

1 SIMON HENRY, October 16th, 2006

04:48:10 2 Q Do you recall if you ever discussed the
04:48:12 3 premature -- withdrawn. Excluding Project
04:48:15 4 Rockford, do you recall if you ever discussed the
04:48:18 5 booking of proved reserves at Block 18 prior to
04:48:21 6 FID with Ms. Boynton?

04:48:29 7 A I don't recall discussing it with Judy
04:48:31 8 Boynton.

04:48:37 9 Q With regard to Ehra, do you recall
04:48:39 10 discussing the booking of proved reserves prior to
04:48:43 11 FID with Mr. Watts, excluding Project Rockford?

04:48:47 12 A No.

04:48:49 13 Q Do you recall having any such
04:48:50 14 conversations with Ms. Boynton, excluding Project
04:48:54 15 Rockford?

04:48:55 16 A No.

04:49:01 17 Q Do you recall discussing the booking of
04:49:04 18 proved reserves at Gorgon prior to FID with
04:49:09 19 Mr. Watts, excluding Project Rockford?

04:49:17 20 A I was aware at some point that one of
04:49:23 21 the reasons that reserves had been booked at
04:49:25 22 Gorgon at that time was the existence of
04:49:31 23 negotiations and a Letter of Intent for LNG sales,
04:49:35 24 and I do not recall what my source of that
04:49:37 25 information was. It may have been Mr. Watts.

1 SIMON HENRY, October 16th, 2006

04:49:42 2 Q Do you recall approximately when that
04:49:43 3 was, when that conversation that may have been
04:49:46 4 with Mr. Watts occurred?

04:49:49 5 MR. SMITH: Objection to form.

04:49:51 6 THE WITNESS: I'm not sure I do. I was
04:49:52 7 aware broadly during 2003 of that, and it's
04:49:58 8 possible that Sir Philip was one of my sources.
04:50:02 9 It's also possible it could have been somebody
04:50:04 10 else. It would not have been Judy.

04:50:09 11 BY MR. MACFALL:

04:50:10 12 Q Do you know who was head of EP at the
04:50:11 13 time the reserves were booked at Gorgon?

04:50:15 14 A 1997?

04:50:17 15 Q Yes, that's correct.

04:50:21 16 A The straight answer is: Nobody. There
04:50:24 17 was no accountable Chief Executive of the EP
04:50:27 18 Business.

04:50:28 19 Q Was there a member -- withdrawn. Did
04:50:31 20 Mr. Watts have a role with regard to the operation
04:50:35 21 of EP during that period?

04:50:37 22 A Yes, he did. That was a Business
04:50:39 23 Committee that was responsible for running the EP
04:50:45 24 Business, and Mr. Watts was a member of that
04:50:49 25 committee. He was actually technically the most

1 SIMON HENRY, October 16th, 2006

04:50:52 2 senior member of that committee, because he was a
04:50:58 3 Managing Director whose sphere of responsibility
04:51:01 4 included EP, but he was not the Chief Executive
04:51:01 5 running EP. He had no executive authority over
04:51:04 6 the activities of the EP Business in 1997.

04:51:16 7 Q How is it that you know he had no
04:51:19 8 executive authority during that period in
04:51:21 9 connection with EP?

04:51:23 10 A Because the same -- I was working in
04:51:25 11 Downstream at the time, and the same Business
04:51:27 12 Committee construct was being used to manage the
04:51:31 13 Downstream. We had the same structure with Steve
04:51:36 14 Miller as the Managing Director with
04:51:41 15 responsibility for Oil Products, and it drove us
04:51:47 16 all nuts, because he had no executive authority.

04:51:49 17 Q How is it that you know that the same
04:51:51 18 organization was in place with regard to EP?

04:51:55 19 A The Governance Guide in the Group at the
04:52:01 20 time indicated that the same governance structure
04:52:06 21 applied to each of the Businesses.

04:52:15 22 Q Are you familiar with the ARPR process?

04:52:18 23 A Yes, I am.

04:52:22 24 MR. FERRARA: I notice that you're now
04:52:24 25 moving into a new area, and since we're going to

1 SIMON HENRY, October 16th, 2006

04:52:28 2 be here tomorrow, is there a chance we might want
04:52:32 3 to wrap up around 5:00 to give the witness a rest
04:52:42 4 and be fresher for tomorrow?

04:52:46 5 MR. MACFALL: Why don't we go off the
04:52:47 6 record and let's discuss that.

04:52:48 7 MR. FERRARA: Okay.

04:52:55 8 THE VIDEOGRAPHER: We are going off the
04:52:56 9 record. The time is 4:53 p.m.

04:53:05 10 (Whereupon, a short recess was taken.)

05:09:52 11 THE VIDEOGRAPHER: We are back on the
05:09:53 12 record. The time is 5:10 p.m.

05:09:57 13 BY MR. MACFALL:

05:09:57 14 Q Mr. Henry, prior to the break I was
05:10:00 15 asking if you were familiar with the ARPR process
05:10:04 16 at Shell.

05:10:06 17 A Yes, I am familiar.

05:10:07 18 Q And could you please describe that
05:10:08 19 process for me.

