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1  
2 IN THE UNITED STATES DISTRICT COURT  
3 FOR THE DISTRICT OF NEW JERSEY  
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6 )  
7 IN RE ROYAL DUTCH/SHELL ) Civil Action  
TRANSPORT SECURITIES ) No. 04-374 (JAP)  
8 LITIGATION ) (Consolidated Cases)  
9 \_\_\_\_\_) Hon. Joel A. Pisano  
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12 VIDEOTAPED DEPOSITION OF  
13 GORDON PARRY  
14 Washington, D.C.  
15 Tuesday, September 12, 2006  
16 9:53 a.m.  
17  
18  
19  
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22  
23

24 Job No.: 22-84914

Pages 1 through 205

25 Reported by: John L. Harmonson, RPR

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4 Videotaped Deposition of  
5 GORDON PARRY  
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8 Held at the offices of:

9 LeBOEUF, LAMB, GREENE & MACRAE, LLP  
10 1875 Connecticut Avenue, N.W.  
11 Suite 1200

12 Washington, D.C. 20009

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Taken pursuant to the Federal Rules of Civil  
Procedure, by notice, before John L. Harmonson,  
Registered Professional Reporter, Notary Public in and  
for the District of Columbia, who officiated in  
administering the oath to the witness.

0003

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STEVEN J. PEITLER, Investigator  
Bernstein, Liebhard & Lifshitz, LLP

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0008

1 GORDON PARRY 8

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

3 THE VIDEOGRAPHER: Here begins Tape

4 No. 1 in the deposition of Gordon Parry, in the

5 matter of Royal Dutch/Shell Transport Securities

6 Litigation, in the United States District Court,

7 District of New Jersey, Civil Action No. 04-374.

8 Today's date is September 12, 2006.

9 The time is 9:54 a.m.

10 This video deposition is taking place

11 at 1875 Connecticut Avenue, Northwest, Washington,

12 D.C.

13 The video operator today is Cali Day of

14 LegaLink New York.

15 Would counsel please identify

16 themselves and state whom they represent.

17 MR. MILLKEY: My name is Mark Millkey.

18 I'm with Bernstein, Liebhard & Lifshitz, and we

19 represent the lead plaintiff in the class.

20 MS. SMITH: Dana Statsky Smith for the

21 plaintiff.

22 MR. PEITLER: Steve Peitler for the

23 plaintiff.

24 MS. LIEBERMAN: Sharan Lieberman with

25 Mayer, Brown, Rowe & Maw for Sir Philip Watts.

0009

1 GORDON PARRY 9

2 MR. MORSE: Adriaen Morse, Mayer,

3 Brown, Rowe & Maw for Sir Philip Watts.

4 MS. BRAMBLE: Jocelyn Bramble, LeBoeuf

5 Lamb, for the company and the witness.

6 MR. WEED: Earl Weed, in-house for

7 Shell.

8 MR. SMITH: Colby Smith from Debevoise

9 & Plimpton representing Royal Dutch and Shell

10 Transport and the witness.

11 MR. FOUKAS: Savvas Foukas, Hughes,

12 Hubbard & Reed, for PricewaterhouseCoopers, LLP.

13 MR. CORSON: Nicholas Corson, Hogan &

14 Hartson, for KPMG Accountants NV.

15 MR. LUDWIG: Brett Ludwig, Foley &  
16 Lardner, for Judith Boynton.

17 MR. FERRARA: I'm Ralph Ferrara with  
18 LeBoeuf Lamb for the corporate defendants Royal  
19 Dutch and Shell Transport, and for the witness,  
20 Gordon Parry.

21 THE VIDEOGRAPHER: The court reporter  
22 today is John Harmonson of LegaLink New York.  
23 Would the reporter please swear in the witness.

24 \* \* \*

25

0010

1 GORDON PARRY 10

2 GORDON PARRY,

3 after having been first duly sworn, was examined  
4 and did testify under oath as follows:

5 THE VIDEOGRAPHER: You may begin.

6 EXAMINATION BY COUNSEL FOR PLAINTIFFS  
7 BY MR. MILLKEY:

8 Q. Good morning, Mr. Parry. I'm here with  
9 my colleague Dana Smith. As I just said, we  
10 represent the lead plaintiff in this securities  
11 class action against Royal Dutch Petroleum  
12 Company, Shell Transport and Trading, Sir Philip  
13 Watts and Judith Boynton.

14 Just a definitional matter at the  
15 beginning. When I use the term "Shell" today,  
16 I'll be using it broadly to mean both Royal Dutch  
17 and Shell Transport. I understand today they're a  
18 single company, but at the time of the events of  
19 this lawsuit they were two separate companies.  
20 I'll also be referring to the operating companies  
21 and service companies in which Royal Dutch and  
22 Shell Transport have an interest. Do you  
23 understand?

24 A. I do.

25 Q. Great.

0011

1 GORDON PARRY 11

2 Have you ever had your deposition taken  
3 before, sir?

4 A. Yes, once.

5 Q. And that was during the SEC's  
6 investigation?

7 A. That's correct.

8 Q. The ground rules today are going to be  
9 identical with the ground rules back then. I'm  
10 going to try to ask very clear questions. If  
11 they're not clear, if you don't understand them,  
12 if you think they're ambiguous, just let me know  
13 and I'm happy to rephrase it.

14 I'll try my best not to talk over you,  
15 and if you could just wait until I'm done with the  
16 question before you answer, that will make the  
17 court reporter's life a little bit easier, which  
18 will be hard enough with the technical terms and  
19 the Dutch names. And I think that's really about  
20 it.

21 (Off-the-record discussion.)

22 BY MR. MILLKEY:

23 Q. Please state your name and address,  
24 sir.

25 A. Gordon Raymond Parry. And my current  
0012

1 GORDON PARRY 12  
2 address is Pembridge, Lynx Hill, East Horsley in  
3 the UK.

4 THE COURT REPORTER: I'm sorry, I can't  
5 hear you, sir.

6 THE WITNESS: My name is Gordon Parry.  
7 My current address, the name of the house is  
8 Pembridge in Lynx Hill, spelled L-y-n-x, in East  
9 Horsley, Surrey, UK.

10 BY MR. MILLKEY:

11 Q. We appreciate your appearing here today  
12 and coming from such a great distance to be here.

13 Am I correct, sir, that you attended  
14 university?

15 A. That's correct.

16 Q. And did you graduate?

17 A. I did indeed.

18 Q. What degree did you receive?

19 A. I received a Bachelor of Science and  
20 honors degree in geology from Liverpool  
21 University, and a Ph.D. in geophysics from



22 Birmingham University.

23 THE COURT REPORTER: I'm sorry, can you  
24 speak up, sir? With your accent and your low  
25 voice, I'm having a struggle.

0013

1 GORDON PARRY 13

2 THE WITNESS: Where do you want me to  
3 start?

4 THE COURT REPORTER: You received your  
5 degree in geology in Liverpool?

6 THE WITNESS: Yes. And I received a  
7 Ph.D. in geophysics from Birmingham University in  
8 UK.

9 BY MR. MILLKEY:

10 Q. And what year did you receive your  
11 Ph.D.?

12 A. 1971.

13 Q. After you received your Ph.D., did you  
14 begin your career?

15 A. I did.

16 Q. And what was your first job?

17 A. I joined Royal Dutch Shell in The Hague  
18 in the Netherlands and embarked on a training  
19 course, and my first job was an operational  
20 geophysicist on board a seismic survey vessel.

