18th, 2006

2 A No, I don't.

3 Q Do you know the significance of her
4 involvement?

5 A Only as I've indicated in terms of her
6 actually having written or had conversations with
7 other members of SIEP concerning the issue of both
8 volumes and reserves.

9 Q Do you know if she ever had any direct
10 communication with anybody from SDS regarding
11 Angola Block 18?

12 A No, I don't.

13 Q And who was Matthias Bichsel?

14 A Matthias was the Vice President. He sat

15 at the head of Shell Deepwater Services from the
16 middle of 1999 when it was originally established
17 in Houston.

18 Q Do you know how long he remained in that
19 position?

20 A I think through 2002, maybe 2003.

21 Q When you came to Shell Deepwater
22 Services, is this the first interaction you had
23 with Mr. Bichsel?

24 A Yes.

25 Q And what, if any, was his involvement

0145

1 IAN HINES, October 18th, 2006

2 with respect to Angola Block 18?

3 A Well, he was -- he had a high-level
4 dialogue, some of which is documented here, with
5 members of EPG, and also obviously with the
6 Management Team, who were my immediate
7 supervisors.

8 Q Did he ever get involved in Angola Block
9 18 prior to the reserve booking project if you
10 know?

11 A Only in terms of him being appraised of
12 the status of the project and our activities in
13 support of Shell Angola.

14 Q Did you have any conversations with
15 Mr. Bichsel about the reserve booking project?

16 A Yes, I did, after receipt of the
17 correspondence that we've been discussing from
18 Gordon Parry and the chain of e-mails that
19 followed that.

20 Q Where did this conversation take place?

21 A In Houston.

22 Q And was this at a meeting, or was it
23 something more informal than that?

24 A Well, initially we had internal meetings
25 between myself, Rich Sears, Barry Knight, Chandler

0146

1 IAN HINES, October 18th, 2006

2 Wilhelm and Derek Newberry to discuss the requests
3 that we had received from Gordon Parry and
4 subsequently from Shell Angola.

5 Q And did the discussions center around

6 how to proceed or something else? 24254

7 A The discussions were about how to
8 provide the required technical services to Shell
9 Angola to satisfy their ambitions for the end of
10 2000.

11 Q Was there ever any question about
12 whether or not SDS wouldn't provide the technical
13 services?

14 A No, there wasn't. It was a newly
15 established company keen to keep the customer
16 happy, and I think the general sentiment was that
17 we should do absolutely everything we could to try
18 to help Shell Angola meet their needs.

19 Q After the initial meetings, when did the
20 conversation with Mr. Bichsel occur?

21 A Our technical work was done, and he was
22 kept apprised of progress via my line
23 supervisors, and he subsequently became involved
24 in a meeting which was held in December with
25 representatives from both Shell Angola and also
0147

1 IAN HINES, October 18th, 2006
2 from EPG and SIEP in Houston.

3 Q What was the purpose of the meeting?

4 A The purpose of the meeting was to
5 provide an update of the progress of the work to
6 support Shell Angola's desire to make a reserves
7 booking submission and to provide an update on the
8 status of the technical activity that was going on
9 to support that.

10 Q Who were the representatives from EPG
11 and SIEP at the meeting?

12 A Gordon Parry and the Reserves
13 Coordinator, Remco Aalbers.

14 Q Was this the first involvement that
15 Remco Aalbers had with the Block 18 booking
16 project?

17 A There had been e-mail traffic between
18 him and the Shell Angola Team. The other person
19 who was there was Anton Barendregt.

20 Q And was this his first involvement with
21 the Angola Block 18 booking project?

22 A No. When we received the request from

23 Shell Angola to do technical work to support 24255
24 booking, we engaged several people locally, as I
25 described earlier, but we also arranged a meeting
0148

1 IAN HINES, October 18th, 2006
2 with Anton Barendregt to get his views on an
3 appropriate scope of technical work to try and
4 fulfill the requests that we had been provided.

5 Q When you say "appropriate scope of
6 technical work," what do you mean by that?

7 A We were looking for guidance on the
8 interpretation of the reserve booking guidelines,
9 because, as I mentioned before, neither myself nor
10 Derek had actually undertaken a booking
11 previously. We had made some estimates of volumes
12 in penetrated segments in the block, but we wanted
13 to tap into the experience of the reserves experts
14 in order to make sure that what we were doing was
15 appropriate.

16 Q Do you know if there was anybody within
17 SDS in 2000 that had experience with a reserve
18 booking?

19 A I don't --

20 MR. CLARK: Objection.

21 BY MS. MARSHALL:

22 Q "I don't know"?

23 A I don't.

24 Q Do you know whether, when you were at
25 SDS, there were other projects that SDS was asked
0149

1 IAN HINES, October 18th, 2006
2 to work on involving reserve bookings?

3 A I suspect so, but we were so focused on
4 our own activities that I couldn't provide you
5 with any details.

6 Q When you were at SDS, was there ever a
7 time that anybody within SDS ever sought your --
8 the benefit of your experience with Block 18 in
9 relationship to another reserve booking project
10 that they were working on?

11 A I don't recall anyone asking for our
12 experience specifically, but we documented the
13 piece of work that we did for Shell Angola in a

14 freely available report, and that would be a means
15 for them to tap into the methodology that we had
16 used.

17 Q And how was the methodology that was
18 used for the reserve booking in 2000 decided?

19 MR. CLARK: Objection; misstates prior
20 testimony.

21 BY MS. MARSHALL:

22 Q You can answer the question.

23 A The process was for us to get an
24 understanding of what we thought was necessary and
25 then to discuss options with the experts that I've
0150

1 IAN HINES, October 18th, 2006
2 already mentioned. We quickly established that it
3 was not going to be possible to do technical work
4 to underpin a commercially viable development for
5 the full field, so we then, together with those
6 individuals, looked at the smaller scale
7 development -- that is quite different in nature,
8 both in terms of volumes and also the scale of the
9 investment -- to support Shell Angola's desire for
10 a reserve booking at the end of 2000, and that was
11 done very much under the tutelage of the
12 individuals that I mentioned.

13 Q Was Bichsel involved in the decision to
14 use that approach?

15 A No, he wasn't. He was appraised of it
16 in the meeting in December.

17 Q So at the time of the meeting in
18 December, had the methodology already been
19 decided?

20 A It was evolving, and I think that's one
21 of the statements that I made, that it was still
22 very much work in progress. We were having an
23 active dialogue with Anton Barendregt to basically
24 put together a technical evaluation that could
25 then be submitted to Shell Angola for their use in
0151

1 IAN HINES, October 18th, 2006
2 an ARPR.

3 MS. MARSHALL: I'm going to show you
4 which we'll mark as Exhibit Number 9. It bears

5 Bates number SMJ00039961 and it goes through 21257.

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

9 BY MS. MARSHALL:

10 Q Would you take a moment to look at the
11 document.

12 Do you recognize this document?

13 A Yep.

14 Q Can you explain what this e-mail is,
15 what it contains.

16 A It's a summary of a meeting that took
17 place in October with the local expertise that was
18 available, Rod Sidle and Jeff Seiler, as part of
19 the process that I described earlier, to steer us
20 towards an appropriate technical evaluation for
21 the full five-field development.

22 Q I have a question. Towards the bottom
23 of the first page regarding some of the language
24 here, it says, "Reserves assessment: The SIEP
25 guidelines for booking reserves internationally

0152

1 IAN HINES, October 18th, 2006

2 indicate that reserves can be booked based on a
3 probabilistic reserves distribution (somewhat
4 different to the deterministic, deepest oil, used
5 in SEPCO)." Was this an understanding that you
6 had gotten from Rod Sidle and Jeff Seiler?

7 A Yes. Rod was more familiar with the
8 SIEP guidelines than Jeff, who worked exclusively
9 on U.S. projects where SEPCO would probably have
10 prevailed.

11 Q Was it your understanding then in
12 October of 2000 that there were different
13 guidelines for zero reporting for international
14 projects as there were for domestic U.S. projects?

15 A That's the view which was expressed in
16 this meeting.

17 Q And what was the difference expressed to
18 be? Is it consistent with what's written here?

19 A That's my understanding.

20 Q Was this view discussed, if you recall,
21 with Anton Barendregt?

22 A This meeting predated the one with 24258
23 Anton, and by that time we were basing our
24 technical work on the probabilistic methods.

25 Q And did he indicate that that was
0153

1 IAN HINES, October 18th, 2006
2 appropriate?

3 A He gave us guidance and support, plus
4 challenge, on a number of aspects of our
5 evaluation.

6 Q Well, with respect to using a
7 probabilistic method, what was his view as it was
8 expressed to you?

9 A Based on the limited amount of well
10 control information that we had, he recommended
11 constraining our interpretation of the volumes
12 even further than would be suggested by a strict
13 interpretation of the probabilistic analysis, so
14 we ended up using very, very small volumes around
15 the existing wells, which would be even more
16 onerous than the methodology described here.

17 Q If you go to the third page of this
18 exhibit, which is Bates 39963, under "Concerns" it
19 says, "Expectation management -- Both EPG and the
20 Asset Team appear to be assuming unrealistically
21 high reserve volumes for what can be realistically
22 booked (externally) in 2000."

23 What did you understand Shell Angola's
24 expectation to be at that time?

25 A There were e-mails circulating that
0154

1 IAN HINES, October 18th, 2006
2 carried volumes, in some cases unspecified, and
3 reserves of the order of 300 million barrels.

4 Q Did you ever ask Rob Inglis if he knew
5 where that 300 million number came from?

6 A I think the answer is contained in the
7 last sentence of the first paragraph. "Are they
8 aware that it is the P85 volume that is booked as
9 Proven Undeveloped Reserves?" And that question
10 was asked in relation to those numbers.

11 Q And what was the response?

12 A "I don't know."

13 Q Well, did you talk to Rob Inglis about 24259
14 it?

15 A That was his answer.

16 Q And what was his answer?

17 A "I don't know."

18 Q Oh, his answer was "I don't know"?

19 A Correct.

20 Q Oh, okay. I thought you were saying "I
21 don't know." Sorry about that.

22 Did you -- give me one minute. I
23 apologize. Just one minute.

24 If you -- you might want to grab Exhibit
25 Number 5. If you look at the bottom of the
0155

1 IAN HINES, October 18th, 2006

2 page -- this is the note that Gordon Parry wrote
3 regarding the reserve booking in Angola. It says,
4 "In summary, therefore, it is likely that proven
5 reserves in the order of 300 million barrels will
6 be booked for Angola by end 2000, offsetting the
7 zero additions for Nigeria-SPDC."

8 Do you recall, other than this note, any
9 conversations regarding the fact that there were
10 not going to be any bookings in Nigeria-SPDC in
11 2000?

12 A Only in the form of conversations that
13 took place around the coffee machine.

14 Q And what were the sum and substance of
15 those conversations?

16 A As indicated here, that there were
17 unlikely to be reserve bookings for Nigeria.

18 Q And was the connection made in those
19 conversations between the lack of reserves booking
20 in Nigeria and the pushing to book reserves in
21 Angola?

22 MR. CLARK: Objection.

23 BY MS. MARSHALL:

24 Q You can answer the question.

25 A Not that I recall.

0156

1 IAN HINES, October 18th, 2006

2 Q And who did you have conversations with
3 about the fact that there weren't going to be any

4 bookings in Nigeria-SPDC that year? 24260

5 A Well, there were various teams working
6 on Nigerian projects.

7 Q And you had conversations with some of
8 those individuals?

9 A I heard conversations.

10 Q So none of those conversations included
11 you?

12 A Not directly, no.

13 Q What were the names of some of the
14 individuals whose conversations you overheard?

15 A I find it hard to name individuals.

16 Q Was SDS -- strike that. Were there
17 people in Houston working on SPDC at that time?

18 A In fact, probably not, because all the
19 deepwater assets were vested in SNEPCO rather than
20 SPDC.

21 Q But there were SDS people working on
22 SNEPCO?

23 A Yes.

24 Q And do you recall whether or not -- do
25 you know whether or not there was any work being
0157

1 IAN HINES, October 18th, 2006
2 done in the States, technical support, for SPDC?

3 A Not that I was aware of.

4 Q Going back to the document that we were
5 just talking about, Exhibit Number 9, Number 3,
6 the concern says, "Political Pressure --
7 Considerable pressure is being exerted to ensure
8 reserves are booked." Were you -- did you
9 experience some of that political pressure?