05:10:10 20 A It stands for the Annual Review of
05:10:11 21 Petroleum Resources, and it's an annual exercise
05:10:18 22 collecting all information on the petroleum
05:10:22 23 resource and resource base throughout the company,
05:10:26 24 including proved reserves but not limited to
10:30 25 proved reserves. And data is collected from a

1 SIMON HENRY, October 16th, 2006

05:10:35 2 field or an asset level upwards aggregated in
05:10:39 3 countries, aggregated in geographical regions, and
05:10:43 4 eventually aggregated at the global level. It
05:10:48 5 takes place at the end of the year with returns at
05:10:50 6 the global level in mid January, and the data and
05:10:53 7 information that is provided in that process is
05:10:55 8 used, amongst other things, as the basis for the
05:11:00 9 reserves related reporting in the 20-F, the
05:11:03 10 supplementary oil and gas information reporting.

05:11:08 11 Q The 20-F is a form that's filed with the
05:11:11 12 SEC in the United States, correct?

05:11:13 13 A That is correct.

05:11:14 14 Q Are proved reserves specifically
05:11:17 15 reported in the 20-F?

05:11:18 16 A They are.

05:11:22 17 Q During the time period that Mr. Watts
05:11:30 18 was a member of the committee overseeing EP,
05:11:34 19 specifically 1996, '97, do you have any
05:11:41 20 understanding of how the ARPR process was
05:11:46 21 conducted at EP?

05:11:48 22 A Not in '96 and '97, no, I don't.

05:11:55 23 Q And I believe you stated that you had --
05:12:00 24 withdrawn. I'm sorry. Could you please tell me
05:12:04 25 again where it was that -- what position you held

1 SIMON HENRY, October 16th, 2006

2 at Shell in 1997.

3 A I was the Shareholder Finance Advisor in
4 the Downstream Business for Asia Pacific, working
5 in London.

6 Q I believe you previously stated that
7 organizationally that Business was similar
8 structured to EP at that time; is that correct?

9 A I believe it was, yes.

10 Q Could you please tell me how the ARPR
11 process, if you know, was handled in the
12 Downstream Business in the Asia Pacific market in
13 which you were employed during that period.

14 A The Downstream Business has no
15 equivalent of proved reserves, although it was
16 entirely an EP process.

17 Q Do you know if Mr. Watts in 1997 was
18 informed of the proved reserves that had been
19 booked at EP?

20 A No, I don't know.

21 Q Going back now to the follow-up meetings
22 that were conducted following the Group Strategy
23 Presentations, were those different than the
24 periodic roadshows that were conducted by Shell?

25 A Not in any material aspect.

1 SIMON HENRY, October 16th, 2006

05:13:56 2 Q Were the roadshows separate
05:13:57 3 presentations or separate meetings with investors?
05:14:00 4 Were they different than the follow-up meetings?

05:14:02 5 A The follow-up meetings to the Group
05:14:05 6 Strategy meeting would typically build on the
05:14:07 7 presentation that had just taken place. Roadshows
05:14:10 8 that took place at different times of the year
05:14:13 9 would either follow another presentation, such as
05:14:15 10 the Business Strategy Presentation or, for
05:14:19 11 example, one of the presentations at a Merrill
05:14:21 12 Lynch conference or a Credit Suisse conference,
05:14:25 13 and or they would just be scheduled in in a period
05:14:32 14 when we could talk to the market, and we would use
05:14:36 15 material based on whatever the last public
05:14:38 16 statement had been, which was quite often the
05:14:41 17 previous Quarterly Results Announcement, but the
05:14:46 18 meetings themselves were basically the same format
05:14:50 19 wherever we went.

05:14:54 20 Q Were there -- withdrawn. Who
05:15:00 21 represented senior management, if anyone, at those
05:15:04 22 roadshows?

05:15:10 23 A In any given year we would try to give
05:15:13 24 all of the Managing Directors an opportunity to
05:15:16 25 talk to the market for two reasons. One, it was

1 SIMON HENRY, October 16th, 2006

05:15:20 2 good that the market had some face-to-face time
05:15:23 3 with each of them, which is about building
05:15:25 4 credibility, but also so that each of those senior
05:15:28 5 executives came face to face with the owners of
05:15:30 6 the company and heard their concerns directly, so
05:15:34 7 we would aim for at least one day of meetings for
05:15:37 8 each of them. We would -- we aimed to do maybe
05:15:44 9 150, 200 meetings a year typically five meetings a
05:15:49 10 day, so we need 40 days. We would be given
05:15:53 11 probably half of those days by Sir Philip and Judy
05:15:59 12 Boynton in their schedule, so they would give us
05:16:02 13 that time, so they would do maybe half of the
05:16:05 14 meetings. The Managing Directors would do some,
05:16:07 15 and occasionally we would use other senior
05:16:12 16 executives or myself from IR, depending on the
05:16:16 17 size and materiality of the investors we were
05:16:19 18 visiting.

05:16:20 19 Q Now, 150 days of meetings, was that
05:16:24 20 exclusive of the follow-up meetings that were
05:16:26 21 conducted after the Group Strategy Presentation?

05:16:29 22 MR. SMITH: Objection to form. He
05:16:34 23 didn't say 150 days.

05:16:35 24 BY MR. MACFALL:

05:16:36 25 Q I'm sorry. 150 meetings.

1 SIMON HENRY, October 16th, 2006

05:16:39 2 A Around 40 days was our planning basis.
05:16:39 3 That would include the follow-up meetings to the
05:16:42 4 Group Strategy Presentation, which may be eight to
05:16:52 5 ten days.