21 Q. Did you spend your entire career with  
22 Royal Dutch Shell?

23 A. I did.

24 Q. Are you currently employed?

25 A. I'm retired.

0014

1 GORDON PARRY 14

2 Q. And what year did you retire?

3 A. 2004.

4 Q. At the time you retired, which Shell  
5 entity were you working for?

6 A. I was working for Shell EP  
7 International in the Netherlands.

8 Q. What was your position at that time?

9 A. I was regional business advisor for  
10 South Asia and general manager for Shell Pakistan.

11 Q. When did you begin that position?

12 A. I don't remember the precise date. The

13 end of 2002, beginning of 2003, in that order.

14 Q. And before you held that position, what  
15 position did you hold?

16 A. I was the regional business advisor for  
17 sub-Saharan Africa.

18 Q. I think that's going to be the position  
19 that we're going to be speaking about mainly  
20 today. The lawsuit relates to the period 1998  
21 through 2004. Today we're mainly going to be  
22 speaking about 2000 and maybe the beginning  
23 of 2001.

24 Ordinarily, I would go through each  
25 position you've held at Shell, but over a 35-year  
0015

1 GORDON PARRY 15  
2 career, that might take a little bit of time, so  
3 we might revisit that at the end. Before we talk  
4 about that 2000-2001 period, what position did you  
5 hold before that?

6 A. I was general -- general manager of a  
7 Shell company in Kazakhstan called Shell Temir. I  
8 held that position for one year, and prior to that  
9 I was general manager of Shell Exploration in  
10 Romania, in Bucharest.

11 Q. Okay. Do you hold any professional  
12 licenses?

13 A. Can you explain what that means?

14 Q. Well, for example, I mean, I don't know  
15 if there are any professional licenses. For  
16 example, if there is a license you had to get with  
17 the Society of Petroleum Engineers or something  
18 like that.

19 A. No.

20 Q. Do you belong to any professional  
21 organizations?

22 A. Yes.

23 Q. And what are those?

24 A. The Petroleum Exploration Society of  
25 Great Britain, and the EAGE [sic], European  
0016

1 GORDON PARRY 16  
2 Association of Exploration Geoscientists.

3 Q. Have you ever held a leadership

4 position in those organizations?

5 A. No.

6 Q. What does a regional business advisor  
7 do?

8 A. The regional business advisor position  
9 was responsible for generating new activity, new  
10 exploration activity, and also possible  
11 divestments of existing activities. We were also  
12 involved in the governments of various Shell  
13 entities within our areas. So, for instance, in  
14 sub-Saharan Africa, I was looking after various  
15 exploration ventures including Namibia, Angola,  
16 Congo, Ivory Coast, ventures that were purely  
17 exploration, not production.

18 Q. When you were the regional business  
19 advisor for sub-Saharan Africa, to whom did you  
20 report?

21 A. Heinz Rothermund.

22 Q. What was his position?

23 A. He was regional business director for  
24 sub-Saharan Africa.

25 Q. Where was your office at that time?

0017

1 GORDON PARRY 17

2 And "at that time," I'm referring to 2000,  
3 early 2001.

4 A. In The Hague.

5 Q. And Mr. Rothermund, where was his  
6 office?

7 A. Also in the same building in The Hague.

8 Q. Who did Mr. Rothermund report to?

9 A. Phil Watts.

10 Q. And Phil Watts' position at that time  
11 was what?

12 A. That position, he was the EP chief  
13 executive.

14 Q. Now, did you have anyone reporting to  
15 you?

16 A. Not directly.

17 Q. When you say "not directly," can you  
18 explain what you mean?

19 A. The regional business advisors didn't  
20 have an executive role, so we had no staff

21 reporting to us, no direct reports.

22 Q. Got it.

23 Now, when you say you were an advisor,  
24 on what subjects or issues were you giving advice?

25 A. All aspects of the venture, including

0018

1 GORDON PARRY 18

2 the program, the ongoing program and the program  
3 of subsequent years, and feeding that information  
4 into the corporate database in The Hague to  
5 consolidate it for upper management.

6 Q. Is it fair to say you were a liaison  
7 between upper management and the operating units  
8 in sub-Saharan Africa for which you were  
9 responsible?

10 A. That is a fair statement.

11 Q. Now, you were part of EPG at that  
12 point?

13 A. That's correct.

14 Q. EPG stands for what?

15 A. EP, Exploration and Production, and the  
16 "G" stood for Gondwanaland, which is a geological  
17 expression which describes expresses how the  
18 continents looked millions of years ago when  
19 Africa and South America were joined.

20 Q. You just solved one of life's little  
21 mysteries. Thank you.

22 Now, one of the companies you were  
23 responsible for was Angola, correct?

24 A. That is correct.

25 Q. Did you ever travel to the countries

0019

1 GORDON PARRY 19

2 that were -- that you were responsible for giving  
3 advice to?

4 A. I did.

5 Q. Did you ever make trips to Angola?

6 A. I did.

7 Q. How many business advisors were there,  
8 regional business advisors, within EPG?

9 A. At any one time, there would have been  
10 eight or nine, to my recollection.

11 Q. How many of those work for Africa? Am

12 I correct that certain were also for South  
13 America?

14 A. South America.

15 Q. How many advisors were there for  
16 Africa?

17 A. I would say two -- two or three for  
18 South America, and the remainder for Africa.

19 Q. Were all of the regional business  
20 advisors in the same location in The Hague?

21 A. Yes.

22 Q. Did the regional business advisors have  
23 regular meetings?

24 A. Yes.

25 Q. What kinds of topics were discussed at  
0020

1 GORDON PARRY 20  
2 the meetings of the regional business advisors?

3 A. Quite a world agenda from operational  
4 issues, particular problems in individual  
5 countries, through to more general issues of a  
6 corporate nature. When it came to the  
7 consolidation of the programs of companies  
8 globally, to prepare a budget, a global budget.

9 Q. At that time, who was the regional  
10 business advisor for Nigeria?

11 MR. SMITH: Just to be clear, 2000  
12 still?

13 MR. MILLKEY: 2000, right.

14 THE WITNESS: To my recollection, it  
15 was Kieron McFadyon. But he was replaced by Keith  
16 Lewis at a certain point. I don't remember  
17 exactly the date.

18 BY MR. MILLKEY:

19 Q. I meant to ask you, after your  
20 retirement, did you do any consulting work, for  
21 Shell or for anyone else?

22 A. I have done some consulting work since  
23 retirement, yes.

24 Q. Who have you done consulting work for?

25 A. I did consulting work for Shell  
0021

1 GORDON PARRY 21  
2 Venezuela, and also for a small Canadian company

3 called Elco Energy.

4 Q. What was the nature of the project for  
5 Venezuela, Shell Venezuela?

6 A. Providing training in crisis  
7 management.

8 Q. Are you familiar with the term "proved  
9 reserves"?

10 A. I am.

11 Q. Did you have an understanding of that  
12 term as of, say, January 1, 2000?

13 A. Yes.

14 Q. What did you understand that term to  
15 mean?

16 A. I understood the term to mean that  
17 these would be reserves that could be produced,  
18 that were -- there was a high confidence that  
19 those reserves were in the ground.

20 Q. Did you understand there to be a  
21 difference between proved developed and proved  
22 undeveloped reserves?

23 A. Yes, I have an understanding, I think,  
24 of that.

25 Q. What, at that time, did you understand  
0022

1 GORDON PARRY 22

2 the difference to be?

3 A. Proved developed I would interpret as  
4 my previous explanation, reserves that you have a  
5 high level of confidence you can get out of the  
6 ground. And the second definition, less certain,  
7 still with a high degree of certainty but possibly  
8 needing extra penetration, well penetration, to  
9 prove that they're there.

10 Q. What was the basis for your  
11 understanding at that time?

12 A. I'm certainly not an expert in this,  
13 and I regularly deferred to the resident experts  
14 we had in the office, and through my discussions  
15 with them, I became familiar with these terms.

16 Q. Was it your understanding that Shell  
17 was under an obligation to determine which of its  
18 reserves were proved?