10 A Well, I think it's clearly stated in all
11 the e-mails. I've also pointed out that we had
12 very, very little time in which to do the
13 technical work, and the consequence of that is
14 pressure. Our efforts were diverted into a very
15 focused three-month activity to do the necessary
16 technical work, which would normally take much,
17 much longer.

18 Q Wouldn't that be more accurately called
19 "time pressure"?

20 A I didn't write the words.

21 Q Well, do you think there's a difference
22 between time pressure and political pressure?

23 MR. CLARK: Objection.

24 THE WITNESS: From where we were
25 sitting, pressure is pressure. We were asked to
0158

1 IAN HINES, October 18th, 2006
2 deliver. There were expectations from management
3 both internally and externally.

4 BY MS. MARSHALL:

5 Q Well, as you sit here today, does
6 "political pressure" mean the same to you as "time
7 pressure"?

8 MR. CLARK: Objection.

9 THE WITNESS: It could do.

10 BY MS. MARSHALL:

11 Q Were you feeling any pressure from
12 Mr. Bichsel to make sure that reserves were going
13 to be able to be booked?

14 MR. CLARK: Objection.

15 BY MS. MARSHALL:

16 Q You can answer the question.

17 A We were being asked to deliver a
18 technically sound product. Matthias was certainly
19 very interested in us completing that work and
20 supporting Angola in whatever way we could, and he
21 was interested in the outcome of the study, so
22 yes, his involvement in our activities and the
23 time duration in which we had to carry them out,
24 we were being very actively encouraged and
25 supported to do the work in terms of resources,
0159

1 IAN HINES, October 18th, 2006
2 because he had got a very clear message from
3 Senior Management that they wanted us to complete
4 this work by the end of the year.

5 MS. MARSHALL: I'm going to show you a
6 document which we'll mark as Exhibit Number 10 for
7 identification.

8 MR. FERRARA: Caroline, while that's
9 being passed around, I'd just like to observe that
10 it's now close to 4:00, and we've got a witness
11 here who's on a six-hour time zone lapse, and, you

12 know, I think we're being responsive to all of 24262
13 your questions, but I fear that we're going to run
14 into a time here where we're going to find an
15 exhausted witness, and we are dealing with
16 basically booked reserves that amount to less than
17 one and a half percent of the case.

18 MS. MARSHALL: Why don't we speak off
19 the record.

20 MR. FERRARA: No, no, I'm just trying to
21 say -- it makes no difference. We can do it on or
22 off the record. I'm just saying if we could just
23 keep that in mind. We can go off the record,
24 whichever you prefer.

25 MS. MARSHALL: If he's too tired to
0160

1 IAN HINES, October 18th, 2006
2 finish today, I completely understand, but we can
3 finish another day.

4 MR. FERRARA: Well, we can do that as
5 well, but I think if you want to bring it back
6 another day if he gets too tired, we can arrange
7 it, but the issue is, if you can get it done --

8 MS. MARSHALL: I'm doing my best.

9 MR. FERRARA: You're doing just fine.
10 No one is complaining about how well you're doing.
11 It's just that we're dealing with a time
12 constraint.

13 MS. MARSHALL: Sure. I understand. Are
14 you saying there is a specific time today where
15 the witness will no longer be available?

16 MR. FERRARA: What I'm saying is that if
17 my witness exhausts at 5:00 or 5:15 or 5:30, we're
18 going to have to stop, given that we've been going
19 all day with a few breaks, and which we're
20 grateful for, you should bear that in mind as you
21 go through your documents. And what you may wish
22 to consider doing, although you've gotten a long
23 way in life without my advice, what you may wish
24 to consider doing is, you know, picking out the
25 ones that you would like to see him perspire about

0161

1 IAN HINES, October 18th, 2006
2 the waist over, show him those documents, get your

3 answers, and save for the balance of the next 24263
4 deposition, if there is one, your other documents.
5 I'm just saying now that you've gone through
6 Exhibit 9, which is the motherlode, you've
7 finished, if there's anything else out there, you
8 may want to go to those, conserve some time.
9 This is a far longer interjection than I
10 had intended.

11 MS. MARSHALL: I appreciate your advice,
12 and I'll do my best, but to the extent that we
13 haven't finished our examination and Mr. Hines is
14 unable to continue because he's too tired, then we
15 can schedule another day.

16 BY MS. MARSHALL:

17 Q If you'd just take a moment --

18 MR. CLARK: Do you want to give us an
19 exhibit?

20 (Exhibit No. 10 was marked for
21 identification and attached to the deposition
22 transcript.)

23 BY MS. MARSHALL:

24 Q And so the record is clear, this is
25 Exhibit 10, Bates SMJ00040479 through 482.

0162

1 IAN HINES, October 18th, 2006

2 Have you had a moment to review the
3 document?

4 A Briefly, yes.

5 Q Okay. Do you recall this exchange?

6 A Yes.

7 Q When you wrote to Chandler Wilhelm "A
8 summary of where we are and a stake in the ground
9 on where we feel we should go," what did you mean
10 by "stake in the ground"?

11 A There was some messages in the last
12 paragraph about lost opportunities because of poor
13 planning of the Cromio well, and also an early
14 warning that if we were really to capitalize on
15 the optional well, that the resources would mean
16 that we would be unable to complete the ongoing
17 technical work to support the reserve booking
18 activity.

19 Q Was anybody advocating testing the

20 Cromio well?

21 A I can't actually remember the details.

22 I'd have to read the note more carefully.

23 MR. CLARK: Would you like him to do
24 that?

25 MS. MARSHALL: No, that's okay.

0163

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q What does "JV" refer to?

4 A "Joint Venture."

5 Q So at this point were you experiencing
6 frustration with the way that BP was managing the
7 project?

8 A Well, we were trying to manage data
9 coming in from a live exploration well and the
10 interpretation of that, and also to roll the data
11 that we were getting into the evaluations that we
12 were carrying out for both the full-field
13 development at this stage and subsequently the
14 smaller development.

15 Q Now, do you recall that in -- we're
16 going to turn away from this document -- in
17 October there was a VAR 2 review done on Angola
18 Block 18?

19 A Yes.

20 Q And were you surprised by the findings
21 of the VAR 2 review?

22 A Which particular findings are you
23 talking about?

24 MS. MARSHALL: I'll show you the
25 document. We'll mark it as Exhibit 11 for

0164

1 IAN HINES, October 18th, 2006

2 identification. It's bearing Bates SMJ00016212.

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

6 MR. FERRARA: Is there a particular page
7 you want him to focus on?

8 MS. MARSHALL: Yes. I'm about to tell
9 him.

10 BY MS. MARSHALL:

11 Q Do you recognize this document? 24265

12 A Yes, I do.

13 Q What do you recognize it to be?

14 A It's the summary slide pack from the VAR
15 2 on Angola Block 18.

16 Q If you turn to Page -- it's the -- it's
17 Number 15, which appears on Page 8 of the document
18 or Bates Number 16219, the one titled "Reserves
19 Booking." It says, "Reserves booking would
20 require work to achieve criteria, 'technical
21 maturity' and 'commercial viability.' Existing
22 work does not achieve criteria."

23 Did you agree with this finding in
24 October of 2000?

25 MR. CLARK: Objection.

0165

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q You can answer the question.

4 A Could you repeat the question again.

5 Q Did you agree with what's written here,
6 "Existing work does not achieve criteria"?

7 MR. CLARK: Same objection.

8 THE WITNESS: This is focusing on BP's
9 work? Because that's what was actually reviewed
10 within the VAR, and I think their conclusions in
11 this statement and those of the work that we did
12 would draw the same conclusions.

13 BY MS. MARSHALL:

14 Q Well, it says at the bottom, "Caution
15 needs to be taken not to damage the longer term
16 project objectives and schedule by the pursuit of
17 a reserves booking in 2000." Did you agree with
18 this statement?

19 A I think they're two totally separate
20 entities. BP was at this time focusing on a large
21 scale development, as were we.

22 Q Well, BP wasn't --

23 MR. CLARK: Wait. Had you finished your
24 answer, Mr. Hines?

25 THE WITNESS: Our efforts were diverted

0166

1 IAN HINES, October 18th, 2006

2 under the guidance of Shell Angola to focus on a
3 much smaller development, and I think this
4 statement is a reflection of that instruction.

5 BY MS. MARSHALL:

6 Q There was not a reserve booking --
7 strike that. BP was not planning on booking
8 reserves in 2000; isn't that correct?

9 A That's correct.

10 Q So why are you assuming that this is
11 referring to BP's longer term project objectives
12 and not Shell's?

13 MR. CLARK: Objection. You asked the
14 witness for his understanding of this document.

15 MS. MARSHALL: And now I'm asking him
16 why he has that understanding.

17 MR. CLARK: You said "why are you
18 assuming." Are you asking the basis for his
19 understanding?

20 MS. MARSHALL: Yes.

21 MR. CLARK: So what's the basis for your
22 understanding?

23 THE WITNESS: Because I know that
24 conversations took place between the Asset Team
25 and the leader of this review on exactly this

0167

1 IAN HINES, October 18th, 2006
2 issue. We were not present during those
3 discussions, but they were -- they are referred to
4 in subsequent e-mails, and that is the basis for
5 my assumption.

6 BY MS. MARSHALL:

7 Q In order to work on the reserves booking
8 project, wasn't there work that SDS was supposed
9 to be doing in 2000 that was not able to be
10 completed because of the addition of the reserves
11 booking project?

12 MR. CLARK: Objection.

13 Do you understand the question?

14 THE WITNESS: No, I don't.

15 BY MS. MARSHALL:

16 Q Okay. Well, when you set out to work on
17 the Angola Block 18 project and the plan was
18 worked out with the asset, were certain -- was a

19 plan made for what SDS should be working on that
20 year?

21 A Yes.

22 Q And was that budgeted?

23 A It was.

24 Q So did SDAN have a budget for what it
25 was going to be spending on SDS's work that year?

0168

1 IAN HINES, October 18th, 2006

2 A Yes.

3 Q Was a reserve booking project budgeted
4 in early 2000 when the plan was formulated?

5 A Not specifically, no. Pieces of
6 technical work that could be used by Shell Angola
7 to support ARPR assessments were part of our work
8 scope.

9 Q Did additional work have to be done in
10 2000 to support a reserve booking project that
11 wouldn't have had to be done had a reserve booking
12 project not been done?

13 A The timing of the work was altered by
14 the need to first assess the commercial viability
15 of the large five-field development, and then
16 subsequently, in a very compressed time frame, to
17 look at the smaller development, and yes, in those
18 terms the scope of our activities was changed as a
19 result of that.

20 Q Was additional -- was the budget altered
21 for the services SDS was going to perform as a
22 result of the reserve booking project?

23 A The way that the budget was constructed
24 was essentially based on an estimate of the kinds
25 of resources that we needed to do the kind of work

0169

1 IAN HINES, October 18th, 2006

2 that we felt was going to be necessary, so it was
3 a fairly general broad-based scope. My
4 recollection is that we managed to do all of the
5 work necessary by diverting attention from certain
6 tasks to the reserve booking activity, technical
7 activity to support reserves booking, and managed
8 to complete that work within the original budget.

9 Q And what about the tasks that attention

10 had been diverted from; were those completed?

11 A They compensated for -- they compensated
12 for the budget. We carried out a rapid evaluation
13 of the small system, which hadn't been a major
14 piece of the original work scope in 2000.
15 Original.

16 Q And what work was compensated?

17 A I don't remember.

18 MS. MARSHALL: I'm going to show you a
19 document we'll mark as Exhibit Number 12. It
20 bears Bates SMJ000388870 through 72.

21 (Exhibit No. 12 was marked for
22 identification and attached to the deposition
23 transcript.)

24 BY MS. MARSHALL:

25 Q Do you recall this e-mail exchange?

0170

1 IAN HINES, October 18th, 2006

2 A Yes.

3 Q Looking back to the first or the
4 earliest e-mail in time in this document, which
5 appears on the second page of the exhibit, it's an
6 e-mail from Remco Aalbers to Heinz Rothermund, and
7 Lovelock, Simon and Parry are cc'd. Do you recall
8 reviewing the contents of this e-mail when you
9 first received it?

10 A Yes.

11 Q As of October 27th, 2000, had you
12 provided any figures to SDAN or EPG about the
13 expected volumes for proved reserves in Angola
14 Block 18 for 2000?