05:16:58 6 Q I believe we discussed some of the
05:17:00 7 metrics that were discussed at various meetings
05:17:05 8 with analysts investors, such as ROACE and UFDC.
05:17:12 9 Do you recall -- and RRR. Do you recall if there
05:17:17 10 were others that were discussed throughout your
05:17:19 11 tenure at Investor Relations?

05:17:28 12 A High on the agenda for most of the
05:17:30 13 period was production growth and production and
05:17:36 14 all subsidiary contributors to production, such as
05:17:42 15 decline rates and new projects. Capital
05:17:47 16 investment levels, how much do we invest, was
05:17:50 17 discussed all through the period. The potential
05:17:57 18 earnings or cash flow per barrel that could be
05:18:01 19 generated from a given project or part of the
05:18:04 20 portfolio would be discussed. The LNG --
05:18:11 21 Liquefied Natural Gas -- sales volumes and the
05:18:15 22 corresponding growth would be discussed.
05:18:22 23 Refining, uh, refining margins. Sales volumes in
05:18:30 24 the Oil Products Business. Refinery reliability.
05:18:38 25 Dividend levels. Levels of share buy-backs.

1 SIMON HENRY, October 16th, 2006

05:18:48 2 Gearing on the balance sheet and levels of
05:18:56 3 operating expenditure for the individual
05:18:58 4 Businesses, usually in terms of a unit of op-ex,
05:19:11 5 operating expenditure per barrel. I think that's
05:19:16 6 the broad set. There were from time to time other
05:19:21 7 underlying indicators, but that's probably the
05:19:23 8 totality.

05:19:37 9 I didn't mention Debt Adjusted Cash
05:19:43 10 Flow.

05:19:50 11 Q With respect to Debt Adjusted Cash Flow,
05:19:53 12 could you please explain for me your understanding
05:19:55 13 of that metric.

05:19:56 14 A That metric is a measure of the cash
05:19:58 15 that can be generated by the Business before
05:20:02 16 reinvestment, adjusted for any debt in the
05:20:06 17 Business, so deducts any interest payments that
05:20:10 18 are included in the earnings of the Business. It
05:20:13 19 is used by analysts to ascertain the quality of
05:20:22 20 the current business and the amount of cash that
05:20:24 21 is likely to be available either for reinvestment
05:20:28 22 or for payout to the shareholders as dividend.

05:20:43 23 Q Is there a relationship between DACF and
05:20:46 24 Discounted Cash Flow as reported in the Group's
05:20:51 25 20-F?

1 SIMON HENRY, October 16th, 2006

05:21:00 2 MR. SMITH: Objection to form.

05:21:02 3 THE WITNESS: The simple answer is no.

05:21:22 4 BY MR. MACFALL:

05:21:22 5 Q During your tenure at Investor Relations
05:21:29 6 were there periodic meetings conducted for Shell
05:21:34 7 executives in Houston, Texas? Let me rephrase
05:21:39 8 that. Were there periodic meetings conducted for
05:21:42 9 Shell executives which were held in Houston,
05:21:46 10 Texas?

05:21:47 11 MR. SMITH: Objection to the form. You
05:21:49 12 mean IR meetings or just any meetings of any kind?

05:21:54 13 MR. MACFALL: Any meetings of any kind.

05:22:00 14 MR. SMITH: Shell executives in Houston.

05:22:01 15 BY MR. MACFALL:

05:22:02 16 Q Were you aware of something called
05:22:03 17 "Shell Days"?

05:22:04 18 A "Shell Days"? You mean Group Days in
05:22:08 19 Shell Business Week?

05:22:12 20 Q Yes. I'm sorry. Yes. And could you
05:22:14 21 please describe what that is.

05:22:16 22 A I'll make this easy for you.

05:22:18 23 Q Thank you.

05:22:19 24 A At the end of May, roughly, each year,
05:22:22 25 there is a meeting held, a series of meetings held

1 SIMON HENRY, October 16th, 2006

05:22:28 2 called collectively "Business Week." One day in
05:22:32 3 that week is known as the Group Day, where about
05:22:35 4 350 executives meet, hear from the senior
05:22:43 5 executives, state of the nation concerns,
05:22:47 6 challenges, what keeps them awake at night at that
05:22:50 7 point in time. Most years -- in fact, all years
05:22:53 8 that I'm aware of -- another day would be taken
05:22:56 9 up, at least one day, by what are called the
05:23:00 10 Business Days, where people from the EP Business
05:23:03 11 have a meeting with the Leadership Team, and
05:23:06 12 that's around 120 people. The Downstream people
05:23:10 13 will meet with their Leadership Team, and around
05:23:13 14 those big meetings there are many other smaller
05:23:18 15 meetings that take place as well, and that's been
05:23:20 16 happening now for around ten years.

05:23:25 17 Q Were these meetings typically conducted
05:23:27 18 in Houston?

05:23:29 19 A Recently they have been conducted in
05:23:31 20 Houston.

05:23:32 21 Q What do you mean by "recently"?

05:23:35 22 A Since about 2000. I've only been going
05:23:40 23 to them since 2001. All the ones that I've
05:23:43 24 attended may have been in Houston. There is a
05:23:48 25 smaller more exclusive event in December, which is

1 SIMON HENRY, October 16th, 2006

05:23:54 2 the more senior subset of people of that group
05:23:57 3 that is held in the Netherlands in December, so
05:24:00 4 I've attended all of those in December, and I've
05:24:03 5 attended in Houston in May. Prior to 2000 I am
05:24:08 6 certainly aware that some years they were held
05:24:10 7 elsewhere.