19 A. We had an annual assessment of reserves

20 throughout E&P based on the previous year's work,  
21 and we had two gentlemen, Anton Barendregt and  
22 Remco Aalbers, who were the incumbents at the  
23 time.

24 THE COURT REPORTER: I'm sorry, I can't  
25 hear the names.

0023

1 GORDON PARRY 23

2 THE WITNESS: Anton Barendregt and  
3 Remco Aalbers. And in consultation with them, we  
4 would decide where we had sufficient confidence to  
5 book reserves into various categories.

6 BY MR. MILLKEY:

7 Q. Now, did you personally have any  
8 responsibility for determining whether reserves  
9 could be considered proved?

10 A. That was not my remit at all.

11 Q. What did you understand the  
12 prerequisites to be for reserves to be considered  
13 proved?

14 MR. SMITH: Objection to form.

15 BY MR. MILLKEY:

16 Q. If you had an understanding.

17 A. If we had an oil discovery that had  
18 produced oil and subsurface information that gave  
19 us a high degree of confidence that it was a  
20 simple trap, this would be, in my estimation,  
21 proven reserves.

22 Q. From the time oil or gas was discovered  
23 in the ground, was there a process -- a typical  
24 process that occurred before the reserves could be  
25 considered to be proved?

0024

1 GORDON PARRY 24

2 A. What do you mean by "process"?

3 Q. Well, the drilling of wells, for  
4 example.

5 A. Yes. The first thing, of course, you  
6 have to do is drill a well to find oil. And then  
7 you have to make a considered judgment on the  
8 basis of the technical information you have what  
9 the size of the accumulation is. And in many  
10 instances, your level of confidence may not be



11 high because of geological complexity, and before  
12 even thinking about reserves, you may wish to do  
13 additional work, additional technical work.

14 Q. At any time, did your understanding of  
15 the term "proved reserves" change after  
16 January 1, 2000?

17 A. Not to my recollection.

18 Q. During your employment with Shell, were  
19 you aware of something known as the Shell Group  
20 Guidelines? I believe the formal name was  
21 "Petroleum Resource Volume Guidelines, Resource  
22 Classification, and Value Realization."

23 A. I was aware of the document, but I was  
24 not custodian of it. That was for the two  
25 gentlemen that I mentioned before.

0025

1 GORDON PARRY 25

2 Q. Mr. Aalbers and Mr. Barendregt?

3 A. Correct.

4 Q. What was your understanding of what  
5 that document was in 2000?

6 A. My understanding was it was a guideline  
7 for the booking of the various categories of  
8 reserves. But as I mentioned before, we always  
9 referred to our in-house experts to help us  
10 determine what could and could not be booked in  
11 the various categories.

12 Q. Did you ever personally read the  
13 guidelines?

14 A. I didn't read it from cover to cover,  
15 but I did refer to it from time to time just to  
16 get an insight, because that was not really a  
17 fundamental part of my job.

18 Q. Were the guidelines available to you to  
19 read?

20 A. They were available to read, yes.

21 Q. Did Shell post the guidelines on an  
22 internal website, for example, as far as you know?

23 A. Not to my recollection. I never  
24 referred to it on the web.

25 Q. Would they be available in -- Well, if

0026

1 GORDON PARRY 26



2 you had wanted to read them at the time, where  
3 would you have found the guidelines?

4 A. In the office of Mr. Aalbers.

5 Q. Where was Mr. Aalbers' office?

6 A. One floor mine.

7 THE COURT REPORTER: I'm sorry?

8 THE WITNESS: In the same building, one  
9 floor below mine, or two floors below, sorry.

10 BY MR. MILLKEY:

11 Q. Where was Mr. Barendregt's office? Was  
12 he in the same building?

13 A. I don't recall. He usually came to us.

14 Q. Do you know whether there were copies  
15 of the guidelines at the various operating units  
16 within Shell. For example, Shell Angola, would  
17 they have had a copy of the guidelines, if you  
18 know?

19 MR. SMITH: Objection to form.

20 You can answer.

21 THE WITNESS: I don't know. I never  
22 saw it there. If they wished to have it, I --

23 BY MR. MILLKEY:

24 Q. Do you know if at any point in time the  
25 guidelines were amended, say after 1998?

0027

1 GORDON PARRY 27

2 A. I would not know that.

3 Q. While you were an employee at Shell,  
4 did you ever have any training with regard to the  
5 guidelines?

6 A. No.

7 Q. During your employment with Shell, were  
8 you aware that the SEC -- and by "SEC," I'm  
9 referring to the United States Securities &  
10 Exchange Commission. During your employment at  
11 Shell, were you aware that the SEC had a rule  
12 concerning the booking of reserves as proved?

13 A. Had a rule?

14 Q. A rule.

15 A. I was not aware.

16 Q. As you sit here today, were you aware  
17 there was an SEC rule regarding proved reserves?

18 A. In hindsight. Now I know.

19 Q. Okay. But at the time, you did not --  
20 you were not aware of the rule in 2000?

21 A. I was not exposed to that.

22 Q. I take it from your answer, then, you  
23 would have no -- you would not have known the  
24 relationship between the guidelines and the SEC  
25 rule to which I just referred, which is Rule 410?

0028

1 GORDON PARRY 28

2 A. No knowledge.

3 Q. So you don't know whether the Shell  
4 guidelines specifically refer to the rule?

5 A. I was not aware of that.

6 Q. Given your answers to the last  
7 questions, I think I know what you're going to say  
8 to this, but let me ask anyway. Are you aware  
9 that since the SEC adopted this rule, Rule 410,  
10 that the SEC staff issued guidance regarding the  
11 rule?

12 A. I'm not aware of any activity of the  
13 SEC.

14 Q. Okay. Did there come a time in 2000  
15 when you became aware that Shell was having  
16 difficulty with reserves replacement?

17 MR. SMITH: Objection to form.

18 THE WITNESS: I became aware of a  
19 possible problem when we were -- when we as a  
20 team, EPG, were informed by Mr. Rothermund that a  
21 problem had arisen.

22 BY MR. MILLKEY:

23 Q. He informed you at one of the EPG  
24 meetings you described earlier?

25 A. Yes.

0029

1 GORDON PARRY 29

2 Q. Do you recall when this meeting  
3 occurred?

4 A. I don't recall precisely the date, no.

5 Q. Do you recall approximately the month?  
6 Or let's start off with this. Did this meeting  
7 occur in 2000?

8 A. I would say it must have been in 2000,  
9 but I would not like to guess.

10 Q. What did Mr. Rothermund inform you at  
11 the meeting?

12 A. It was an issue concerning a shortfall  
13 in reserves reported by Nigeria that was going  
14 to -- I recall some 300 million barrels of proven  
15 reserves were not going to be available. So this  
16 was a cause for concern.

17 Q. It's my understanding that Shell has a  
18 couple of companies in Nigeria, maybe more than a  
19 couple. I'm aware of SPDC and also SNEPCO. Do  
20 you recall whether this shortfall was associated  
21 with one of those companies?

22 A. I can't remember exactly.

23 Q. Do you recall whether the shortfall was  
24 with regard to deepwater reserves or onshore  
25 reserves?

0030

1 GORDON PARRY 30

2 A. I can't remember, to be sure. I can't  
3 remember.

4 Q. But it's your recollection that the  
5 shortfall was approximately 300 million barrels?

6 A. Yes, and it was Nigeria.

7 Q. Did anyone at the meeting have a  
8 suggestion -- Let me start over.

9 Was Mr. Rothermund asking for the  
10 assistance of the advisors at the meeting with  
11 respect to this shortfall, or was he seeking  
12 advice about what to do about the shortfall?