15 A We had carried our own assessments
16 through the volumetric potential within Block 18,
17 and those figures certainly were available to
18 Shell Angola.

19 Q And were those figures consistent with
20 the figures that are contained in this e-mail?

21 A No, they're not.

22 Q Do you recall whether or not you had any
23 conversations with Remco Aalbers about the volumes
24 contained in this e-mail?

25 A Certainly not prior to writing this

0171

1 IAN HINES, October 18th, 2006 24269

2 response to Robert Inglis.

3 Q Had you had any subsequent to writing
4 that e-mail?

5 A He was involved in the review meeting
6 that I talked about earlier in December, where we
7 appraised him of our assessment of the commercial
8 viability of both the large scale and the smaller
9 developments.

10 Q Did you discuss the e-mail from Aalbers
11 soon after you sent this to Inglis?

12 A Who?

13 MR. CLARK: Objection.

14 THE WITNESS: Who did I discuss it with?
15 Sorry.

16 BY MS. MARSHALL:

17 Q Did you discuss it with Inglis --
18 sorry -- soon after you sent him this e-mail? The
19 first e-mail says, "We really need to discuss this
20 very urgently." It's an e-mail from yourself to
21 Robert Inglis. Do you recall whether you had a
22 discussion regarding the apparent disconnect after
23 you sent this e-mail?

24 A I don't recall the conversation, but I'd
25 be very confident that it took place.

0172

1 IAN HINES, October 18th, 2006

2 Q Do you recall whether or not Robert
3 Inglis also thought that there was a disconnect
4 and that there was an overly optimistic picture on
5 volumes that was expressed in Aalbers' e-mail?

6 A Rob's challenge to us was to do a solid
7 piece of technical work and develop our own view
8 of volumetric potential, and that's what we were
9 doing. That was the scope of the bulk of the work
10 that we had planned for the early part of 2000.
11 We ended up having lower volumes in our portfolio
12 than BP initially, and over time those two
13 estimates came closer and closer together. As I
14 explained earlier, I do not know where these
15 numbers came from, and I expressed my opinion
16 about them.

17 Q Well, I just asked you if Inglis

18 expressed his opinion to you about them. 24270

19 A He sat on the fence. He wanted us to
20 demonstrate, through technical work, the volume,
21 cost and schedule associated with the development,
22 and to use that as a way to challenge BP. That
23 was the crux of our scope.

24 Q Why are you -- I don't understand "as a
25 way to challenge BP."

0173

1 IAN HINES, October 18th, 2006

2 A Well, because if you go into a room and
3 wave your arms and say "we don't believe you,"
4 they're rather inclined to disregard you, whereas
5 if you do a solid piece of technical work and have
6 a dialogue with them about that, you may actually
7 be able to move them to a different place from the
8 one they were in to begin with, so that was the
9 objective of our relationship with Shell Angola
10 and BP.

11 Q Are you saying that it was BP that was
12 suggesting that proved reserves were going to be
13 close to 300 million for 2000?

14 A I'm not suggesting anything. I'm
15 suggesting the volume potential in the block that
16 we carried was lower than BP's, and only by
17 demonstrating how we arrived at those numbers
18 could we move them from a position that we were
19 comfortable with. I don't know where these
20 numbers came from.

21 Q Why are you -- I'm genuinely confused,
22 because this e-mail with the figures is not from
23 BP, it's from Remco Aalbers and apparently Susan
24 Lovelock, so how is BP significant to what's
25 contained in that e-mail?

0174

1 IAN HINES, October 18th, 2006

2 MR. CLARK: Objection.

3 You can answer the question if you can.

4 THE WITNESS: I've explained that I
5 don't know the basis for these numbers. Other
6 than the ones that we generated, the only other
7 source of those numbers would have been from some
8 use of data provided by BP.

9 BY MS. MARSHALL: 24271
10 Q Do you have any reason to believe that
11 BP was suggesting that there were 293 million
12 barrels of proved reserves available to be booked
13 in 2000?
14 A No.
15 Q Isn't it the case that, according to
16 this e-mail, BP was not under any pressure to book
17 further reserves in 2000?
18 A Correct.
19 MR. CLARK: Are you asking him what the
20 e-mail says?
21 MS. MARSHALL: He just answered the
22 question.
23 BY MS. MARSHALL:
24 Q It says here, "Angola team will maintain
25 pressure on SDS in Houston." Did the Angola team
0175

1 IAN HINES, October 18th, 2006
2 maintain pressure on your team?
3 MR. CLARK: Objection.
4 THE WITNESS: They continued to
5 encourage us to complete the technical work to
6 provide them with the data for them to make an
7 assessment of whether a booking was appropriate.
8 MS. MARSHALL: If you're going to need
9 another break, we should take it now or else we
10 can just keep going.
11 MR. CLARK: No, that's great.
12 THE VIDEOGRAPHER: We are going off the
13 record. The time is 4:20 p.m.
14 (Whereupon, a short recess was taken.)
15 THE VIDEOGRAPHER: We're back on the
16 record. The time is 4:29 p.m.
17 MS. MARSHALL: Mr. Hines, I'm going to
18 show you a document that we'll mark as Exhibit
19 Number 13. It's bearing Bates SMJ00037466 through
20 37536. Obviously, it's a thick document, so I'm
21 not going to ask you to review the entire thing.
22 (Exhibit No. 13 was marked for
23 identification and attached to the deposition
24 transcript.)
25 MS. MARSHALL: I'm trying to figure out

0176

1 IAN HINES, October 18th, 2006
2 whether I'm feeling "time pressure" or "political
3 pressure" from you.

4 MR. CLARK: Same thing.

5 BY MS. MARSHALL:

6 Q Have you seen this document before?

7 A Yes, I have.

8 Q Can you tell me what it is.

9 A It's a report that describes the
10 technical work that was done in a little over a
11 three-month period to support -- in response to
12 Shell Angola's request for us to evaluate the
13 Block 18 opportunity and to underpin their
14 ambitions for an ARPR submission.

15 Q So is this the deliverable that was
16 discussed in that prior e-mail that we saw earlier
17 today?

18 A I'm not sure which deliverable you're
19 referring to, but this is the document that
20 describes the piece of work that we were asked to
21 undertake in September 2000 by Rob Inglis and
22 Gordon Parry.

23 Q And by "we" you're referring to SDS?

24 A Correct.

25 Q And who was this document submitted to?

0177

1 IAN HINES, October 18th, 2006

2 A It was a deliverable for the, uh, for
3 the Asset Team.

4 Q And who is -- on the second page of the
5 exhibit, which appears to be another cover page,
6 you're listed as a "Sponsor." What does that
7 mean?

8 A Well, the technical work that is
9 described in here was done by the Integrated Team
10 that I led. I clearly contributed to the report
11 and also to the work that was done, but the bulk
12 of the work was actually done by the members of my
13 team, not myself.

14 Q Who is D.E. Schwartz?

15 A He's a very experienced geoscientist who
16 was also in Shell Deepwater at the time that this

17 work was carried out, but he had not worked on

18 Shell Angola, although he had been part of the
19 VAR 2 Review Team that we talked about earlier.

20 Q Do you know why he was included as part
21 of the VAR 2 Review Team?

22 A Because of his expertise. He's an
23 acknowledged expert.

24 Q Do you know what project he had been
25 working on during this period?

0178

1 IAN HINES, October 18th, 2006

2 A He's a senior individual who would be
3 involved in many projects, not just one.

4 Q And who is G. Rodenbusch?

5 A George Rodenbusch is also an
6 acknowledged expert within the company with regard
7 to the facilities, the equipment that we use for
8 oil and gas developments.

9 Q And where was he located?

10 A Also in Houston.

11 Q Was he part of SDS?

12 A Yes, he was.

13 Q Had he had any involvement with Angola
14 Block 18 prior to reviewing this report?

15 A He was also involved in the VAR 2.

16 Q Now, when it says "Reserve Report
17 Documentation in Angola Block 18: Phase I
18 Development Area," does the "Phase I" have a
19 particular significance?

20 A I think it's trying to demark the
21 smaller development concept as opposed to the
22 full-scale five-field development.

23 Q Was the full-scale development titled
24 "Phase II"?

25 A I don't recall. I don't recall why we

0179

1 IAN HINES, October 18th, 2006
2 used "Phase I" in the title.

3 Q It says that the date of issue was
4 February 2001, and the period of work is listed as
5 March 2001. Can you explain those dates.

6 A That's a typographical error.

7 Q What should the date of issue be?

8 A I believe the report was issued early in 24274
9 2001, but the work that's described herein was
10 carried out in the latter half of 2000 and into
11 the early part of 2001.

12 Q Had the findings of the report been
13 shared with the Asset Team or the Asset prior to
14 the issuance of the final report?

15 A Yes.

16 Q So at what point was the actual work
17 that had been done to support the report been
18 completed if you know?

19 A By the early part of January is my
20 recollection.

21 Q Did anybody outside of SDS work on this
22 report?

23 A That's possible, but I can't honestly
24 remember. There may have been consultation across
25 other parts of Shell for specialist input, but in
0180

1 IAN HINES, October 18th, 2006
2 terms of actually producing the report, the answer
3 is no. Rod Sidle is not part of SDS, and his
4 input was intrinsically embedded within the work
5 that is contained herein, so yes, he also
6 contributed in some way.

7 Q If you look at the bottom of the summary
8 that appears on the first page of the report, it
9 says, "Total reserves in the Plutonio
10 Channel/Cobalto Sheet segments which are eligible
11 for early reserves booking are based on 82 MM bbls
12 oil Shell gross (74.6, MM bbls Shell Entitlement
13 Volume; 164 MM bbls oil total gross)."

14 What is the difference between the Shell
15 gross and the Shell Entitlement Volume?

16 A That's to do with the allocation that is
17 made within the Production Sharing Agreement that
18 we have, and I'm not right now intimately familiar
19 with the precise details, but there are some
20 slight differences. We had a 50 percent joint
21 interest in the block, and in terms of the actual
22 Shell entitlement, that gets reduced slightly by
23 the legislative model that we operate within
24 Angola.

25 Q So once the Shell gross was determined,
0181

1 IAN HINES, October 18th, 2006
2 then you apply this, the formula or criteria, and
3 then you get the Shell Entitlement?

4 MR. CLARK: Objection. Who do you mean
5 by "you"?

6 BY MS. MARSHALL:

7 Q I mean "one." That's how the number is
8 derived; is that correct?

9 A That's correct.

10 Q And was the 82 number the number that
11 SDS was able to find support for with your
12 technical work?

13 A Yes, it was.

14 Q And then if you look at the second to
15 the last page of this exhibit, Page 61 -- it's
16 really the second to the last page of the exhibit
17 that's in your hand. Is this the breakdown of
18 where the numbers in that first conclusion came
19 from in terms of the different wells that were
20 used?

21 A Yes.

22 Q So ultimately SDS derived the number
23 based on the technical work that was done looking
24 at Plutonio and Cobalto?

25 MR. CLARK: Objection.

0182

1 IAN HINES, October 18th, 2006

2 BY MS. MARSHALL:

3 Q Is that correct?

4 MR. CLARK: Which number?

5 BY MS. MARSHALL:

6 Q The number in the Conclusion and the
7 numbers on these -- on this page.

8 A My recollection is that there was -- we
9 had an economic model, a coarse economic model
10 that was used. We passed across the volumetric
11 estimates from our analysis, and my recollection
12 is that the final numbers that were actually
13 developed by Shell Angola was slightly different
14 than the ones that we had, and that this report
15 actually reflects the numbers that were generated

16 by the Shell Angola appraisal. 24276
17 Q What were the numbers that were given
18 to --
19 A I don't remember. There were very small
20 differences, but they were not exactly in line
21 with the estimates that had been made by our
22 in-house models.
23 Q When you say "very small differences" --
24 A A few barrels.
25 MS. MARSHALL: I'm going to show you a
0183

1 IAN HINES, October 18th, 2006
2 document which we'll mark as Exhibit 14, bearing
3 Bates SMJ00037336 and 37.
4 (Exhibit No. 14 was marked for
5 identification and attached to the deposition
6 transcript.)

7 BY MS. MARSHALL:
8 Q Just for the record, I just want to make
9 sure that you, Mr. Hines, are still feeling able
10 to provide answers and fully concentrate, given
11 the time difference and travel and everything else
12 that I'm sure you've experienced the last few
13 days.