05:24:18 8 Q Mr. Henry, I'd like to backtrack for one
05:24:21 9 moment. I'm sorry. With respect to the metrics
05:24:24 10 that you described that were discussed during your
05:24:32 11 tenure at IR, one I believe is Cash Flow Per
05:24:35 12 Barrel, correct? Cash Flow Per Barrel?

05:24:40 13 A That's correct.

05:24:40 14 Q Can you tell me if Cash Flow Per Barrel
05:24:42 15 is related to Discounted Cash Flow.

05:24:48 16 MR. SMITH: Objection to form.

05:24:53 17 THE WITNESS: No, it's not.

05:24:55 18 BY MR. MACFALL:

05:24:55 19 Q Could you describe for me what Cash Flow
05:24:58 20 Per Barrel -- or your understanding of that
05:25:02 21 metric.

05:25:03 22 A The Cash Flow Per Barrel is essentially
05:25:06 23 the Debt Adjusted Cash Flow per barrel of
05:25:09 24 production, sometimes adjusted for working capital
05:25:20 25 movements, but it depends who's, who's doing the

1 SIMON HENRY, October 16th, 2006

05:25:25 2 analysis.

05:25:31 3 Q Thank you.

05:25:34 4 In addition to the roadshows and the
05:25:38 5 formal presentations that you have previously
05:25:42 6 described, did Shell ever conduct field trips for
05:25:48 7 analysts and investors?

05:25:50 8 A Yes, we did.

05:25:53 9 Q Do you recall if any of those field
05:25:54 10 trips occurred in Houston and Canada?

05:25:59 11 A Yes. One did.

05:26:01 12 Q Do you recall approximately when that
05:26:02 13 was?

05:26:03 14 A October 2002.

05:26:10 15 Q Did you participate in that field trip?

05:26:11 16 A I did.

05:26:12 17 Q Could you describe for me briefly your
05:26:14 18 participation or your role with regard to that
05:26:16 19 field trip.

05:26:18 20 A My main role was deciding to hold the
05:26:20 21 field trip in the first place as part of the
05:26:23 22 communication strategy. We had not held a field
05:26:27 23 trip since I think 1999, and field trips were
05:26:33 24 typically a good way to improve relationships with
05:26:37 25 investors and analysts and give them an

SIMON HENRY, October 16th, 2006

opportunity to see some of the hardware.

We had had a mini field trip in Malaysia in 2001, early 2001, that I was involved in, but that was only a relatively small event, so 2002 was an opportunity to take analysts to the Oil Sands activity in Canada, which was a major strategic place for Shell. The assets were nearly complete, expected to start up in early 2003, and it was particularly for the European analysts who knew little or nothing about the Oil Sands activity in Canada, and a great opportunity to let them see what the business was about, where a lot of our money was being invested. So the prime reason for deciding on the trip was Oil Sands and its major contribution to strategy in the future.

Having decided that it would be a good idea to take the analysts to Canada -- which, by the way, was second choice to Nigeria, but we had an issue around security. Having decided to take them to Canada, we felt North America -- this was the year, a year or so after we had done the Chevron/Texaco deal and increased our Downstream presence, and about six, seven months after we had done the Pennzoil/Lubricants acquisition in the

1 SIMON HENRY, October 16th, 2006

05:28:12 2 Downstream North America, it was clear from our
05:28:14 3 reported performance that the Downstream
05:28:17 4 performance in North America was an
05:28:27 5 underperforming business for Shell relative to
05:28:31 6 competitors, so we felt it would be worthwhile
05:28:36 7 doubling up the locations and going to Houston to
05:28:41 8 let the Downstream guys talk about the Downstream
05:28:44 9 Business.

05:28:44 10 They had set themselves a target of a
05:28:46 11 billion dollars of earnings after the U.S.
05:28:49 12 Downstream Business, and there was skepticism
05:28:55 13 about whether that could be delivered, and we felt
05:28:56 14 taking the analysts down to Houston and giving
05:28:59 15 them a chance to talk to the senior executives in
05:29:02 16 the Downstream Business would be a good way of
05:29:04 17 helping to address some of that concern.

05:29:06 18 That was the strategy that was agreed or
05:29:08 19 developed by me, agreed with Sir Philip and Judy,
05:29:12 20 and then having got that agreement, we passed over
05:29:18 21 the party-planning to David Sexton, given that he
05:29:21 22 was North America-based, and David put together
05:29:24 23 the logistics and the program, and we worked as an
05:29:27 24 IR team across the different Businesses that would
05:29:30 25 actually present.

1 SIMON HENRY, October 16th, 2006

05:29:32 2 Having gotten the analysts in Houston,
05:29:35 3 we did also feel it was worth sharing the state of
05:29:37 4 the U.S. EP Business as well, so we actually did a
05:29:43 5 presentation on the EP and technology during the
05:29:46 6 visit. So my role was driver strategy overall,
05:29:52 7 get the messages, the consistent messages right,
05:29:57 8 make sure we invited the right people, and
05:30:02 9 effectively the host of the whole field trip.

05:30:09 10 Q Do you recall approximately how many
05:30:11 11 analysts and investors attended that field trip?

05:30:15 12 A It varied during the -- it went up to 60
05:30:19 13 in total around Houston, but they didn't all get
05:30:22 14 to Canada. It was around 45 went to Canada, I
05:30:27 15 believe.