13 MR. SMITH: Objection to form.

14 THE WITNESS: It was discussed at the  
15 meeting, and as this was a scorecard issue,  
16 suggestions were sought on how to resolve the  
17 problem. And at that point we were starting to  
18 have success in Angola, and I made the remark that  
19 if things -- if events turned out favorably in  
20 Angola, then there may be a possibility -- I put  
21 caveats to it -- that there may be a possibility  
22 to book reserves from Angola.

23 BY MR. MILLKEY:

24 Q. Now, you used the word "scorecard."  
25 What specifically were you referring to there?

0031

1 GORDON PARRY 31

2 A. Well, every operating company, or every  
3 business unit in Shell had a scorecard with  
4 performance indicators covering a broad range of  
5 business activity. Shell was becoming a very  
6 business performance driven company.

7 Q. And did you say that there was a  
8 scorecard issue that came up at that meeting?

9 A. Because the shortfall would affect  
10 Nigeria's scorecard.

11 Q. So was it your understanding that the  
12 300 million barrel shortfall was actually on the  
13 Nigeria scorecard?

14 A. That is correct.

15 Q. Now, is it only operating units that  
16 have scorecards? In other words -- Let me  
17 rephrase it. Do individuals at Shell also have  
18 scorecards?

19 A. Yes.

20 Q. And do regions have scorecards? For  
21 example, did EPG have a scorecard?

22 A. Yes, it did.

23 Q. So you personally had a scorecard?

24 A. I did.

25 Q. Was it an actual piece of paper?

0032

1 GORDON PARRY 32

2 A. Yes.

3 Q. To the best of your recollection, tell  
4 me everything about your scorecard for the  
5 year 2000. There were a series of parameters on  
6 the scorecard; is that correct?

7 A. You try to define the activities that  
8 you are going to be involved in in the forthcoming  
9 year. For instance, if you're trying to divest a  
10 particular asset, you would say, "During year X, I  
11 will divest that asset." Or "I will attempt to  
12 acquire additional acreage in Country Y." This  
13 type of thing. And there were also parameters  
14 that dealt with safety and various other important  
15 parts of the business.

16 Q. So did you, in effect, write your own  
17 scorecard?

18 A. We basically designed our program for  
19 the forthcoming year for discussion with our  
20 bosses at the annual staff discussions.

21 Q. Now, was the booking of proved reserves  
22 ever a parameter on a scorecard, whether it's an  
23 individual scorecard or you being an operating  
24 unit scorecard?

25 A. It could appear on operating unit  
0033

1 GORDON PARRY 33  
2 scorecards, as it did in Nigeria.

3 Q. But that wouldn't appear on your  
4 individual scorecard; is that correct?

5 A. No. That's correct.

6 Q. Would it appear on an individual's  
7 scorecard of someone who is actually in the  
8 operating unit?

9 MR. SMITH: Objection to form.

10 MR. MILLKEY: Well, let me rephrase  
11 that.

12 BY MR. MILLKEY:

13 Q. I take it operating units sometimes had  
14 a level of proved reserves as a goal on their  
15 scorecard for the year. Is that correct?

16 A. Yes.

17 Q. Would that parameter also be on the  
18 scorecard of the individuals within that operating  
19 unit?

20 MR. SMITH: Objection to form.

21 THE WITNESS: Not to my knowledge.  
22 I've not worked in such an operating unit in the  
23 days when scorecards became the norm.

24 BY MR. MILLKEY:

25 Q. Getting back to individual scorecards,  
0034

1 GORDON PARRY 34  
2 am I correct that you essentially set your own  
3 goals for the scorecard?

4 A. Yes. You basically made a work plan of  
5 what you were going to hopefully achieve in the  
6 forthcoming year, and that would be discussed with  
7 your supervisor.

8 Q. So you would discuss those goals or

9 whatever for the forthcoming year with your  
10 supervisor, and then the scorecard would be  
11 finalized for the coming year. Is that the way it  
12 worked?

13 A. That's right.

14 Q. Okay. When did you -- when were  
15 scorecards finalized for the coming year? What  
16 time of year?

17 MR. SMITH: Are we still talking about  
18 individual scorecards?

19 MR. MILLKEY: We'll talk about  
20 individual scorecards.

21 THE WITNESS: In the first quarter.

22 BY MR. MILLKEY:

23 Q. What was the -- Again, with respect to  
24 individual scorecards, was there a process for  
25 evaluating your scorecard at the end of the year?

0035

1 GORDON PARRY 35

2 A. Yes.

3 Q. What was that process?

4 A. The details are fading, but there was a  
5 numerical aspect to it where you could position  
6 yourself on a bar with a target number, a low and  
7 a high, and you could target -- you could position  
8 yourself on that bar for the various parameters  
9 and then crunch the numbers and you would come up  
10 with a score. I mean, it was a fairly sort of  
11 crude method, but it was rather effective, and it  
12 did allow you to position your performance.

13 Q. Effective in what sense?

14 A. Well, it's a very subjective subject on  
15 assessing somebody's performance and converting it  
16 into a score. It was -- it was just one way of  
17 doing it. There are probably many more, but it  
18 was just one way of coming to an answer.

19 Q. Who would evaluate your personal  
20 scorecard when you were in EPG?

21 A. Heinz Rothermund.

22 THE COURT REPORTER: I'm sorry, who?

23 THE WITNESS: Heinz Rothermund. Do you  
24 want me to spell it?

25 THE COURT REPORTER: If you could.

0036

1 GORDON PARRY 36

2 THE WITNESS: Heinz, H-e-i-n-z,  
3 Rothermund is R-o-t-h-e-r-m-u-n-d.

4 BY MR. MILLKEY:

5 Q. Did your scorecard affect your  
6 compensation? Did your performance on your  
7 scorecard affect your compensation in any way?

8 A. Yes.

9 Q. Can you -- How did it affect your  
10 compensation?

11 A. There was a bonus element to salary.  
12 You had a fixed salary, and you could get a bonus  
13 if you achieved a good mark on the scorecard. But  
14 having said that, the size of the bonus was  
15 minuscule. It was not a driver.

16 Q. If did you poorly on your scorecard,  
17 could it decrease your base compensation?

18 A. No.

19 Q. Okay. Looking at -- turning to  
20 operating unit scorecards, were -- were individual  
21 scorecards and operating unit scorecards related  
22 in any way? For example, you know, could the  
23 performance of your operating unit affect your  
24 individual scorecard evaluation?

25 MR. SMITH: Objection to form.

0037

1 GORDON PARRY 37

2 THE WITNESS: If an operating company  
3 performed well, by implication we would be judged  
4 to have managed it well.

5 BY MR. MILLKEY:

6 Q. Who set the parameters or criteria in  
7 operating unit scorecards each year?

8 A. The management of the operating units  
9 in consultation with the regional business  
10 directorate.

11 Q. One possible parameter on an operating  
12 unit scorecard, again, is a goal for proved  
13 reserves, correct? Who set the goal for the  
14 operating unit?

15 A. The management of the operating unit.

16 Q. When there was a goal in a scorecard



17 for proved reserves, how is that expressed? As a  
18 number? Or a range? Or a percentage?

19 A. A range.

20 Q. A range of, say, barrels of oil or --

21 A. A range of barrels of oil.

22 Q. Okay. So if an operating unit included  
23 a proved reserves goal in its scorecard, is it  
24 reasonable to infer that the operating unit  
25 believed it could achieve that goal for that year?

0038

1 GORDON PARRY 38

2 A. Yes. They wouldn't put it there if  
3 they didn't think they could achieve it.

4 Q. I assume if they set a goal that was  
5 too high and they didn't meet it, that would in  
6 some way negatively impact their scorecard  
7 performance evaluation.