14 A That's fine.

15 Q Okay. Why don't you take a minute and
16 review the document.

17 Do you recognize this document?

18 A Yes.

19 Q What is it?

20 A It's Rob Inglis's response to my request
21 for 360° Feedback on my performance for the year
22 2000.

23 Q What is "360° Feedback"?

24 A You solicit opinions from people that
25 you have worked with in the organization, both
0184

1 IAN HINES, October 18th, 2006
2 above, across and below, as a way of understanding
3 gaps and areas that you need to focus on in the
4 future.

5 Q Do you recall whether or not you
6 generally agreed with his assessment of your

7 performance in 2000? 24277
8 A I think it's reasonably fair.
9 Q Now, at the bottom of the first
10 paragraph, it says, "He probably won no admirers
11 in SDS, but SDAN really recognize his contribution
12 to making the support team happen. It was an SDAN
13 scorecard item."

14 Did you understand that creating a team
15 within SDS for Angola Block 18 was an SDAN
16 scorecard item?

17 A From the outset of the year I didn't.
18 That wasn't shared with me.

19 Q Did you ever -- prior to reading this,
20 did you ever come to learn that that was a
21 scorecard item for SDAN?

22 A I don't actually remember now.

23 Q Did you ever see SDAN's scorecard for
24 2000?

25 A The honest answer is I don't remember.
0185

1 IAN HINES, October 18th, 2006

2 Q Do you know if you saw it in subsequent
3 years, meaning the scorecards for subsequent
4 years, in subsequent --

5 A Yes, there were conversations about the
6 scorecards in subsequent years.

7 Q And who were those conversations
8 between?

9 A Between myself and Robert Inglis.

10 Q Did he tell you what was on their
11 scorecard?

12 A He discussed the items that were going
13 to be included and generally shared the content
14 with us.

15 Q Do you know why he did that?

16 A To make us aware of their objectives for
17 the year and to help us shape the work program
18 accordingly.

19 Q Did SDS have a scorecard in 2000?

20 A Yes.

21 Q Was SDS's scorecard influenced at all by
22 SDAN?

23 A Possibly indirectly.

24 Q How would that have worked? 24278

25 A By virtue of the parameters that were
0186

1 IAN HINES, October 18th, 2006
2 contained in it and the need for us to get some
3 measure of customer satisfaction. Shell Angola
4 were one of our customers, so that would in some
5 way have been fed back into the overall
6 performance of Shell Deepwater.

7 Q Do you know if SDS's scorecard was
8 affected in any way by EPG?

9 A Well, my recollection is that there were
10 metrics in the scorecard that would have been
11 applicable to EPG projects, so work done for EPG
12 would find its way into both scorecards.

13 Q And how did -- how, if at all, did SDS's
14 scorecard affect your salary or bonus package, if
15 at all?

16 A It's a contributing factor in the
17 performance bonuses of all Shell employees.
18 Overall company performance and individual
19 companies within the overall organization, their
20 scorecards factor into an overall performance
21 factor, which is then manipulated through each of
22 the organizations, so yes, they have, they have an
23 impact in individual performance.

24 Q Did you -- have you ever heard any
25 conversations regarding whether or not it's

0187

1 IAN HINES, October 18th, 2006
2 appropriate to have reserve booking be in any way
3 reflected on a scorecard?

4 A I've seen documents that refer to those
5 linkages.

6 Q And in what kind of documents?

7 A Documents produced by our reserves
8 auditors.

9 Q And what were the sum and substance of
10 those documents?

11 A It was suggested that it was not
12 beneficial to have those two items linked.

13 Q When do you recall first seeing that
14 suggestion?

15 A Early 2001 or perhaps the end of 2000, 24279

16 but certainly around that time.

17 Q And in what context did you see those
18 documents?

19 A I saw it in one document that related
20 specifically to the evaluation for Angola Block
21 18.

22 Q Do you recall who the author of this
23 document was?

24 A Anton Barendregt if my memory serves me
25 right.

0188

1 IAN HINES, October 18th, 2006

2 Q Do you recall what his position was on
3 that matter?

4 MR. CLARK: You mean his job or his
5 substantive position?

6 BY MS. MARSHALL:

7 Q What his position was on that matter. I
8 don't mean the position of his job, but his
9 position, his view, his opinion.

10 A I may be out by a year, because there
11 are several documents written by Anton, and in one
12 of those that linkage was certainly made. Whether
13 it was the first one or the one in 2001, I don't
14 know.

15 Q Was he suggesting that there shouldn't
16 be that link between booking reserves and
17 scorecards?

18 A That's my recollection.

19 Q Do you recall whether or not you had
20 conversations with anybody about what his -- what
21 he was suggesting?

22 A No.

23 Q Did you have an opinion about it?

24 A At that time, no.

25 Q Do you now?

0189

1 IAN HINES, October 18th, 2006

2 A Scorecards can drive certain types of
3 behavior, and so it is possible that an item on a
4 scorecard can influence the way people think and
5 the actions that they carry out.

6 Q And can that sometimes be a bad thing²⁴²⁸⁰

7 A In the same way as it can sometimes be a
8 good thing.

9 Q Are reserve bookings and scorecards
10 linked today?

11 MR. CLARK: Objection.

12 You can answer the question.

13 THE WITNESS: I haven't actually looked
14 to see whether they're linked today is my honest
15 answer.

16 BY MS. MARSHALL:

17 Q Now, in this document before you,
18 Exhibit 14, in Paragraph 4 Mr. Inglis wrote, "The
19 reserve booking was a politically charged issue
20 that demanded good technical content." What did
21 you think he was referring to when you read that?

22 MR. CLARK: Today or at some earlier
23 time?

24 MS. MARSHALL: I said when he read that.
25 He said he read this in 2000 or 2001 when it was
0190

1 IAN HINES, October 18th, 2006
2 done.

3 THE WITNESS: He was reflecting the
4 impact that requests for reserve booking had both
5 on the relationship, uh, our relationship and the
6 fact that the message was coming from very senior
7 levels in the organization that he needed to
8 deliver an ARPR booking at the end of 2000, and
9 that originally was not in his plan.

10 BY MS. MARSHALL:

11 Q Were you ever made aware of the fact
12 that the booking was -- strike that. Did you --
13 were you aware in 2000 that you, that your work
14 delivered a scorecard item for SDAN regarding a
15 commercial volume reached in Block 18?

16 A Only by reference to the e-mails that we
17 had seen that we've already discussed, where the
18 issue of scorecards is actually physically
19 mentioned.

20 Q So you were aware early on in the --

21 A No.

22 Q -- process of booking reserves when it

23 was first mentioned that scorecards were some how

24 implicated?

25 A Yes.

0191

1 IAN HINES, October 18th, 2006

2 MS. MARSHALL: I'm going to show you a
3 document that's been marked as -- we'll mark as
4 Exhibit 15. It's SMJ00039687 and 39688.

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

8 BY MS. MARSHALL:

9 Q Do you recall this e-mail exchange?

10 A Yes, I do.

11 Q First question is: What is a Level 3A
12 Award?

13 A It is a relatively modest lump sum
14 payment to members of the team, in this case as a
15 way of reflecting our appreciation for the effort
16 that was put in to complete the work.

17 Q Whether you say "relatively modest," can
18 you give me a better idea of what you mean by
19 "relatively modest."

20 A A maximum of a thousand dollars per
21 individual, and for most of the team it was less
22 than that.

23 Q Did you receive a lump sum award
24 relating to the completion of this project?

25 A No, I did not.

0192

1 IAN HINES, October 18th, 2006

2 Q Why was that?

3 A I think you need to ask Mr. Sears that
4 question, not me.

5 Q Were you hoping to get one?

6 A It's not appropriate for me to nominate
7 myself. I nominated the team. I enjoyed the
8 benefit of the dinner. We took the whole team out
9 to dinner.

10 Q So nobody nominated you?

11 A Not during this year, no.

12 Q Okay. How about the next year?

13 A Nor the next year.

14 Q Okay. If you look at the e-mail that 24282
15 you sent to Barry Knight and Wilhelm Chandler and
16 Richard Sears, this is the e-mail where you are
17 suggesting that perhaps your team be rewarded for
18 their work that they did on the reserves booking
19 project?

20 A Yes.

21 Q The first -- the second sentence, it
22 says, "The relatively small volumes booked reflect
23 the immaturity of the technical work for the
24 larger Greater Plutonio cluster hub development.
25 The SDS technical work also demonstrated that even
0193

1 IAN HINES, October 18th, 2006
2 the smaller development (of Plutonio and Cobalto)
3 was very marginal, reinforcing the team's earlier
4 concerns on the appropriateness of any reserves
5 booking at this stage."

6 In what way was the smaller development
7 of Plutonio and Cobalto "very marginal" at the end
8 of 2000, beginning of 2001?

9 A Volumetrically, the maturity of our
10 understanding of the subsurface meant that we had
11 to constrain the volumes very tightly around the
12 well penetrations, and as a result of that, in the
13 development costs, the economics were barely MPV-
14 positive, which was asked of us in terms of the
15 evaluation, and that's what I mean by "very
16 marginal."

17 Q You wrote, "Reinforcing the team's
18 earlier concerns on the appropriateness of any
19 reserves booking at this stage." Had the team
20 early on been concerned that the reserve booking
21 was not appropriate?

22 A I think that's well-evidenced by the
23 documents that we've discussed earlier, the
24 annotated comments on Gordon Parry's note.

25 Q And then the next sentence, "However,
0194

1 IAN HINES, October 18th, 2006
2 the results of this work do provide some
3 confidence that with the appropriate technical
4 work, an economic development will be found for a

5 larger development." Can you explain how work on
6 the smaller fields provided confidence about an
7 economic development for a larger development?

8 A Well, we were still exploring. We
9 hadn't got sufficient volume at that stage to
10 support the larger five-field integrated
11 development, almost three times the volume, but
12 the fact that we had managed to get a marginal
13 development from the existing penetrations gave us
14 confidence that the geological setting was going
15 to provide a commercial development for something
16 much larger.

17 Q So you were still hoping for a larger
18 development at that time?

19 A That's one option. As I mentioned
20 earlier, we also went, in subsequent phases, to
21 look at a number of different development concepts
22 between the very small system and the very large
23 one that I'm describing.

24 Q You wrote, "Early booking of reserves
25 was also felt to be critical in terms of a

0195

1 IAN HINES, October 18th, 2006
2 statement of health for Angola in general and in
3 response to the EP Scorecard pressures." Was
4 that -- are you referring to the team felt it to
5 be critical, or somebody else?

6 A That's a much wider view. It's my
7 opinion of the impact that this would have had,
8 given Angola's rather checkered history within
9 Shell.

10 Q Were you aware of Mr. Watts' desire to
11 remain in Angola?

12 MS. LIEBERMAN: Objection; form.

13 THE WITNESS: Yes, I was.

14 BY MS. MARSHALL:

15 Q And how were you made aware of that?

16 A By virtue of the fact that we committed,
17 following the VAR 1, to remaining in the project,
18 continuing to fund 50 percent of BP's efforts, and
19 also to establishing the Technical Team that I
20 led, and none of that would have been possible
21 without Senior Management buy-in.

22 Q Did his name ever come up during the 24284
23 reserve booking project in 2000?

24 A Only in the amounts that we've discussed
25 earlier today.

0196

1 IAN HINES, October 18th, 2006

2 Q Did you ever have any interaction with
3 any representatives from KPMG during your time at
4 SDS, your entire time at SDS?

5 A If I did, I wasn't aware of it.

6 Q Did you have any interaction with
7 anybody from PwC during your time at SDS?

8 A My understanding is that they actually
9 completed my U.S. tax returns.

10 Q Okay. And that was the extent of it?

11 A As far as I'm aware, but people work
12 inside Shell and they look like Shell, but they
13 may actually be part of another organization.

14 Q Was there any confusion with your team
15 about who Anton Barendregt worked for during
16 2000/2001?

17 A Yes. It was suggested -- my assumption
18 was that he was a Shell employee, and I was
19 subsequently advised, correctly or otherwise, that
20 he may actually have been working for someone
21 outside Shell.

22 Q Do you know now definitively which he
23 was?

24 A No, I don't.

25 Q Okay. Subsequent to the booking in
0197

1 IAN HINES, October 18th, 2006

2 2000, did you ever receive any training with
3 respect to the SEC Rule regarding reserves,
4 reserve booking?