05:30:27 16 Q Now, you reference the attendance of
05:30:30 17 European analysts at this field trip. Do you
05:30:33 18 recall approximately how many analysts from Europe
05:30:37 19 attended this field trip?

05:30:39 20 A Probably around 35. 35, 40.

05:30:49 21 Q Generally do you recall if all of the
05:30:50 22 European analysts attended both in Houston and in
05:30:53 23 Canada?

05:30:56 24 A Most of the Europeans did.

05:31:10 25 Q Did you have a role in deciding who to

1 SIMON HENRY, October 16th, 2006

05:31:13 2 invite to attend the field trip?

05:31:15 3 A Yes, I did.

05:31:19 4 Q How is it that you decided who to

05:31:21 5 invite?

05:31:24 6 A It was a combination of the sell side
05:31:28 7 equity analysts and the buy side investors. We
05:31:33 8 invited all of the major sell side analysts who
05:31:40 9 were prime coverage on Shell for any material, uh,
05:31:47 10 material investment bank or research house. That
05:31:53 11 would have been the majority, but we also tried to
05:31:56 12 limit it to one person per brokerage rather than
05:32:00 13 two or three.

05:32:02 14 We also wanted to invite around 30 of
05:32:05 15 the representatives from up to 30 of the major
05:32:09 16 investors, um, split between Europe and the U.S.,
05:32:15 17 and it was an iterative process, having been
05:32:20 18 through the top 30 investors and which sell side
05:32:25 19 analysts would come to the final invitation, but
05:32:27 20 we wanted a good balance between the three markets
05:32:30 21 that we work in and between sell side and buy
05:32:33 22 side.

05:32:51 23 Q Were formal presentations made to the
05:32:54 24 analysts and investors during this field trip?

05:32:57 25 A Yes, they were.

1 SIMON HENRY, October 16th, 2006

05:32:58 2 Q Who were those presentations made by?

05:33:01 3 A I have to stretch my memory here, but

05:33:03 4 the first day was Downstream, so Paul Skinner, the

05:33:09 5 Managing Director who was responsible for Oil

05:33:13 6 Products, would have kicked off. I believe

05:33:16 7 Russell Kaplan presented on retail. I believe

05:33:22 8 David Parrot (phonetic) presented on Lubricants.

05:33:28 9 And we visited Deer Park Refinery where Tim Hake,

05:33:32 10 the refinery manager, talked about the Refining

05:33:35 11 Business.

05:33:37 12 On the second day I believe we had two

05:33:42 13 presentations from the EP sector, Raoul Restucci,

05:33:47 14 who ran the U.S. EP Business, and John Darley, who

05:33:54 15 ran the Global Technology Division within EP. And

05:33:57 16 then we flew to Canada where, before we visited

05:34:04 17 the mine site, we had presentations from the Chief

05:34:08 18 Executive in Canada, Clive Mayner (phonetic). No,

05:34:11 19 it wasn't Clive Mayner. I think it was Tim

05:34:14 20 Faithful. And from the head of the Oil Sands

05:34:17 21 Project, Neal Camata. So probably six, seven,

05:34:22 22 eight, eight presentations.

05:34:29 23 Q How long did the investors and analysts

05:34:31 24 stay in Houston during that field trip?

05:34:35 25 A Before we started the field trip it was

SIMON HENRY, October 16th, 2006

05:34:37 2 a day and a half in Houston.

05:34:39 3 Q And how long in Canada?

05:34:41 4 A A day and a half.

05:34:50 5 Q Do you recall, separate and apart from
05:34:54 6 any formal presentations, having discussions with
05:34:56 7 any analysts concerning Shell's operations during
05:35:00 8 the course of that field trip?

05:35:03 9 A On any subject?

05:35:05 10 Q Yes.

05:35:06 11 A Many. That was the purpose for me.

05:35:17 12 Q Did Mr. Watts attend that field trip?

05:35:19 13 A No, he did not.

05:35:21 14 Q Did Ms. Boynton?

05:35:25 15 A I don't remember. She may have been
05:35:27 16 present at a lunch or a dinner, but she did not
05:35:30 17 take formal part in that presentation.

05:35:33 18 Q Did Mr. van der Vijver attend that field
05:35:37 19 trip?

05:35:37 20 A I believe he did attend one of the
05:35:42 21 lunches or the dinners.

05:35:44 22 Q Do you recall if Mr. van der Vijver
05:35:46 23 participated in a formal presentation?

05:35:49 24 A I don't believe he did, not in the
05:35:51 25 formal presentation.

SIMON HENRY, October 16th, 2006

Q Do you recall him making any informal presentations?

A No, I don't.

Q During the course of your various conversations with analysts during that field trip, do you recall discussing Shell's Reserves Replacement Ratio?

A I don't recall specifically, but given the timing, it's quite possible that that subject was discussed.

Q I take it from your answer you don't recall specifically what was said.

A There were 60 odd of my customers there. It was my aim to do all of them and communicate with all of them in a three-day period. I really don't remember who said what.

Q During that time period do you recall if Shell had a communication plan or strategy in place specifically with regard to the Reserves Replacement Ratio issue?

MR. SMITH: Objection to form and foundation.

THE WITNESS: The permanent strategy was at a much higher level than any given indicator.