8 A. If they didn't achieve the goal of the  
9 scorecard, as I explained before, it would knock  
10 it on the lower side, yes. But it would be  
11 possibly taken up by more positive marks on other  
12 parameters, so the overcall score could still --  
13 could still be okay. It was just one of a number  
14 of parameters.

15 Q. If an operating unit believed that it  
16 could achieve a certain proved reserve goal, was  
17 it in that operating unit's best interest to  
18 include that on its scorecard?

19 MR. SMITH: Objection to form.

20 THE WITNESS: An operating unit  
21 wouldn't put it on a scorecard unless they already  
22 made a discovery which they were going to invest  
23 more funds in to take forward.

24 BY MR. MILLKEY:

25 Q. But if they believed they could do that

0039

1 GORDON PARRY 39

2 and potentially book reserves, in the ordinary  
3 course, would they include that on their  
4 scorecard?

5 MR. SMITH: Objection to form.

6 THE WITNESS: They would only put  
7 reserves on a scorecard if -- if the business was



8 confident that it was worth investing in. Making  
9 a discovery doesn't always mean that you've got a  
10 viable business lying ahead. There are a lot of  
11 other parameters to consider. But if at a certain  
12 point the analysis shows that the project is worth  
13 pursuing and funds are forthcoming to further  
14 develop it, then you could put as a business goal  
15 a target for recording reserves.

16 BY MR. MILLKEY:

17 Q. Was there a process for evaluating the  
18 performance of individual operating units?

19 A. Yes.

20 Q. What was that process?

21 A. The annual program discussion, which  
22 was held in the location of the operating unit or,  
23 in the case if the operating unit was based in the  
24 Netherlands, it would be held in the Netherlands,  
25 and this would be attended by the regional

0040

1 GORDON PARRY 40

2 business advisors; not only the business advisor  
3 such as myself, but also the regional finance  
4 advisor and also the business director.

5 Q. So you would have a meeting -- So your  
6 part of the scorecard performance process for the  
7 operating units?

8 A. Yes.

9 Q. Who set the parameters for the regional  
10 scorecards, for example, EPG's scorecard? How  
11 were those determined?

12 A. The parameters for all the business  
13 directorates tried to have the same model so that  
14 each region of the globe -- each operating unit in  
15 each region of the globe is measuring itself on  
16 the same parameters so that you could compare  
17 apples with apples. And this had been debated at  
18 sort of a high-ish level by the people who  
19 designed the scorecard. But each business  
20 directorate would, as would an operating unit, set  
21 its own targets at the beginning of the year. So  
22 in our case, we would debate it with Heinz  
23 Rothermund.

24 Q. If an operating unit had a scorecard

25 with a particular proved reserve goal and the

0041

1 GORDON PARRY 41

2 operating unit failed to achieve that goal, would  
3 that have any impact at the regional level in  
4 terms of compensation?

5 MR. SMITH: Objection to form.

6 THE WITNESS: As I mentioned before,  
7 the reserves parameter was one of several on a  
8 scorecard, and if that particular parameter didn't  
9 perform, it may be compensated by positive results  
10 on the other parameters. Because as you describe  
11 it as compensation, it's on the overall result,  
12 not on one parameter.

13 BY MR. MILLKEY:

14 Q. What is SDAN, S-D-A-N?

15 A. Shell Development Angola.

16 Q. That's Shell's operating unit in  
17 Angola?

18 A. Yes.

19 Q. Where was SDAN's headquarters in  
20 early 2000?

21 A. The head office of Shell -- Shell  
22 Angola was in Luanda, where the general manager  
23 was resident together with the finance manager.  
24 But the technical staff were based in Rijswijk in  
25 the Netherlands.

0042

1 GORDON PARRY 42

2 Q. Why was the technical staff in  
3 Rijswijk?

4 A. Several reasons. One, Angola is not a  
5 safe country, or wasn't a safe country to reside  
6 in at the time because there was a civil war  
7 raging. Communications were atrocious and it was  
8 difficult to get staff to go and live there. So  
9 it was felt prudent to have the office in Rijswijk  
10 where they were close to all the other technical  
11 assistance they could get within the Shell group.

12 Q. So in 2000, how many employees did SDAN  
13 have actually in Angola?

14 A. Three or four.

15 Q. And who are those individuals?

16 A. Peter Osborne was the general manager.

17 The finance manager, I'm afraid his  
18 name escapes me.

19 And there were a couple of local staff,  
20 one of whom was the liaison with Sonangol.

21 THE COURT REPORTER: With --

22 THE WITNESS: Sonangol, which is the  
23 state oil company of Angola. S-o-n-a-n-g-o-l.

24 BY MR. MILLKEY:

25 Q. And SDAN actually had technical staff

0043

1 GORDON PARRY 43

2 in --

3 A. In Rijswijk.

4 Q. Rijswijk.

5 A. Do you want me to spell that?

6 Q. Yes, you probably should.

7 A. R-i-j-s-w-i-j-k.

8 Q. How many technical employees did SDAN  
9 have in that location?

10 A. Three or four.

11 Q. Do you recall their names?

12 A. Robert Inglis, Grigore Simon, and then  
13 a lady called Liz Sturman arrived. There may be  
14 one other one that I don't recall.

15 Q. What did Mr. Inglis do?

16 A. Mr. Inglis was the senior petroleum  
17 engineer.

18 Q. What did Mr. Simon do?

19 A. He was in charge of exploration, but he  
20 was also very skillful with economics.

21 Q. And what did Ms. Sturman do?

22 A. She was an economist.

23 Q. Why did SDAN have an economist as an  
24 employee?

25 A. Because the business was potentially --

0044

1 GORDON PARRY 44

2 we were trying to grow the business. There were a  
3 lot of opportunities in the pipeline, and these  
4 opportunities needed to be evaluated. Their  
5 business pros and cons needed to be properly  
6 analyzed.

7 Q. Mr. Simon, you said, was an exploration  
8 expert? Is that correct?

9 A. Yes. He was a geologist by background.

10 Q. How did he do his job -- How does an  
11 exploration person do his job from a distant  
12 location?

13 A. If you're dealing with an offshore  
14 venture, it doesn't really matter where you do the  
15 work. It was very important to have a  
16 representative office in the country for liaison  
17 with the government and with Sonangol, especially  
18 as at that time there was a lot of interest in  
19 Angola. It was a hot place to be. And an  
20 important part of the general manager's job was to  
21 develop new business in the country.

22 Q. And the general manager, again, was  
23 Mr. Osborne, correct?

24 A. Yes.

25 Q. Did SDAN have employees -- any other  
0045

1 GORDON PARRY 45  
2 employees outside Angola, other than the ones  
3 you've mentioned?

4 A. No.

5 Q. Do you know whether the booking of  
6 proved reserves in Angola was on SDAN's scorecard  
7 for 2000?

8 A. As I recall, it wasn't. Because when  
9 the scorecard was developed, there was no  
10 indication that we would find a lot of oil there.

11 Q. Do you know what Block 18 refers to?

12 A. I do.

13 Q. What is that?

14 A. Block 18 is a deepwater offshore  
15 license, offshore Angola, in which Shell had a  
16 50 percent interest together with BP, who also had  
17 a 50 percent interest and were the operator.

18 Q. So BP was the operator of Block 18; is  
19 that correct?

20 A. That's correct.

21 Q. What was the allocation of  
22 responsibility between the two companies, Shell  
23 and BP, with respect to Block 18?

24 A. BP as operator were responsible for  
25 developing the resource in the block. And Shell  
0046

1 GORDON PARRY 46

2 had the choice to put in as little or as much  
3 effort as it wished, which is a normal situation  
4 in the industry.

5 Q. And in the case of Block 18, how much  
6 effort did Shell put in?

7 A. In the case of Block 18, Shell put in a  
8 lot of interest because it felt it had a lot of  
9 expertise in the type of geology that was involved  
10 there and could add a lot of value.