5 A Yes, I did.

6 Q When did you receive that training?

7 A 2005.

8 Q What did that training entail?

9 A It involved a fairly high level,
10 certainly a non-geoscientist view of the reserve
11 booking process, as part of the educational
12 program that many people in Shell pass through.

13 Q Now, when you were working on the Block
14 18 project, how often did you communicate directly
15 with the Asset? Was that throughout your tenure
16 at SDS, Block 18?

17 A From the middle of 2000 when I took over
18 as the Integrated Team Lead, we had very frequent
19 dialogue with Shell Angola.

20 Q Did you visit Rijswijk?

21 A Yes, I did.

22 Q How frequently?

23 A Every few months, typically on the back
24 of other business trips.

25 Q And did members of the Asset Team come
0198

1 IAN HINES, October 18th, 2006

2 to Houston with any regularity?

3 A Not with great regularity, but they did
4 come, yes.

5 Q Did you ever meet with anybody from
6 Sonangol?

7 A Yes.

8 Q When was that?

9 A I traveled to Luanda in probably 2001
10 for meetings with Sonangol.

11 Q And did any representatives from
12 Sonangol ever travel to Houston?

13 A Yes, they did.

14 Q When was that?

15 A Typically around the OTC conference in
16 May.

17 Q And did you attend meetings with BP with
18 any regularity while you were working on the
19 Angola Block 18 project?

20 A Yes. As supporting members of Shell
21 Angola visits, we spent time with the Technical
22 Team in the U.K.

23 Q Did members of BP ever come to Houston?

24 A Occasionally, but less frequently.

25 Q And what were the purpose of those
0199

1 IAN HINES, October 18th, 2006

2 meetings?

3 A To discuss specific technical issues,

4 their visits were generally timed to coincide with
5 other business in Houston for their staff, but
6 while they were in Houston we would take the
7 opportunity to touch base and have conversations
8 with them about areas of mutual technical
9 interest.

10 Q Now, did Angola Block 18 -- strike that.
11 Were any reserve bookings done at the end of 2000,
12 beginning of 2002, for Angola Block 18?

13 MR. CLARK: End of 2001, beginning of
14 2002?

15 MS. MARSHALL: Yes. Thank you.

16 MR. CLARK: Sure.

17 THE WITNESS: No, there were no
18 incremental bookings at the end of 2001.

19 BY MS. MARSHALL:

20 Q Why was is that?

21 A Because of the results of a VAR 3, which
22 was the next Value Assurance Review, that was
23 carried out towards the end of 2003.

24 Q And what were those results?

25 A There was a concern about the
0200

1 IAN HINES, October 18th, 2006
2 availability of a gas export route for the larger
3 development, which was seen as a potential
4 showstopper for the large scale development.

5 Q When was the VAR 3 completed?

6 A I think it was towards the end of 2001.

7 Q Do you recall whether there was a
8 difference in the way the guidelines were applied
9 in 2000 and in 2001?

10 A There was a perception that -- for my
11 Technical Team, that the conversations that were
12 taking place at that time, the guidelines were
13 tighter than they had been the year before.

14 MS. MARSHALL: I'm going to show you a
15 document that we'll mark as Exhibit 16, bearing
16 Bates SMJ00039051 through 58.

17 (Exhibit No. 16 was marked for
18 identification and attached to the deposition
19 transcript.)

20 MS. MARSHALL: For everybody's planning

21 purposes, I'm not going to be much longer, and it
22 wasn't because of giving in to any pressure.

23 MR. CLARK: We'll skip our scheduled
24 5:30 break.

25 MS. MARSHALL: Yeah, I think we should
0201

1 IAN HINES, October 18th, 2006

2 just go to the end.

3 MR. CLARK: That's fine.

4 MR. FERRARA: Is there some particular
5 page you want him to focus on or go through the
6 whole thing?

7 BY MS. MARSHALL:

8 Q I can ask you to focus on particular
9 pages, but do you recall the general subject
10 matter and the circumstances surrounding this
11 e-mail exchange?

12 A I recall some of it, but not --
13 certainly not all of it.

14 Q What do you recall? Maybe it would be
15 helpful if we turned to the first e-mail that you
16 received, which is on -- appears to be on
17 September 4th, 2001. It's got Bates 053 at the
18 bottom, which came from John Church. It says
19 "FYI," and then there is the e-mail string below
20 that's attached. Who is John Church?

21 A He was working in the Development
22 Planning Team that I had previously been a member
23 of and was still connected to as the Integrated
24 Team Lead for Angola.

25 Q I'm sorry. I didn't hear you. He was
0202

1 IAN HINES, October 18th, 2006

2 the Integrated Team Leader for Angola?

3 A John Church was working in the
4 Development Planning Team, which I had also worked
5 in before I became the Angola Block 18 Team
6 Leader.

7 Q And where was this Development Planning
8 Team located?

9 A In Houston.

10 Q Was it part of SDS?

11 A Yes.

12 Q And were you aware that SDS was involved
13 with a reserve booking project with respect to
14 Brazil around this time?

15 MR. CLARK: Objection.

16 BY MS. MARSHALL:

17 Q You can answer the question.

18 A Well, if I would have read the e-mails,
19 I would have been.

20 Q Why don't we look through your e-mail on
21 top of the one that was sent to you, and you've
22 sent an e-mail to Richard Sears and Barry Knight
23 and Wilhelm, Chandler. Why don't you take a
24 minute and read that paragraph, that one-paragraph
25 e-mail.

0203

1 IAN HINES, October 18th, 2006

2 A Okay, I remember the conversation.

3 Q When you say you remember the
4 conversation, is that the "debriefing" that is
5 referred to in this e-mail?

6 A I remember the e-mail referring to a
7 conversation that we had had.

8 Q And what was the substance of that
9 conversation?

10 A It's summarized in the last sentence,
11 which was that the guidance we got from our
12 management was to have the Asset Team deal
13 directly with the Reserves Booking Coordinator
14 rather than having an extensive dialogue directly
15 within ourselves.

16 Q Why did --

17 A Because ultimately it's the Asset Team
18 who are responsible for the submission, and we
19 only provide the technical work to underpin that.

20 Q If you look at the page following your
21 e-mail, following -- other direction. It's Bates
22 ending 9054. I think you went the wrong
23 direction.

24 A Okay.

25 Q It's an e-mail from Barendregt dated

0204

1 IAN HINES, October 18th, 2006

2 August 31st, 2000, to Jaap Nauta and Angus McCoss.

3 Do you know who either of those individuals are?

4 A No, I don't. I know where they are in
5 the organization, but their individual roles I
6 wasn't aware of at the time, and I'm not now.

7 Q Where were they in terms of the general
8 organization?

9 A I don't actually know. I can only see
10 reference indicators.

11 Q Were they part of SDS?

12 A No. They were part of SIEP.

13 Q If you read the second paragraph where
14 it says, "The technical maturity of the work was
15 far from complete. After lengthy discussions
16 involving the RBA, Remco Aalbers and myself (as
17 the Group Reserves Auditor), we managed to have
18 the SDS team formulate a slimmed down version of
19 the plan that was commercial (but only just!) and
20 that yielded reserves that were a good deal
21 smaller than those aspired. There was a lot of
22 ill feeling among SDS management about this, also
23 directed at myself."

24 Do you have any idea what "ill feeling
25 among SDS management" he was referring to?

0205

1 IAN HINES, October 18th, 2006

2 A The example that I can give is actually
3 contained in the first paragraph of Richard Sears'
4 e-mail on the first page, 9051. Rich felt that
5 Anton did not stick strictly to the script, and
6 that's why, in his response to me here, he talks
7 about making sure that we focus on the necessary
8 questions for a reserves booking. There is also a
9 statement referring to the comment I made earlier
10 about the fact that Anton is not actually a
11 full-time Shell employee.

12 Q What do you mean about Anton not
13 sticking strictly to the script?

14 A Well, in Rich's eyes, these are the five
15 key questions that need to be answered.

16 Q And did you feel that he was getting
17 more involved in technical decisions than he
18 should have been?

19 MR. CLARK: Objection. Did he or did

20 Mr. Sears?

21 BY MS. MARSHALL:

22 Q Did you?

23 A We actually found the dialogue with
24 Anton Barendregt helpful.

25 Q So did you think it was better to have
0206

1 IAN HINES, October 18th, 2006

2 Barendregt in a dialogue with you -- meaning
3 SDS -- or did you also advocate that it should
4 have been a dialogue that should have been
5 happening through the Asset?

6 A As I said, I found the dialogue that we
7 had with Anton helpful in enabling us to look at
8 the process and to apply that successfully in
9 terms of completing the technical work.

10 Q Do you know if, with respect to Brazil,
11 whether the dialogue was completed with Anton
12 Barendregt and SDS or whether somehow the protocol
13 was changed?

14 A I don't.

15 MS. MARSHALL: Okay. I'm going to show
16 you one last document, and I'm going to go fast.
17 It's marked as Exhibit Number 17, SMJ00038064.
18 You've seen most of this document before. I'm
19 just going to refer you to the first page.

20 (Exhibit No. 17 was marked for
21 identification and attached to the deposition
22 transcript.)

23 BY MS. MARSHALL:

24 Q We're jumping forward to 2004. Correct
25 me if I'm wrong, but you've forwarded an e-mail

0207

1 IAN HINES, October 18th, 2006

2 that you wrote in September of 2000 that we have
3 already reviewed, in February of 2004 to Robert
4 Inglis; is that correct?

5 A That's correct.

6 Q Why did you send it to him in 2004?

7 A I don't know why I sent it in
8 February 2004. I've actually forwarded the
9 original e-mail and the attachments.

10 Q Do you recall forwarding this to him in

11 2004?

12 A No, I don't.

13 Q Do you recall whether or not you ever
14 discussed the reserve booking issue with Robert
15 Inglis in 2004?

16 A Yes, because at that time, somewhat
17 later, it was obvious that Angola had actually
18 been mentioned in some of the documentation.

19 Q Meaning the documentation regarding
20 de-bookings?

21 A Yes.

22 Q And what was the extent of your
23 conversations with Mr. Inglis once you had found
24 that to be the case?

25 A Well, we discussed whether the events
0208

1 IAN HINES, October 18th, 2006
2 during that period would be subject to some form
3 of audit or investigation.

4 Q Were you concerned about the fact that
5 they might be?

6 A Well, we saw it as a possibility.

7 THE VIDEOGRAPHER: One minute.

8 BY MS. MARSHALL:

9 Q Were you concerned that your actions
10 would be questioned?

11 A I think our action are very clearly laid
12 out in all the documents that we've discussed this
13 afternoon, so the concern is that we have to go
14 through the process that we've gone through today.

15 Q When you -- now that you've had the
16 training in 2005, now that you look back on the
17 booking and then the de-booking, does it make
18 sense to you that that de-booking happened with
19 respect to the Angola reserves?

20 MR. CLARK: Objection.

21 THE WITNESS: I have to balance
22 intuition with hindsight. My position at the time
23 I think is very clearly documented in those notes.
24 In hindsight, it seems some of the messages we
25 gave to our management may have been correct.

0209

1 IAN HINES, October 18th, 2006

2 THE VIDEOGRAPHER: I'm sorry. I need to
3 go off.

4 MS. MARSHALL: I have no more questions.

5 THE VIDEOGRAPHER: This marks the end of
6 Tape 3 in the deposition of Mr. Hines. We are
7 going off the record. The time is 5:30 p.m.

8 (Whereupon, a short recess was taken.)

9 THE VIDEOGRAPHER: This marks the
10 beginning of Tape 4 in the deposition of
11 Mr. Hines. We are back on the record. The time
12 is 5:31 p.m.

13 EXAMINATION BY COUNSEL FOR SHELL
14 BY MR. WEED:

15 Q Mr. Hines, because of some confusion
16 with the transcript and my own memory, I just
17 wanted to make sure we were clear on your answer
18 to a particular question that was asked a while
19 ago. There was a question that was asked about
20 whether there was pressure from Mr. Bichsel to be
21 sure reserves could be booked for 2000 for Angola.
22 Can you either clarify or reanswer that question,
23 please.

24 A We were being encouraged and supported
25 to deliver the technical work necessary to support
0210

1 IAN HINES, October 18th, 2006
2 Shell Angola's booking efforts. All my
3 supervisors -- Barry Knight, Chandler Wilhelm and
4 Rich and Matthias -- wanted us to make sure that
5 the technical integrity of the process was
6 preserved. So yes, they wanted us to deliver
7 answers, but they had to be within the context of
8 the guidance that we had been given by the
9 experts.