SIMON HENRY, October 16th, 2006

Within the plan and the strategy there would be either a Position Statement or a Q&A on any particular issue, and reserves and Reserves Replacement Ratio was one of the issues that formed part of the overall pack. The overall strategy and plan was at a higher level than any one indicator.

BY MR. MACFALL:

Q Do you recall if there was a Position Statement with respect to Shell's Reserves Replacement Ratio?

A Yes, there would have been.

Q Okay. Do you recall what that Position Statement was?

MR. SMITH: You're talking about October 2002 time frame?

BY MR. MACFALL:

Q I am.

A I believe it would be along the lines of we replace, we aim to replace every barrel that we produce, or words to that effect, over time.

Q That Position Statement, was that something that was communicated to senior executives at Shell in terms of what they should

1 SIMON HENRY, October 16th, 2006

05:38:20 2 say to analysts or investors concerning the

05:38:24 3 Reserves Replacement Ratio?

05:38:25 4 MR. SMITH: Same time frame?

05:38:27 5 BY MR. MACFALL:

05:38:27 6 Q During the same time frame. I'm sorry.

05:38:29 7 Thank you.

05:38:30 8 A Yes, it was.

05:38:47 9 Q As distinct from the Reserves

05:38:50 10 Replacement Ratio, do you recall if the issue of

05:38:52 11 proved reserves came up during the course of any

05:38:54 12 of your conversations with analysts or investors

05:38:56 13 during that field trip?

05:38:59 14 A Do you mean proved reserves as already
05:39:01 15 reported rather than the dynamic ratio of what you
05:39:06 16 add in a given period?

05:39:08 17 Q I meant at all, but we can break it down
05:39:10 18 that way. First as reported, do you recall if
05:39:12 19 that was discussed?

05:39:15 20 A I don't recall, but it's unlikely.

05:39:17 21 Q Do you recall if proved reserves was
05:39:19 22 discussed on a forward-looking basis?

05:39:26 23 A Likely it would have been in particular,
05:39:30 24 because the Oil Sands project we took them to
05:39:35 25 visit, despite spending lots of money and

1 SIMON HENRY, October 16th, 2006

05:39:41 2 producing lots of oil, did not actually enable us
05:39:47 3 to book any proved reserves at all, because they
05:39:51 4 did not qualify under SEC guidelines. So one of
05:39:55 5 our objectives was to take them to a major
05:39:58 6 investment that would produce oil, but not
05:40:00 7 actually add any reserves at all.

05:40:08 8 Q Separate and apart from that project, do
05:40:12 9 you recall if proved reserves was discussed with
05:40:15 10 any of the analysts or investors on a
05:40:17 11 forward-looking base?

05:40:19 12 A Not specifically, but it's almost
05:40:21 13 certain that it was discussed then that the
05:40:22 14 general statement -- if you understand Business,
05:40:25 15 that you need to replace every barrel that you
05:40:27 16 produce would have been discussed. It's also
05:40:30 17 likely that the exploration activity in the Gulf
05:40:33 18 of Mexico would have been discussed as a possible
05:40:37 19 source of future reserve additions.

05:40:48 20 Q Do you recall if Nigeria was discussed
05:40:50 21 in connection with potential proved reserves for
05:40:53 22 Shell during that field trip?

05:40:56 23 A During that field trip? I don't recall,
05:41:03 24 and it's relatively unlikely that it was
05:41:05 25 discussed.

SIMON HENRY, October 16th, 2006

Q Do you recall having conversations with analysts or investors at any time concerning the booking of proved reserves at Nigeria or in Nigeria?

A Not before Project Rockford.

Q Prior to or excluding Project Rockford, were you aware that there was a moratorium on the booking of proved reserves in Nigeria?

A For on-shore Nigeria, not the off-shore project.

Q Correct.

A I can't remember when I became aware of that, honestly.

Q Do you recall if it was prior to Project Rockford or during Project Rockford that you first became aware of that?

A I was certainly aware during Project Rockford. I honestly don't remember being aware of that prior to Project Rockford itself. The issues that did discuss were about production and production growth from Nigeria and our capability to deliver that production growth.

Q Was there a concern about Shell's ability to deliver production growth in connection

1 SIMON HENRY, October 16th, 2006

05:42:53 2 with Nigeria?

05:42:57 3 A Amongst Investor Relations, yes, because
05:43:00 4 we were aware of the growth projections for
05:43:04 5 Nigeria. In fact, we had shown them to the
05:43:06 6 outside world and they were in the public domain,
05:43:10 7 and what growth do you expect from Nigeria, and it
05:43:14 8 was quite significant. It was a significant part
05:43:16 9 of our future growth profile, and our concern was
05:43:20 10 that will we actually deliver it, because it's
05:43:24 11 such a significant piece.

05:43:27 12 Q During your tenure at IR do you recall
05:43:29 13 if Nigeria was delivering the level of production
05:43:34 14 as established in those targets that were shared
05:43:36 15 with the outside world?

05:43:38 16 A By and large, no, it wasn't; hence the
05:43:42 17 concern from IR as to whether it would continue to
05:43:45 18 do so in future.

05:43:47 19 Q Did investors or analysts express any
05:43:50 20 concern with regard to that issue?

05:43:52 21 A Production growth generally, yes. It
05:43:56 22 wasn't always apparent to them that Nigeria was a
05:43:58 23 major cause of a shortfall, although we did, at
05:44:02 24 least in the 20-F report, by country production,
04:07 25 so from time to time we did get questions about

1 SIMON HENRY, October 16th, 2006

05:44:09 2 Nigeria specifically, production-related
05:44:13 3 questions.