11 Q. Now, I take it the booking of proved  
12 reserves in Block 18 was not on SDAN's scorecard  
13 for 2000. Is that correct?

14 A. As I recall, that is the case.

15 Q. Now, did there come a time in 2000 when  
16 someone proposed that SDAN might be able to book  
17 proved reserves in connection with Block 18?

18 A. After the meeting I referred to earlier  
19 where I indicated to Heinz Rothermund that if we  
20 had further success in Block 18, there may be a  
21 possibility that reserves could be booked there.

22 Q. Did you mention a specific number that  
23 might be available for booking in Block 18?

24 A. Not at that precise moment, I don't  
25 think.

0047

1 GORDON PARRY 47

2 Q. At some point did a number -- was a  
3 number suggested?

4 A. Yes.

5 Q. What was that number?

6 A. As I recall, it was on the order of  
7 293 million barrels.

8 Q. How was that number arrived at?

9 A. This was a number that Shell Angola  
10 arrived at.

11 Q. Who in particular, if you recall?

12 A. Mr. Simon.

13 Q. Are you aware what work he undertook to  
14 arrive at that number?

15 A. He would have analyzed the geological  
16 information and the maps and calculated the  
17 numbers in the usual way.

18 Q. Is it fair to say that before the  
19 shortfall in proved reserves in Nigeria, there had  
20 been no plan to book proved reserves in Block 18?

21 A. That's right.

22 Q. Is it correct to say that but for the  
23 shortfall in proved reserves in Nigeria, there  
24 would have been no effort to book proved reserves  
25 in Block 18 in 2000?

0048

1 GORDON PARRY 48

2 A. We may have booked reserves in 2000, as  
3 the work was progressing at quite a fast rate.  
4 The drilling was proceeding quickly, and we were  
5 making a lot of discoveries. So very quickly, the  
6 focus was coming on to Angola. So in the natural  
7 course of events, that might have happened. But  
8 in view of the shortfall and the fact that I  
9 mentioned it as a possibility focused our minds to  
10 develop this possibility. And it dovetailed with  
11 our other business objectives in the country.

12 Q. But Block 18 -- but proved reserves in  
13 Block 18 were not on the scorecard, the SDAN  
14 scorecard for 2000, correct?

15 A. I believe that's the case.

16 Q. Was the process of drilling accelerated  
17 specifically because of the shortfall in Nigeria?

18 A. Not to my recollection. But the  
19 drilling schedule was in place. We didn't ask  
20 them to speed it up, if that's what you mean.

21 Q. At that time, were there any plans to  
22 abandon Block 18?

23 MR. SMITH: At what time?

24 MR. MILLKEY: In 2000.

25 THE WITNESS: During that period,

0049

1 GORDON PARRY 49

2 anything was possible. We were constantly  
3 reviewing our portfolio to see which ventures were  
4 deserving of capital allocation, and Angola was  
5 one of many countries that went through that

6 process.

7       However, we felt that in light of the  
8 continued success there and the possibility of  
9 increasing value to the company by staying in that  
10 block and getting further involved in other blocks  
11 in Angola, we had the foundation of a strong  
12 business there.

13 BY MR. MILLKEY:

14       Q. Do you recall whether in early 2000  
15 there was anyone who was advocating abandoning  
16 Block 18 within Shell?

17       A. I don't recall anybody.

18       Q. Do you recall that being a subject of  
19 debate --

20       A. Yes.

21       Q. -- during that time period?

22       A. Yes. But this was normal on an annual  
23 basis, because you had to fight for each -- each  
24 operating unit had to fight for capital allocation  
25 for the exploration dollars. And in view of the  
0050

1                   GORDON PARRY                   50  
2 overall global EP budget, Shell was not going to  
3 spend money on all of them, so there was a ranking  
4 list, and Angola was part of that process, as was  
5 Nigeria and many other countries.

6       Q. Do you recall in 2000 whether any wells  
7 had been drilled in Block 18?

8       A. Yes. I think we had already made two  
9 or three discoveries. I can't remember precisely  
10 how many, at what particular stage we were in in  
11 the drilling schedule at that time.

12       Q. Were those exploration wells?

13       A. Yes.

14       Q. At that juncture, had any appraisal  
15 wells been drilled?

16       A. Not to my recollection.

17       Q. What's the difference between an  
18 exploration well and an appraisal well?

19       A. An exploration well is the first well  
20 on a structure defined in the subsurface. An  
21 appraisal well is a second well which is drilled  
22 close to the discovery well to get a better feel



23 for how much hydrocarbon there is in the ground.

24 Q. At that time, did you believe the  
25 drilling of appraisal wells was necessary for the  
0051

1 GORDON PARRY 51

2 booking of proved reserves in a field?

3 A. It was certainly the topic of  
4 discussion, but this discussion would have taken  
5 place within Shell Angola. We in EPG didn't  
6 influence the work program as such. The Block 18  
7 was a -- Excuse me a moment.

8 Block 18 was a little unusual in that  
9 the geology was very complicated and it didn't  
10 have one big accumulation, simple accumulation.  
11 It was a number of small, laterally diverse  
12 accumulations. So there was always the debate  
13 whether to drill more exploration wells to prove  
14 up more oil, or to focus on one in particular.

15 Q. Okay. Do you remember approximately  
16 when Mr. Simon suggested the 293 number?

17 A. I don't remember precisely when.

18 Q. Would you say there was a sense of  
19 urgency -- After you had suggested the possibility  
20 of booking proved reserves in Angola and Mr. Simon  
21 came up with the 293 number, was there a sense of  
22 urgency that proved reserves should be booked in  
23 Angola in 2000?

24 MR. SMITH: Objection to form.

25 THE WITNESS: I think it presented us  
0052

1 GORDON PARRY 52

2 with a challenge to take the business forward. It  
3 acted as a catalyst to try to push the business  
4 forward in Angola, not only in Block 18 but also  
5 in the other opportunities that were available  
6 there. But it certainly provided a strong  
7 incentive to, if you will, increase the business  
8 performance.

9 BY MR. MILLKEY:

10 Q. Did Philip Watts become interested in  
11 the booking of proved reserves in Block 18?

12 A. He did.

13 Q. In what way?



14 A. The results -- the results of the  
15 meeting we had were conveyed to Mr. Watts, who  
16 responded to Mr. Rothermund that he was interested  
17 and supported taking it forward.

18 Q. Was it more than just expressing an  
19 interest? Did he, in effect, create a mandate  
20 that reserves should be booked, if possible, in  
21 Block 18?

22 A. I don't recall a precise mandate, but  
23 he made it clear that he would like to see it  
24 booked in 2000. And we took on that challenge  
25 because we saw it as an opportunity to develop

0053

1 GORDON PARRY 53  
2 Angola as a business. Block 18 was just part of  
3 it.

4 Q. Did Mr. Rothermund convey that urgency  
5 to SDAN?

6 MR. SMITH: Objection to form.

7 THE WITNESS: Mr. Rothermund made his  
8 position clear to myself.

9 BY MR. MILLKEY:

10 Q. And his position was?

11 A. That we should take it forward as a  
12 matter of urgency.

13 Q. And again, those reserves were  
14 considered important because of the shortfall in  
15 Nigeria?

16 A. That was one aspect of it. But my role  
17 as the regional business advisor was -- I was more  
18 interested in developing a business in Angola and  
19 booking reserves, for me, was a side show. I  
20 would -- I was keen to take the business forward  
21 and develop further opportunities there. And we  
22 saw this acceleration in Block 18 as one method of  
23 demonstrating our commitment to Angola.

24 Q. But is it fair to say that the  
25 precipitating factor -- that the factor that

0054

1 GORDON PARRY 54  
2 precipitated the interest in Block 18 was the  
3 shortfall in Nigeria?

4 A. It had a catalytic effect, yes. But

5 with the work that was ongoing, we might have come  
6 to that point anyway.