10 Q Thank you, sir. Just one other thing.
11 There was some testimony about the Asset's
12 scorecard for the year 2000. Did you actually see
13 the Asset's scorecard for the year 2000?

14 A I can't remember.

15 Q Do you know for a fact one way or
16 another whether or not, on the Asset's scorecard
17 for 2000, there was anything for reserves bookings
18 designated?

19 A Only by inference in the e-mails that I24293
20 saw.

21 MR. WEED: That's all.

22 THE VIDEOGRAPHER: This marks the end of
23 the deposition of Mr. Hines. The total number of
24 tapes used today was four. We are going off the
25 record. The time is 5:34 p.m.

0211

1 IAN HINES, October 18th, 2006
2 (Signature having not been waived, the
3 videotaped deposition of IAN HINES was concluded
4 at 5:34 p.m.)

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0212

1 IAN HINES, October 18th, 2006

2

3 ACKNOWLEDGEMENT OF WITNESS

4

5

6 I, IAN HINES, do hereby acknowledge that
7 I have read and examined the foregoing testimony,
8 and the same is a true, correct and complete
9 transcription of the testimony given by me, and

10 any corrections appear on the attached Errata 24294
11 sheet signed by me.

12
13
14 _____
15 (DATE) (SIGNATURE)

16
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0213

1 IAN HINES, October 18th, 2006
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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7	_____	_____
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24	_____	_____

25 (DATE) (SIGNATURE)

0214

1 IAN HINES, October 18th, 2006 24295

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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24	_____	_____	_____

25 (DATE) (SIGNATURE)

0215

1 IAN HINES, October 18th, 2006

2

3 CERTIFICATE OF SHORTHAND REPORTER -- NOTARY PUBLIC

4 I, Laurie Bangart-Smith, Registered
Professional Reporter, the officer before whom the
5 foregoing deposition was taken, do hereby certify
that the foregoing transcript is a true and
6 correct record of the testimony given; that said
testimony was taken by me stenographically and
7 thereafter reduced to typewriting under my
supervision; and that I am neither counsel for,
8 related to, nor employed by any of the parties to
this case and have no interest, financial or
9 otherwise, in its outcome.

10 IN WITNESS WHEREOF, I have hereunto set
my hand and affixed my notarial seal this 19th
11 day of October, 2006.

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My commission expires: March 14th, 2011

LAURIE BANGART-SMITH
NOTARY PUBLIC IN AND FOR
THE DISTRICT OF COLUMBIA

From: Hines, Ian I. /777319
To: Inglis, Robert R.B.; SIMON, G.; BERTHERIN, Gilles G.
CC: Newberry, Derek D. /777291; Sikkema, Wytse W. /777301; de Ruiter,
Rudolf R. /777325
BCC:
Sent Date: 2000-03-29 23:55:27.000
Received Date: 2000-03-29 23:57:52.000
Subject: NOTES FROM VC
Attachments: BLOCK1~1.DOC

Gents,

I have produced a draft summary of our discussion last week - Apologies for my tardiness and any misrepresentation - its longer than really necessary, in an effort to table as many of the issues as possible - I am also using this to promote some internal awareness of Block 18 and to support efforts to get the right resources.

Appreciate if you can review this for correctness and let me have your comments.

Thanks,

Ian Hines
Development Planning
Shell Deepwater Services
Woodcreek, Rm 2462, Houston
Tel: 281 544 2281
Fax: 281 544 2269

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SMJ00017508



Draft

BLOCK 18 FORWARD PLANNING MEETING

Video conference: 23rd March 2000

Present : **SDA**
Rob Inglis
Grogore Simon
Gilles Bertherin (Part Time)

SDS
Wytse Sikkema
Derek Newberry
Barry Knight
Ian Hines

1. Background (see notes attached).

Reserves within Block 18 are distributed amongst a large number of smaller reservoirs with shallower Miocene and deeper Oligocene horizons, Miocene oil is heavier and degraded, Oligocene oil is lighter but still has low pour point with wax and flow assurance implications.

Three discoveries have been made to date (circa 550 mmbbls) , volume potential in the block is in excess of 1 billion barrels. BPA are currently focussing on a potential cluster hub development of the eastern area, (Greater Plutonio which includes Galio, Plutonio and Paladio). Opportunities may exist for a second hub in the western area thereafter. However, the key decisions and BPA's underlying philosophy and strategy for block development and management of uncertainty are unclear, and have not been well documented nor enunciated to SDA.

Three appraisal wells are now planned back to back with the first well to spud in May. This will give little time for interpretation or analysis in the event of surprises. Total budget (100% share) for 2000 is approx \$120 million (??), the bulk of which is for the exploration and appraisal wells. SDA control funds release via allocations in two categories – firm and contingent. The bulk of the budget is still contingent at this stage.

BPA's preliminary development scheme for Greater Plutonio (currently based upon 765 mmbbl MSV) assumes a large FPSO supporting 44 subsea wells, Capex of ~\$US3 billion; with a target UTC of \$3 UD and with the field onstream by early 2005. SDA are currently carrying lower development costs of circa \$US2.5 billion (extrapolated from Bonga) and a low case MSV of 750 MMbbl. SDA believe that the field will be economic at \$3.4 UDC.

BP are building a significant team in Sunbury, currently at ~25 and expected to grow to 45 by end year. BPA are proposing a very aggressive schedule with their base plan calling for sanction (FID) by end 2000. This is reminiscent of the early days of Foinaven and Schiehallion – with a management by assertion culture and parallel subsurface and surface development studies – all in a more complex subsurface setting than in the WofS. An alternative BPA plan has FID mid 2001, SDA are carrying a more realistic end 2001 schedule – based upon extrapolation of the Bonga experience. Studies are in progress to explore opportunities to build on the ongoing Block 17 (Dalia) development studies. A study with ABB is currently in progress to assess synergy with the Dalia development, and to identify cost and schedule enablers.

To date BPA deliverables or detailed plans for development of Block 18 are very few and far between. There are strong indications that BP are struggling to build the team and carry out and

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properly document the work. BP appear to be focussing on the facilities aspects (and particularly the FPSO) and have not tabled a plan for developing and resolving subsurface uncertainties.

The project has passed through the Shell VAR1 gate with support for the exploration/appraisal programme. The VAR re-inforced the lack of and the urgent need for BP to prepare a detailed, integrated activity plan to map the path to project sanction and to address the key development concerns. This needs to be available by mid April. A VAR2 is tentatively planned mid year, but this must be driven by readiness to proceed.

2. Exploration/Appraisal

Rig sourcing for the drilling campaign is ongoing, it is planned to use one of the Pride units which is currently drilling within Block 17. Timing will be dependent on success in Block 17 and the need for success case well testing, which is considered likely. SDA expect that the first well in Block 18 will be delayed to mid-end May accordingly.

Short term objectives are to prove up volumes in excess of 750 MMbbl for the greater Plutonio area; where several pods of ~150 MMbbl have been identified. The next well location (Paladio) has been selected, and will focus on Oligocene objectives (circa ~140 MMbbl) with some Miocene upside. The well carry's a high (90%) POS. The second well is likely to be Galio crest or Galio crest flank?. For the 3rd well, SDA would prefer to target the Plutonio flank. There is an option for a 4th well this year. No well proposals have been provided to date, despite several requests from SDA to BPA to open an early dialogue. In addition to proving up volume potential the wells need to be carefully planned to extract the maximum amount of information to support development activity)

BP are considering the benefits of additional high resolution 3D seismic (~\$US 30 m); SDA feel this is not required from a pure exploration standpoint, but it has proven very successful in unlocking understanding of internal reservoir architecture on Block 17. The cost value tradeoff is still being assessed by BPA.

BPA are anxious to have Shell input in designing the well programmes, but to date SDA have not seen any well proposals. SDA see scope to challenge BPA well proposals and for application of DTL through dialogue and a formal workshop. In addition to the exploration objectives, planning for future wells must recognise the development issues (e.g. to target flow assurance issues, water sampling etc) and the cost value tradeoff of the testing programme needs to be addressed.

3. Support required from SDS

3.1 General Requirements

Establish a core team in SDS to support SDA and build up understanding and a long term relationship based upon intimate customer knowledge.

Together with SDA, develop and execute a plan to build deeper understanding of Block 18 drivers/uncertainties, to assess maturity of BPA work in these areas and to provide continuous challenge from a position of strength. Known drivers/uncertainties include:

- Areal extent

- Number/proximity of reservoir segments, connectivity
- Reserves density
- Production rates
- Oil quality
- Flow assurance issues
- Development costs and schedules

Given the short term timing of the E/A plans, work should focus initially on the subsurface and well engineering issues, making sure we drill the right wells, in the right places and with the right data collection requirements. In the medium term, it is expected to include an independent assessment of key subsurface performance issues and a requirement to build static and dynamic reservoir models

Help formulate a plan for extracting key deliverables from BPA, look to other project analogues like Bonga and develop a shopping list of what we require.

Assist SDA with internal reporting needs (e.g. support to the GDPI initiative) assessment of new business opportunities (e.g. possible farm in to Block 34).

Look at how to maximise learning's and disseminate these within the rest of SDS and the Shell Group

3.2 Specific Needs

Identify and secure subsurface, WDU and surface engineering resources necessary to develop CTR's covering the full workscope.

Develop an inventory and an understanding of all the existing data and work carried out by the SDA asset team and by BPA for Block 18. Identify key staff who have worked on Block 18 previously and who can be used to help the new team get up to speed quickly.

Assemble and review the available data and develop a shopping list of data, deliverables and key issues which are appropriate for the current status of the project and which can be tabled as specific requirements from BPA.

Review and challenge BPA plans for the exploration and appraisal drilling in terms of well objectives, well locations, well design and well testing programmes, well costs and Value of Information. Identify and mobilise subsurface and WDU resources who can develop and implement a strategy for applying DTL in Block 18. Participate in a Workshop with SDA to identify opportunities for reducing E/A wells costs and maximising leverage from DTL thinking. Understand fluid properties and challenge/define the well testing requirements.

Define means to optimise VOI of the exploration and appraisal programme

Develop a plan to be able to challenge BP on their interpretation and assumptions for the key project drivers and uncertainties (e.g. reservoir connectivity, well ultimate recoveries, well density and well productivity assumptions). Identify and scope independent study work required to validate the key assumptions, to understand reservoir uncertainties and fluid properties and for addressing these.

Support SDA's internal reporting requirements and their assessment of future growth opportunities – SDA may take a stake in block 34.

Compile and review existing SWOT analyses material on BPA strengths and weaknesses. Together with SDA validate and or challenge the current understanding of BPA strengths and weaknesses drawing on individuals with as much direct experience as possible. Use this to assist SDA with any additional workscope or resourcing requirements.

Establish a means to share information with SDA making use of a secure Alta Vista forum or Livelink site.

Maintain an evergreen suite of volumetric assessments/models. Maintain an evergreen set of development concepts (including DVA systems) costs and schedules for the Block 18 and Block 34 developments

Develop an independent view of the potential cost and schedule benefits of creating synergy between the Block 18 development and other projects which are in the execution phase, such as the Dalia or possibly Bonga developments

Develop or identify a process to maximise learning's from the Block 18 development and disseminate these within the rest SDS and the Shell group

Provide support to various drilling subsurface and lessons learnt workshops which SDA/BPA are planning over the next few months

Provide SDA with a template for monthly information updates from BP

Develop revised CTR's including all the above workscope items.

3.3 Future Meetings

Next meeting by telecon is planned for April 6th

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EP 2000-9082

Operated by Others: A Deepwater Perspective

by

B. P. Knight (SIEP-EPT-DE);

I. M. Hines (SIEP-EPT-DE);

J. K. Gause (SIEP-EPT-DE)

Reading File

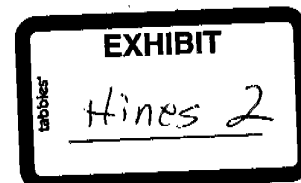
Reviewed by: T. Bourgeois, G. Parry, B. Jefferis
Date of issue: October 2000
Period of work: June - October 2000
Account code: E-003040-03
ECCN number: EAR 99

External Report

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RJW00260725

EP 2000-9082

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SUMMARY

Discussed and Supported in the ExCom Meeting Sept 25th, 2000

Case for Action

Deepwater projects require a greater level of integration and alignment of key technical and commercial skills than many conventional, less technologically demanding projects. Higher unit technical costs and increased risks of deepwater projects reduce profitability margins and place even greater pressure on "getting things right" up front. A significant portion of Shell's future deepwater production is likely to be non-operated. Submittals to the current Exploration and Capital Allocation Forums include 26 potential Non-Operated Venture (NOV) deepwater projects with Shell's risked reserves of some 2.5 BBOE and an NPV7 value of over \$5 billion.