05:44:22 4 Q Did there come a time during your tenure
05:44:25 5 at IR that Shell engaged in the acquisition of an
05:44:28 6 entity known as Enterprise?

05:44:30 7 A Yes.

05:44:32 8 Q Do you recall approximately when that --
05:44:34 9 well, do you recall when that occurred?

05:44:36 10 A The actual deal was announced publicly
05:44:44 11 in 2002. We had been working on and off on that
05:44:52 12 acquisition and other possibilities for about three to
05:44:56 13 four months, I personally being involved.

05:45:01 14 Q Could you please describe for me your
05:45:03 15 role.

05:45:06 16 A My role was primarily to give advice on
05:45:10 17 market positioning and acceptance of the deal that
05:45:17 18 we might do, depending on the price and what deal
05:45:19 19 we were able to achieve, whether that would be
05:45:24 20 perceived as a good deal or a bad deal by the
05:45:28 21 market, what it would do for our competitive
05:45:30 22 positioning, and as we approached the deal, the
05:45:33 23 conclusion of the deal, to develop a communication
05:45:36 24 program around the deal to our own shareholders.

05:45:41 25 Q I believe you stated that Enterprise was

1 SIMON HENRY, October 16th, 2006

05:45:44 2 one of several acquisition candidates; is that
05:45:47 3 correct?

05:45:48 4 A That is correct.

05:45:49 5 Q Who were the other acquisition
05:45:50 6 candidates?

05:45:52 7 A Might I have to say? Do I need to say?

05:45:57 8 MR. FERRARA: Sorry. Are these things
05:45:59 9 that have been publicly announced previously by
05:46:02 10 Shell?

05:46:03 11 THE WITNESS: Not publicly by Shell.

05:46:05 12 MR. FERRARA: Then I'm not sure that
05:46:06 13 that's an appropriate thing to get into in this
05:46:08 14 record. I'm not sure what the relevance is to
05:46:11 15 this.

05:46:18 16 MR. MACFALL: I'm not sure that that's
05:46:19 17 an appropriate reason to withhold the information.
05:46:21 18 The deposition is under seal, but to accommodate
05:46:25 19 Mr. Ferrara, I won't pursue it.

05:46:29 20 BY MR. MACFALL:

05:46:30 21 Q With regard to the Enterprise
05:46:31 22 acquisition, did you monitor market reaction to
05:46:42 23 that transaction?

05:46:45 24 A Yes, we did.

05:46:48 25 Q Were you able to characterize the

1 SIMON HENRY, October 16th, 2006

05:46:51 2 market's reaction to that acquisition as favorable
05:46:54 3 or unfavorable?

05:47:00 4 A My characterization to people inside the
05:47:02 5 company at the time was that it was in general
05:47:07 6 unfavorable. Over time it became more favorable.

05:47:15 7 Q Was the market's reaction consistent
05:47:17 8 with -- withdrawn. Had you provided senior
05:47:24 9 management at Shell with advice with regard to the
05:47:30 10 potential market reaction concerning an
05:47:33 11 acquisition of Enterprise?

05:47:36 12 A Yes.

05:47:36 13 MR. SMITH: Objection to form.

05:47:40 14 BY MR. MACFALL:

05:47:41 15 Q Was the actual market reaction,
05:47:42 16 subsequent to that acquisition, consistent with
05:47:45 17 the advice that you had given to senior
05:47:47 18 management?

05:47:50 19 MR. SMITH: Objection to form.

05:47:55 20 THE WITNESS: By and large, yes. It was
05:47:57 21 consistent with the advice we had given, yes.

05:48:01 22 BY MR. MACFALL:

05:48:03 23 Q Were you told why Shell acquired
05:48:06 24 Enterprise?

05:48:08 25 A Yes.

1 SIMON HENRY, October 16th, 2006

05:48:10 2 Q What were you told?

05:48:14 3 A I was told several reasons. One, it was
05:48:21 4 pure and simply a good price for an asset in an
05:48:25 5 area of activity that we knew well with good
05:48:28 6 synergy. It was mainly a North Sea operation
05:48:31 7 where we are already a well-established player,
05:48:34 8 and it helped to prolong the life of our North Sea
05:48:38 9 infrastructure and the North Sea capabilities that
05:48:41 10 we had. And we bought it at a price at a time the
05:48:47 11 oil price was \$18 to \$20. I agonized over what
05:48:51 12 price we should be valuing it at. As it turns
05:48:54 13 out, the price has averaged about \$45 to \$50 since
05:48:56 14 then, so that's why the market sees it as a better
05:48:58 15 deal over time, but it was explained as being a
05:49:00 16 good asset to have with exposure to high oil
05:49:05 17 prices relative to our average portfolio, because
05:49:09 18 there was some assets in our portfolio that don't
05:49:13 19 have exposure to high oil prices, so Enterprise
05:49:17 20 helped address that balance. It also helped
05:49:19 21 address production growth and added reserves.

05:49:24 22 Q Do you recall approximately how much in
05:49:25 23 reserves it added to Shell?

05:49:27 24 A Enterprise themselves were booking over
05:49:30 25 a billion barrels of proved reserves. When we

1 SIMON HENRY, October 16th, 2006

05:49:33 2 took it on and brought it through our reserves
05:49:38 3 guidelines, it was around 700 million. So they
05:49:41 4 had been more aggressively booking reserves than
05:49:45 5 Shell did.