7 Q. Did you have any personal conversations  
8 with Philip Watts about Angola?

9 A. No.

10 MR. FERRARA: Mark, we've been on about  
11 75 minutes. At a convenient time, are we going to  
12 take a short break?

13 MR. MILLKEY: That's fine. Let's do it  
14 now.

15 THE VIDEOGRAPHER: We are going off the  
16 record. The time is 11:04 a.m.

17 (A recess was then taken.)

18 THE VIDEOGRAPHER: We are back on the  
19 record. The time is 11:22 a.m.

20 BY MR. MILLKEY:

21 Q. In attempting to find proved reserves  
22 to book in Angola, and specifically in Block 18,  
23 did you deem it important to know what your  
24 partner BP was doing in terms of proved reserves  
25 during that same period?

0055

1 GORDON PARRY 55

2 MR. SMITH: Object to the form of the  
3 question.

4 THE WITNESS: Shell Angola was working  
5 closely with BP throughout this period. Robert  
6 Inglis spent a large part of his time working with  
7 BP in their office in London. So there were  
8 regular reviews of each party's position.

9 BY MR. MILLKEY:

10 Q. And what was the nature of Mr. Inglis's  
11 work with BP at that time?

12 A. Largely supervisory, because he was in  
13 Holland and BP were in London. But he would visit  
14 them regularly to discuss progress.

15 Q. Do you know whether in early 2000, SDAN  
16 had a general awareness of what BP was doing with  
17 regard to booking proved reserves in Block 18?

18 A. I'm not -- as I was not party to the  
19 discussions between SDAN and BP, I don't know  
20 exactly what was discussed, but it wouldn't  
21 surprise me if they knew what each other's

22 positions were.

23 Q. Did you have any -- at any point did  
24 you learn whether BP intended to book reserves  
25 in -- proved reserves in Block 18 in 2000?

0056

1 GORDON PARRY 56

2 A. As I recall, I was informed that they  
3 probably would not, but BP had a completely  
4 different system to Shell.

5 Q. Do you know whether any efforts were  
6 made to encourage BP to book proved reserves in  
7 Block 18 in 2000?

8 A. I was not party to any discussion  
9 concerning that.

10 Q. Do you know whether -- Did you hear  
11 whether Robert Inglis was attempting to convince  
12 BP to book reserves in Block 18 in 2000?

13 A. I'm not aware that he raised that  
14 subject in particular with them.

15 Q. Do you know whether BP actually booked  
16 proved reserves in Block 18 in 2000?

17 A. I don't know for sure, but I -- I don't  
18 think so.

19 Q. Did SDAN -- If you know, did SDAN  
20 perceive it to be an impediment to Shell's booking  
21 reserves in Block 18 that BP was not going to  
22 in 2000?

23 A. I don't think that this was an issue.  
24 The main issue was that BP come up with a  
25 development plan to develop the oil. I mean, this

0057

1 GORDON PARRY 57

2 was the critical issue, and this is what Robert  
3 Inglis was pursuing with BP. The booking of  
4 reserves was part of the process, but it wasn't  
5 the main driver. The main driver was to generate  
6 value and produce reserves.

7 Q. Was BP undertaking the technical work  
8 that would permit Shell to make a booking in Block  
9 18 in 2000?

10 A. BP were doing technical work in a  
11 program agreed with Shell. But Shell were doing  
12 technical work as well with the objective of

13 producing oil. The main objective was not to book  
14 reserves.

15 Q. Are you aware of anyone at BP  
16 expressing the view that reserves in Block 18  
17 could not, under SEC requirements, be booked as  
18 proved in 2000?

19 A. I had no personal contact with anybody  
20 in BP.

21 Q. Would you say that the effort to book  
22 proved reserves in Block 18 in 2000 was  
23 controversial within Shell?

24 A. I think that's a far too general a  
25 statement.

0058

1 GORDON PARRY 58

2 Q. I'm sorry?

3 A. I believe that statement is far too  
4 general. Of course, we were hoping to book some  
5 reserves in the course of the process of  
6 developing that project, and it ebbed and flowed.

7 Q. Would you say there was a debate within  
8 Shell about whether reserves could be booked in  
9 Block 18 in 2000?

10 A. Yes, there was a debate.

11 Q. What did you understand the issues in  
12 the debate to be?

13 A. Volume and whether or not they could be  
14 classified as proven and developed.

15 Q. Do you recall anyone specifically  
16 discussing whether reserves could be booked as  
17 proved in Block 18 under SEC rules in 2000?

18 A. This debate we had was always in the  
19 presence of our resident experts, Mr. Aalbers and,  
20 on occasion, Mr. Barendregt. We were guided by  
21 our in-house experts.

22 Q. Do you recall specific discussions  
23 where the experts, Mr. Aalbers and Mr. Barendregt,  
24 discussed whether reserves could be proved under  
25 the Shell guidelines?

0059

1 GORDON PARRY 59

2 A. This was an ongoing debate. I can't  
3 recall precise dates of meetings, but as we were

4 close to each other, we would discussion it on a  
5 regular basis as the project progressed.

6 Q. Who is Mr. Barendregt?

7 A. He is the auditor of Shell reserves --  
8 responsible for the Shell reserves.

9 Q. Was he employed by Shell at that time?

10 A. I believe so, although he was close to  
11 retirement, as I recall. I can't remember whether  
12 he was still in full-time employment or whether he  
13 was acting as a -- beyond his retirement date but  
14 still working full time. I don't recall exactly.

15 Q. What did you understand his job  
16 responsibilities to be?

17 A. Mr. Barendregt had to be convinced of  
18 the arguments, technical arguments brought forth  
19 by the operating units to sanction any reserves  
20 bookings to ensure that they complied with the  
21 regulations.

22 Q. And Mr. Aalbers, what again was his  
23 position?

24 A. He was responsible for collating all  
25 the reserves information from the Shell operating  
0060

1 GORDON PARRY 60

2 units around the world, as I recall. So he was  
3 compiling the -- compiling the database and then  
4 working closely with Mr. Barendregt to ensure that  
5 what was reported into him by the operating units  
6 fulfilled the regulatory requirements.

7 Q. Did you understand that Mr. Aalbers and  
8 Mr. Barendregt worked together closely?

9 A. That was my understanding.

10 Q. How did Mr. Barendregt get involved in  
11 the question of whether reserves could be booked  
12 in Block 18 in 2000?

13 MR. SMITH: Objection to form.

14 THE WITNESS: Mr. Barendregt would have  
15 been involved as a matter of course at the end of  
16 the year when the figures were consolidated and  
17 Shell Angola, of course, wanted to ensure that the  
18 bookings they were going to make complied with the  
19 regulations. So it was not unreasonable to  
20 involve Mr. Barendregt as well as Mr. Aalbers.

21 BY MR. MILLKEY:

22 Q. So he was involved in the ordinary  
23 course of his duties, you would say?

24 MR. SMITH: Which "he"?

25 MR. MILLKEY: Barendregt.

0061

1 GORDON PARRY 61

2 MR. SMITH: Okay.

3 THE WITNESS: Yes. As I understood, it  
4 was due diligence on behalf of Shell Angola to  
5 ensure that Mr. Barendregt was going to approve  
6 the figures that they proposed.

7 BY MR. MILLKEY:

8 Q. So in the discussion of whether to book  
9 proved reserves in Block 18, there were a number  
10 of players, including, obviously, SDAN itself. I  
11 take it you were involved in that discussion?