BPA is expected to operate a significant portion of future Shell non-operated deepwater production (currently estimated at approximately 37%). However, their recent performance in deepwater development execution has been very poor. BPA's projects have shown an average capital cost over run of some 50%, and a first production delay of approximately 10 months, often with poor subsequent operational performance, e.g., Marlin (startup well failures) and Schiehallion (facilities uptime).

Experience with ongoing BPA developments (e.g., Holstein, and Nakika in the GOM and Block 18, Angola), suggest an operator short of critical technical skills, unable or reluctant to dialogue with Shell on key issues and driven by aggressive, top down, corporate performance goals. BPA's current deepwater portfolio is significant, with several potential operated projects (Nakika, Holstein, Crazy Horse, Mad Dog and Atlantis in the GOM, Block 18 and 31 in Angola) and with partner interests in Blocks 15, 17, in Angola and Ormen Lange in Norway. Given these growth pressures and a limited deepwater resource pool (both internally and globally), it seems unlikely that BPA's project performance will improve in the near term.

Shell's previous approach to non-operated ventures has seen variations of "Let the Operator Operate" and "Let's be Friends - and we will educate you" themes. These approaches can lead to successful projects, provided that the operator has sufficient experience and the resources to manage critical project risks.

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In contrast, ExxonMobil has traditionally been a more proactive non-operator as illustrated by their approach on Bonga, where they have been, and still are, a demanding partner. From the outset they assigned a dedicated team of very experienced staff, supported by their central technical service organization, which undertook independent and often detailed subsurface and surface engineering studies. This knowledge enabled them to offer a very effective challenge founded on an excellent understanding or a different perspective of key issues. They were also very explicit about documentation and review requirements and the need for resolution of all key issues, some of which they pursued relentlessly until fully satisfied, prior to release of funds. Despite these demands, ExxonMobil's involvement and contribution to the Bonga project is well respected, and is widely felt to have added significant value.

In the past, we have generally not applied the resources, and hence did not have the knowledge, or perhaps the cultural mindset, to mount a rigorous challenge to our non-operated ventures. However, given the significant exposure and profitability risks of poorly defined and operated deepwater projects, a different philosophy and resourcing model is proposed for current and future non-operated projects.

Recommended Approach

The key elements of the new approach for current and future NOV's are:

- Adopt a more proactive approach as a non-operator, similar to that of ExxonMobil, which is currently considered "best in class."
- Know and understand our contractual rights and obligations as a partner and the formal control points within the JOA approval process.
- Allocate significant Shell funds and resources to non-operated deepwater projects. These are expected to amount to an additional US \$2-3.0 Million/year/project.
- Enable Asset Managers, and their service provider SDS, to establish the appropriate support structure and skills to thoroughly challenge and learn from non-operated ventures. This should include provision for appropriately staffed, independent Shell project teams, clustered within or around the SDS organization, and securing positions of influence for Shell secondees within the operators project teams.
- Understand host government and state Oil Company requirements and expectations.
- Ensure that we communicate with the partner with a consistent tone and message
- Create an active network to share and disseminate NOV experience so as to maximize learning and knowledge transfer and to promote consistency.

Consequences of the Proposed Approach

The key consequences of the above approach are larger dedicated Shell teams and an increase in Shell resource demands/costs, compared with previous NOV's.

EP 2000-9082

iii

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It is recommended to establish a dedicated subsurface team including the key G&G skills from the onset of exploration (typically 2-3 full time staff covering geology, geophysics, and petrophysics). Following a discovery and start of the appraisal/development phase, a fully integrated Shell team would evolve, with progressive addition of dedicated reservoir and key surface engineering staff and with support from other disciplines as required (e.g. production technology, project services, operations). This team is expected to be of the order of 9-10 full time staff. Given the tight internal and external market for deepwater skills, adequate resourcing of these teams will continue to pose a significant challenge.

Once field development planning commences (i.e., start of feasibility studies) it is proposed to assign at least one and possibly a number of Shell staff into the development project team.

As a minimum, this would include a senior Liaison Engineer position for an experienced individual who can quickly earn the respect of the Operator and has sufficient breadth to shadow and influence the key Project Management activities. This position has been created within BPA's Holstein project and in this case is funded by Shell. The Liaison Engineer attends the key Project management meetings and acts as the local eyes/ears and early warning system of the Shell organization. This position improves information flow to and from Shell (it is often difficult to get timely access to relevant data) thus facilitating a much better understanding of the Operators plans. A similar type of position has been resourced for BPA's Angola Block 18 team.

It is also recommended to seek influential positions for Shell staff, in critical skills or leadership roles, within the project team and funded by the JV. On Holstein, Shell have filled the Installation Manager position, which includes a seat on the Execution Leadership team, whilst on Block 18, Shell is taking an opportunity to fill a Senior Reservoir engineering position. Given BPA's poor performance in Project Management of major contracts it is also recommended to explore opportunities for a key Project Controls position in current and future teams. An assumption of 1-3 Shell staff secondees in future NOV's is proposed.

Cost Consequences

Assuming that the dedicated Shell team and liaison positions are 100% Shell costs, the incremental cost of the proposed approach is expected to average \$2.0 – 3.0 million/project/year over the 5-7 year lifecycle of a major project such as Holstein, Erha or Block 18. This implies total costs of approximately US \$10 – 21 million per project. Assuming 5 non-operated projects over the next three years (Holstein, Block 18, Erha, Nakika, and Ormen Lange) suggests a Shell funded additional cost of some US \$75 – 100 million.

Although these sums are significant in an absolute sense, they are considerably smaller (perhaps by an order of magnitude) and should be considered as a modest investment, when compared with the significant value erosion, which has resulted from under-performance of many recent BPA operated ventures.

KEYWORDS

Deepwater, SDS, partners, projects, operated by others, BP.

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TABLE OF CONTENTS

SUMMARY.....	i
Case for Action.....	i
Recommended Approach.....	ii
Consequences of the Proposed Approach.....	ii
Cost Consequences.....	iii
OPERATED BY OTHERS: A DEEPWATER PROJECT PERSPECTIVE.....	1
1.0 Highlights & Recommendations.....	1
2.0 Case for Action (See attachments 2 – 6.).....	1
3.0 Recommended Approach.....	3
3.1 Enabling Tactics (See attachments 7, 8, 9.).....	3
4.0 Consequences of the Proposed Approach.....	5
4.1 Resources for a dedicated Shell Support team (See Attachment 11.).....	5
4.2 Shell Secondes in NOV Teams.....	5
4.3 Cost Consequences.....	6
ATTACHMENTS.....	7
Attachment 1 – Current / Future Non-Operated Projects.....	7
Attachment 2 – Case for Action.....	8
Attachment 3 – Deepwater Oil Production Forecast (based on May GDPI Data).....	9
Attachment 4 – Deepwater Oil Production Operated & Non Operated (based on May GDPI Data).....	10
Attachment 5 – BPA Deepwater Project Performance.....	11
Attachment 6 – Alternative Non Operated Models.....	12
Attachment 7 – Preferred Shell Non Operated Model.....	14
Attachment 8 – Roles and Responsibilities for Non-Operated Ventures.....	15
Attachment 9 – BPA Capabilities Based on Block 18 and Holstein Experience.....	16
Attachment 10 Alternative Non Operator Models.....	17
Attachment 11 Shell Skills Required for Active Stewardship of Non-Operated Ventures.....	18

OPERATED BY OTHERS: A DEEPWATER PROJECT PERSPECTIVE

1.0 Highlights & Recommendations

BP Amoco (BPA) have recently been very successful in discovering hydrocarbons for potential deepwater developments, where Shell has a significant share holding (some 50%). These include Holstein and Nakika in the Gulf of Mexico (GOM) and Block 18 Angola (see attachment 1). Shell also has a 44% share of the ExxonMobil-operated Erha field in Nigeria. Consequently, near term deepwater development capital funds (i.e., over the next 3-5 years) are likely to be strongly affected by non-operated developments, where Shell's influence on the pace and quality of technical work, will need to be exercised as a non-operator. In the past, Shell has adopted various derivatives of a "Let the operator operate" model (e.g. on Foinaven, Schiehallion, Troika, and Marlin) preferring to apply the bulk of our technical staff to Shell-operated deepwater projects. However, given the very poor performance of deepwater projects executed by BPA (average 50% cost over run and 10 month schedule delay), the increased exposure, and the lost opportunity to also learn from the operator, a different approach is proposed for current and future NOV's.

Specific actions recommended:

1. Adopt a more proactive approach as a non-operator, similar to that of ExxonMobil, which is currently considered "best in class."
2. Allocate significant Shell funds and resources to non-operated deepwater projects. These are expected to amount to an additional US \$2-3.0 Million/year/project.
3. Enable Asset Managers and their service provider SDS to establish the appropriate support structure and skills to thoroughly challenge and learn from non-operated ventures. This should include provisions for appropriately staffed, independent Shell project teams, clustered within or around the SDS organization, and securing positions of influence for Shell secondees within the operators project teams.
4. Create an active network to share and disseminate NOV experience so as to maximize learning and knowledge transfer and to promote consistency.

2.0 Case for Action (See attachments 2 - 6.)

Deepwater projects require a greater level of integration and alignment of key technical and commercial skills than many conventional, less technologically demanding projects. Higher unit technical costs and increased risks of deepwater projects reduce profitability margins and place even greater pressure on "getting things right" up front. A significant portion of Shell's future deepwater production is likely to be non-operated. Submittals to the current Exploration and Capital Allocation Forums include 26 potential Non-Operated Venture (NOV) deepwater projects with Shell's risked reserves of some 2.5 BBOE and an NPV7 value of over \$5 billion (see attachment 3, 4). This represents an increase in deepwater non-operated exposure.

A significant portion of future non-operated deepwater production (currently estimated at approximately 37%), is expected to be operated by BPA (attachment 4), whose recent performance in deepwater development execution has been very poor (see attachment 5). BPA's projects have shown an average capital cost over run of some 50%, and a first production delay of some 10 months, often with poor subsequent operational performance. For example, Marlin had well failures occurring on startup and Schiehallion's facilities uptime has been a long term struggle and are still only 60-70%.

The dimensions of the potential value erosion from this level of under-performance can be clearly illustrated by reference to a hypothetical 600MMbbl deepwater field, with an estimated Capex of US \$1.5 billion and an initial NPV of approximately US \$540 million (NPV7, US \$14). Capex overruns of 25% and 50% result in NPV erosion of approximately US \$200 million and approximately US \$400 million respectively. A ten-month delay in production, results in a further NPV loss of US \$36 million (all at NPV7, US \$14/bbl).

Experience with ongoing BPA developments (e.g., Holstein, and Nakika in the GOM and Block 18, Angola), suggest an operator short of critical technical skills, unable or reluctant to dialogue with Shell on key issues and driven by aggressive, top down, corporate performance goals. BPA's current deepwater portfolio is significant, with several potential-operated projects (Nakika, Holstein, Crazy Horse, Mad Dog, and Atlantis in the GOM; and Block 18 and 31 in Angola) and with partner interests in Blocks 15, 17, in Angola, and Ormen Lange in Norway. These are in addition to existing deepwater production from Foinaven, Schiehallion, Troika, and Marlin. This large portfolio will continue to stretch their resources (e.g., they began re-deploying resources from the Nakika project, prior to resolution of issues on operatorship). Given these pressures and a limited deepwater resource pool (both internally and globally), it seems unlikely that BPA's project performance will improve in the near term.

Shell's previous approach to non-operated ventures has seen variations of "Let the Operator Operate" and "Let's be Friends - and we will educate you" themes (see attachments 6, 10). These approaches can lead to successful projects, provided that the operator has sufficient experience and the resources to manage critical project risks. However, even with success, they add very little to the Shell knowledge base.