05:49:52 6 Q Did Mr. Watts ever comment to you that
05:49:55 7 the acquisition of Enterprise served as a gap
05:50:00 8 filler with respect to Shell's proved reserves?

05:50:07 9 MR. MORSE: Objection to form.

05:50:12 10 THE WITNESS: We had discussions, and I
05:50:17 11 don't recall whether it would be Mr. Watts or
05:50:21 12 Walter or others, about strategically Shell's
05:50:26 13 portfolio having a lot of assets three, four, five
05:50:29 14 years away from production and the Enterprise
05:50:33 15 filled the gap in that in terms of production and
05:50:37 16 reserves, yes, but I don't recall if it was Sir
05:50:39 17 Philip or others, but it was certainly part of the
05:50:42 18 discussion.

05:50:53 19 BY MR. MACFALL:

05:50:53 20 Q Do you recall if the market perceived --
05:51:00 21 withdrawn. Did you receive feedback from the
05:51:02 22 market indicating that analysts believed that
05:51:08 23 Enterprise was acquired in order to improve
05:51:12 24 Shell's proved reserves position?

05:51:15 25 MR. SMITH: Objection to form.

1 SIMON HENRY, October 16th, 2006

05:51:22 2 THE WITNESS: We had a lot of feedback
05:51:24 3 from the market, some of it good, some of it not
05:51:30 4 so good. One of the things that would have been
05:51:32 5 said is this was done to help address a low Proved
05:51:41 6 Reserve Replacement Ratio, because by then we --
05:51:43 7 this was two months after we had given figures for
05:51:46 8 2001, and this was -- that was the year I think we
05:51:50 9 already discussed with a relatively low
05:51:54 10 replacement ratio. So analysts would observe,
05:51:58 11 it's added production, helps growth, it's added
05:52:01 12 reserves, helped replacement ratio, and questions
05:52:04 13 were mainly about had Shell paid too much for
05:52:09 14 something that had, in their view, limited
05:52:11 15 long-term strategic growth opportunities. That
05:52:14 16 was their main concern.

05:52:16 17 BY MR. MACFALL:

05:52:16 18 Q Do you recall if there was any
05:52:18 19 discussion with analysts or investors concerning
05:52:22 20 the UFDC for Enterprise versus the UFDC for Shell?

05:52:35 21 A No, I don't recall explicitly.

05:52:57 22 MR. MACFALL: Why don't we go off the
05:52:59 23 record for a minute, please.

05:53:02 24 THE VIDEOGRAPHER: We are going off the
05:53:03 25 record. The time is 5:53 p.m.

1 SIMON HENRY, October 16th, 2006

05:56:14 2 (Whereupon, a short recess was taken.)

05:56:43 3 THE VIDEOGRAPHER: We are back on the
05:56:43 4 record. The time is 5:57 p.m.

05:56:49 5 MR. MACFALL: I will note for the record
05:56:51 6 that discussion having been had by and between
05:56:54 7 counsel off the record, that we have decided to
05:56:56 8 adjourn the deposition for today, to recommence
05:57:01 9 tomorrow at 9:45 a.m.

05:57:05 10 THE VIDEOGRAPHER: This marks the end of
05:57:05 11 Volume I in the deposition of Mr. Henry. The
05:57:08 12 total number of tapes used today is three. We are
05:57:10 13 going off the record. The time is 5:57 p.m.

06:00:20 14 (Signature having not been waived,
06:00:20 15 Volume I of the videotaped deposition of SIMON
06:00:20 16 HENRY was recessed at 5:57 p.m., to recommence at
06:00:20 17 9:45 a.m. the following day.)

1 SIMON HENRY, October 16th, 2006

2
3
4 ACKNOWLEDGEMENT OF WITNESS

5
6 I, SIMON HENRY, do hereby acknowledge
7 that I have read and examined the foregoing
8 testimony, and the same is a true, correct and
9 complete transcription of the testimony given by
10 me, and any corrections appear on the attached
11 Errata sheet signed by me.
12
13
14

15 _____
(DATE)

(SIGNATURE)

ERRATA SHEET

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(SIGNATURE)

Page 235

SIMON HENRY, October 16th, 2006

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IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

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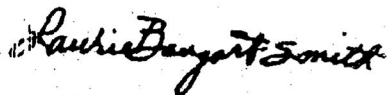
1 SIMON HENRY, October 16th, 2006

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4 CERTIFICATE OF SHORTHAND REPORTER -- NOTARY PUBLIC

5 I, Laurie Bangart-Smith, Registered
6 Professional Reporter, the officer before whom the
7 foregoing deposition was taken, do hereby certify
8 that the foregoing transcript is a true and
9 correct record of the testimony given; that said
10 testimony was taken by me stenographically and
11 thereafter reduced to typewriting under my
12 supervision; and that I am neither counsel for,
13 related to, nor employed by any of the parties to
14 this case and have no interest, financial or
15 otherwise, in its outcome.

16 IN WITNESS WHEREOF, I have hereunto set
17 my hand and affixed my notarial seal this 17th
18 day of October, 2006.

19 My commission expires: March 14th, 2011

20 

21 LAURIE BANGART-SMITH
22 NOTARY PUBLIC IN AND FOR
23 THE DISTRICT OF COLUMBIA
24
25