In contrast, ExxonMobil has traditionally been a more proactive non-operator as illustrated by their approach on Bonga, where they have been, and still are, a demanding partner. From the outset they assigned a dedicated team of very experienced staff, supported by their central technical service organization, which undertook independent and often detailed subsurface and surface engineering studies. This knowledge enabled them to offer a very effective challenge founded on an excellent understanding or a different perspective of key issues. They were also very explicit about documentation and review requirements and the need for resolution of all key issues, some of which they pursued relentlessly until fully satisfied, prior to release of funds. Despite these demands, ExxonMobil's involvement and contribution to the Bonga project is well respected, and is widely felt to have added significant value through a process of well prepared and constructive dialogue. This process has also undoubtedly enabled them to gain considerable insights and understanding of our approach to deepwater development.

Exxon claims to have invested up to an additional \$2 million per year to support their efforts on Bonga. This equates to a dedicated support team of 5-6 staff, supplemented by part time discipline specialists. These resource levels and costs should be judged against the consensus that Shell has done a very thorough job on Bonga. This is not necessarily the case with some of our current NOV projects with both BPA and ExxonMobil as operator. Interestingly on the ExxonMobil-operated Erha development, they appear to be considerably less demanding of themselves, and also less receptive to a similar level of challenge from Shell.

In the past, we have generally not applied the resources, and hence did not have the knowledge, or perhaps the cultural mindset to mount a rigorous challenge to our non-operated ventures. However, given the significant exposure and profitability risks of poorly defined and operated deepwater projects, a different philosophy and resourcing model is proposed for current and future non-operated projects. This seeks to emulate the ExxonMobil approach.

3.0 Recommended Approach

The key elements of the new approach for current and future NOV's are as follows:

- Know and understand our contractual rights and obligations as a partner and the formal control points within the JOA approval process; do not compromise these rights. For new ventures, ensure that the JOA includes provisions to enable appropriate non-operator influence and control.
- Ensure that the NOV is supported with the same commitment as Shell operated ventures. Provide dedicated Shell resources clustered around a global deepwater center of excellence and carry out sufficient technical work to enable a thorough, constructive challenge of the operator's plans. Enforce the obligation for the Operator to address all issues raised.
- Understand host government and state oil company requirements and expectations.
- Commit to mining knowledge and learning from the operator and leveraging this globally, to maximize knowledge and technology transfer.
- Ensure that we communicate with the partner with a consistent tone and message

3.1 *Enabling Tactics (See attachments 7, 8, 9.)*

- Understand the Operator's corporate culture, key drivers, and past performance. Strive to align and agree key project strategies and targets with the Operator up front and to promote shared ownership.
- Assess and map the Operator's capability and the specific project risk profile and identify where to focus effort. An example for BPA and Block 18 Angola is contained in attachment 9.
- Map Shell technology, which we are prepared to share/trade/or need to protect and technology/learning we wish to acquire via the operator.

- Establish independent dedicated Shell teams, clustered within or around the SDS organization and staffed to match the project risk, the Operator capability profiles, and the maturity of the venture. This should be based upon a clear proposition of the value to be preserved or created by the team and with review points to assess effectiveness. The Shell team should include sufficient resources to enable significant technical work, establish an independent view of the key issues, and provide constructive challenge from the onset of exploration (e.g., seismic interpretation, development and interpretation of geological and reservoir models, uncertainty management, development system concept screening, and economics). Dedicated, integrated full-time teams with similar structures and team charters are proposed, unless or until Operator performance is assured.
- Create and use opportunities for assigning Shell staff within the project team at all stages in the project. This should include the option for a senior Shell Liaison position (which may need to be Shell funded) and for specific skill and leadership positions, which would be funded by the JV.
- Understand the Operator and the JOA project review, funding, and approval mechanisms. Seek to align Shells VAR process and those of the Operator (e.g., BPA's CVP process). Promote joint review process/teams with shared ownership of the findings. Joint review teams should include the most experienced Shell staff available.
- Tailor project-funding strategy to the key risks. Define the specific milestone deliverables, which are necessary prior to a funding approval or VAR gate. Make the Operator aware of these requirements and their potential impact on the release of funds.
- Plan and execute thorough reviews of all the key project deliverables. Stimulate the use of regular joint stakeholder workshops allowing more informal shirtsleeve working sessions as a means to secure alignment on technical issues
- Strive to win the trust of the Operator through constructive challenge, support, and co-operation. Be prepared to learn from the Operator and avoid arrogance. However, in the event of repeated non-performance, apply a firm interpretation of the JOA and the ultimate power of veto through non-approval of the Operators plans and funding.
- Establish a global Shell network of non-operated venture practitioners and stakeholders, to enable knowledge sharing and to ensure consistency in approach with individual operators on all their projects (e.g., BPA and ExxonMobil). The network should include appropriate representatives from the governance body and the specific asset management and service provider teams. This network could be initiated using a catalyst workshop event to facilitate immediate sharing of current experience and to create some initial momentum.
- Ensure that future JOA's include provisions and flexibility to accommodate the requirements above (e.g., Shell staff positions in JOV project team, identification of key VAR gate-deliverable requirements for release of funds).

4.0 Consequences of the Proposed Approach

The key consequences of the above approach are larger dedicated Shell teams and an increase in Shell resource demands/costs, compared with previous NOV's.

4.1 Resources for a dedicated Shell Support team (See Attachment 11.)

It is recommended to establish a dedicated subsurface team including the key G&G skills from the onset of exploration (typically 2-3 full-time staff covering geology, geophysics, and petrophysics). Following a discovery and start of the appraisal/development phase, a fully-integrated Shell team would evolve, with progressive addition of dedicated reservoir and key surface engineering staff and with support from other disciplines as required (e.g., production technology, project services, operations). This team is expected to be of the order of 9-10 full-time staff, e.g., the Shell team supporting the BPA Holstein project, currently in the concept-screening phase is approximately 8 full-time staff. Indicative skill and resource demands are summarized in Attachment 10. Given the tight internal and external market for deepwater skills, adequate resourcing of these teams will continue to pose a significant challenge.

4.2 Shell Secondees in NOV Teams

Once field-development planning commences (i.e., start of feasibility studies), it is proposed to assign at least one and possibly a number of Shell staff into the development project team.

As a minimum, this would include a senior Liaison Engineer position for an experienced individual who can quickly earn the respect of the Operator and has sufficient breadth to shadow and influence the key Project Management activities. This position has been created within BPA's Holstein project and in this case is funded by Shell. The Liaison Engineer attends the key Project management meetings and acts as the local eyes/ears and early warning system of the Shell organization. This position improves information flow to and from Shell (it is often difficult to get timely access to relevant data) thus facilitating a much better understanding of the Operator's plans. Despite a risk that the individual could be marginalised, the customer (SEPCo) feels that he has already gained significant benefit from this position on Holstein. Critical success factors are the technical credibility/experience, networking ability, and resilience of the individual to quickly penetrate the organization. A similar type of position is now being resourced for BPA's Angola Block 18 team.

It is also recommended to seek influential positions for Shell staff, in critical skills or leadership roles, within the project team; accordingly these would be funded by the JV. On Holstein, Shell has filled the Installation Manager position, which includes a seat on the Execution Leadership team, whilst on Block 18, BPA has offered Shell an opportunity to fill a Senior Reservoir engineering slot. Given BPA's poor performance in Project Management of major contracts it is also recommended to explore opportunities for a key Project Controls position in current and future teams. An assumption of 1-3 Shell staff secondees in future NOV's is proposed.

4.3 *Cost Consequences*

Assuming that the dedicated Shell team and liaison positions are 100% Shell costs, the incremental cost of the proposed approach is expected to average \$2.0 – 3.0 million/project/year over the 5-7 year lifecycle of a major project such as Holstein, Erha or Block 18. This implies total costs of approximately US \$10–21 million per project. If we assume 5 non-operated projects over the next three years (Holstein, Block 18, Erha, Nakika, and Ormen Lange), this suggests a Shell-funded additional cost of some US \$75 -100 million.

Although these sums are significant in an absolute sense, they are considerably smaller (perhaps by an order of magnitude) and should be considered as a modest investment, when compared with the significant value erosion, which has resulted from under-performance of many recent BPA-operated ventures.

ATTACHMENTS

Attachment 1

Current/Future Non Operated Projects

Current Projects

Project	FID	Capex *	Reserves*	Shell Share
		SMM	BEQ MM	%
BPA				
Holstein	3/2001	900	300	50%
Block 18	7/2001	2500	700	50%
Nakika	6/2000	1000	300	50%
Marlin	Production Delay	410	115	~20%
Exxon				
Erha	6/2001	2000	700	44%

Future Potential Projects Operator

Ormen Lange : Norske Hydro (Development Phase)

Albacora Leste : Petrobras

Angola Bock 34 : Sonangol

Brazil BC-2, BSM-8 : Elf

* Total Gross Numbers

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Attachment 1 – Current / Future Non-Operated Projects.

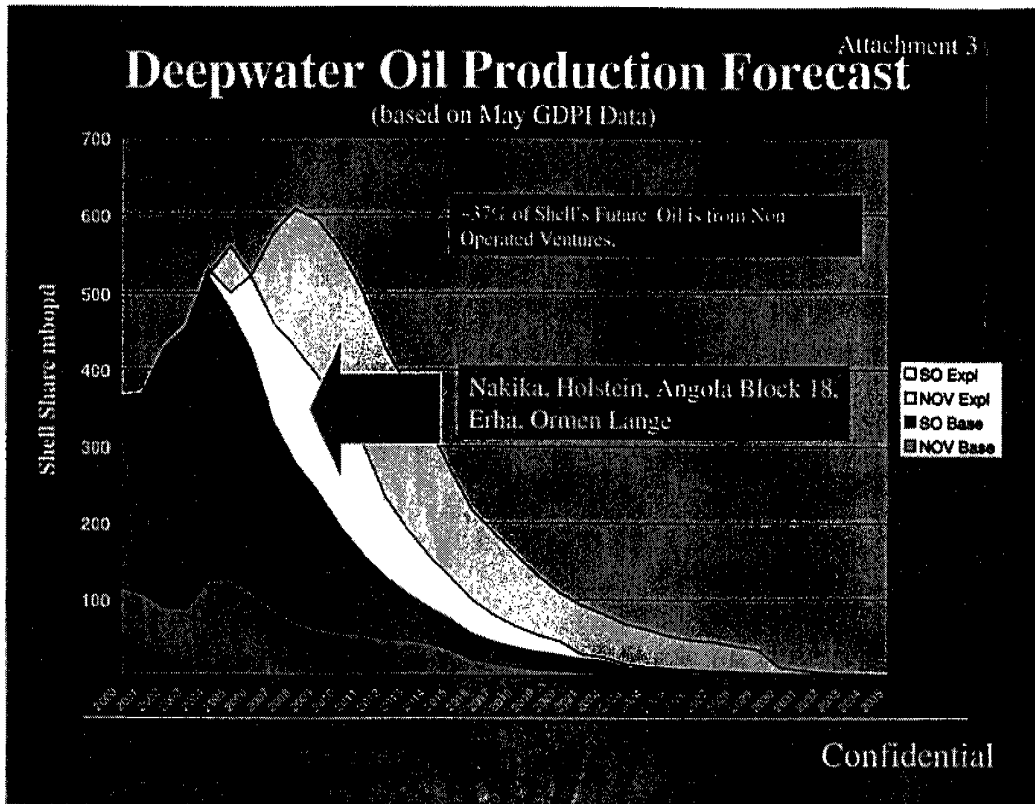
Case For Action

Attachment 2

1. Deepwater development requires a greater level and integration of technical skills. Higher technical costs and risks place greater emphasis on getting things 'right up front'
2. More than 35 % of Shell's future deepwater production will be non-operated.
3. Most of the future non-operated production (more than 70%) will be operated by BPA
4. BPA's Deepwater Project performance has been consistently behind schedule, over budget and the reserves have in some cases been over estimated. Operational performance has also been poor in a number of cases (e.g. Marlin, Schiehallion)
5. In many cases it is apparent the BPA currently do not possess the necessary depth and breadth of technical skills to execute deepwater developments.
6. Shell has in the past executed a strategy of "let the operator Operate" and low key challenging of BPA. Few, if any, full time resources have been dedicated to BPA ventures. If this is allowed continue there will be significant value erosion in Shell's non-operated deepwater portfolio

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Attachment 2 – Case for Action.



Attachment 3 – Deepwater Oil Production Forecast (based on May GDPI Data).