12 A. I was involved.

13 Q. And Mr. Rothermund was involved?

14 A. Not on a day-to-day basis, but he was  
15 kept informed of progress.

16 Q. And Mr. Barendregt?

17 A. He was not involved on a day-to-day  
18 basis, but when it came close to the deadline when  
19 all operating units had to submit their figures to  
20 Mr. Aalbers, then he became involved.

21 Q. Was Mr. Aalbers involved on a  
22 day-to-day basis?

23 A. Yes. He was always there to consult.

24 Q. Is there -- Do you know who Rod Sidle  
25 is?

0062

1 GORDON PARRY 62

2 A. I beg your pardon.

3 Q. Do you know who Rod Sidle is,  
4 S-i-d-l-e?

5 A. I don't recall the name.

6 Q. You don't recall whether he was  
7 involved in the discussion of whether to book  
8 reserves as proved in Block 18?

9 A. I don't recall the name, so...

10 Q. At some point did Shell Deepwater  
11 Services get involved in the discussion of booking

12 reserves in Angola?

13 A. Not in direct discussions on booking

14 reserves, no.

15 Q. What was -- Were they involved in the  
16 discussions of whether reserves could be booked?

17 A. Not directly.

18 Q. How would you describe their role?

19 A. Shell Deepwater Services were providing  
20 a technical service to Shell Angola.

21 Q. What was the nature of the technical  
22 services they provided?

23 A. It ranged from subsurface  
24 interpretation, to geophysical data to decide  
25 where to drill wells. BP was basically

0063

1 GORDON PARRY 63  
2 responsible for the proposals, but we had to be  
3 well informed to argue with BP on location. So  
4 Shell Deepwater Services were helping Shell Angola  
5 to decide where the best well locations should be.

6 And then laterally, they were involved  
7 in other technical aspects, reservoir engineering  
8 through to the design of notional development  
9 schemes to evacuate oil from the discoveries that  
10 we were making so that Shell Angola could have a  
11 detailed, in-depth debate with BP on these issues.

12 Q. Is it fair to say that SDS, Shell  
13 Deepwater Services, was a player in the  
14 discussions about whether proved reserves could be  
15 booked in Block 18 in 2000?

16 MR. SMITH: Objection to form.

17 THE WITNESS: Shell Deepwater Services  
18 were providing technical analysis to Shell Angola  
19 that would help Shell Angola. It was Shell Angola  
20 that was discussing reserves, not Shell Deepwater  
21 Services. That was not their remit.

22 BY MR. MILLKEY:

23 Q. That wasn't exactly the question.

24 MR. FERRARA: That wasn't the question,  
25 but we all know this is an important area to you.

0064

1 GORDON PARRY 64  
2 And I think when you use abstractions like



3 "player," it's confusing to the witness. So  
4 perhaps you could frame a question in terms that  
5 perhaps the witness can better understand. But  
6 "player" is an abstraction. God knows what it  
7 means.

8 MR. MILLKEY: Okay.

9 BY MR. MILLKEY:

10 Q. We'll revisit that issue when we look  
11 at specific documents. Let me ask you some more  
12 questions.

13 Do you recall what point in time Shell  
14 Deepwater Services began providing services to  
15 Shell Angola?

16 A. Shell Deepwater Services was set up at  
17 around that time. I can't remember precisely the  
18 dates that they opened for business but it was  
19 late '90s, around that time, the objective being  
20 to gather together all the deepwater technical  
21 expertise that Shell had in order to provide a  
22 better service for operating units that had  
23 deepwater assets such as Angola.

24 So the idea was that by an operating  
25 unit contracting work to Shell Deepwater Services,  
0065

1 GORDON PARRY 65

2 they would benefit from the knowledge and  
3 experience of this group which was based in  
4 Houston. And the foundation of their knowledge  
5 was the deep water of the Gulf of Mexico where a  
6 lot of techniques had been pioneered which could  
7 be applicable to Shell operating units elsewhere  
8 in the world.

9 Q. So is there a process for an operating  
10 unit getting SDS involved in its work? Is it a  
11 matter of just picking up the phone and asking?  
12 Is there an authorization process? Do you  
13 understand how that works?

14 A. I don't recall exactly, but something  
15 along those lines. Because, of course, Shell  
16 Deepwater Services would charge for their  
17 services, so there was an internal accounting to  
18 cover that.

19 Q. So the operating unit would pay Shell



20 Deepwater Services?

21 A. Yes. They're acting as a technical  
22 contractor.

23 Q. I believe I've heard Shell Deepwater  
24 Services described as a Center for Excellence. Is  
25 that a term you've heard?

0066

1 GORDON PARRY 66

2 A. That was the objective, to set up a  
3 Center of Excellence for deepwater exploration and  
4 production.

5 Q. Does Shell have other Centers of  
6 Excellence throughout the world with the same or  
7 similar expertise in deepwater services?

8 A. Not that I recall. The closest thing  
9 to it would be in the North Sea where laterally  
10 they tried to set up a Center of Excellence for  
11 North Sea exploration and production.

12 Q. Are those -- that Center of Excellence,  
13 do you recall the name of that, the North Sea  
14 Center of Excellence?

15 A. No.

16 Q. What period of time was that?

17 A. In my latter years. I don't recall;  
18 2003 forward. It was something where they were  
19 trying to consolidate all the operations of the  
20 UK, Norway and Holland. So they weren't acting as  
21 independent companies but they were sharing  
22 expertise amongst each other.

23 Q. Was that effort in the North Sea wholly  
24 independent of the effort in -- at Shell Deepwater  
25 Services in Houston?

0067

1 GORDON PARRY 67

2 A. Yes, as I recall. Although there  
3 undoubtedly would have been a little bit of  
4 cross-fertilization. But I don't recall exactly.

5 Q. Do you know whether Shell Deepwater  
6 Services in Houston had any responsibility or  
7 authority over this other Center of Excellence you  
8 mentioned?

9 A. Not that I'm aware.

10 Q. Did you personally ever attend any

11 meetings at SDS in the United States?

12 A. Yes, I did.

13 Q. How many meetings do you recall  
14 attending?

15 A. I would not like to put an exact figure  
16 on it, because I visited Houston, on average, six  
17 times a year. Not solely for business to do with  
18 Angola, but there were a number of other assets  
19 that I was involved in which required me to go to  
20 Houston. So if it was a business visit or  
21 attending a conference, I would always make the  
22 effort to see as many people as possible to make  
23 the trip worthwhile. And that would usually  
24 involve meeting certain people in Shell Deepwater,  
25 many of whom were personal friends of mine.

0068

1 GORDON PARRY 68

2 Q. Which personnel within Shell Deepwater  
3 Services do you recall doing work for SDAN during  
4 the 2000 period?

5 A. The names that I can mention are Ian  
6 Hines. Tell me if you want me to stop and spell  
7 it.

8 Q. What was his title, if you recall?

9 A. He was a team leader of some  
10 description. I can't remember exactly.

11 Barry Knight, who was more on the  
12 platform design and construction side.

13 Q. Were he and Mr. Hines on roughly the  
14 same level?

15 A. I don't recall. I would say that  
16 Mr. Knight was maybe a little more senior than  
17 Mr. Hines, but I don't recall.

18 There was a guy called Derek Newberry,  
19 who was an earth scientist.

20 Rich Sears was in a sort of overseeing  
21 capacity, more from a strategic point of view.

22 I think those were the key players.  
23 There may have been more, but I don't recall the  
24 names.

25 Q. Did Shell Deepwater Services create a

0069

1 GORDON PARRY 69

2 Block 18 team specifically to work on issues  
3 related to Block 18?

4 A. There were dedicated people that worked  
5 on Block 18 as a priority, yes. But they also  
6 shared their time with other projects, too.

7 Q. Did that team have a -- You mentioned  
8 Mr. Hines as a team leader. Was he the team  
9 leader for a Block 18 team?

10 A. I can't remember if that was his exact  
11 title, but he was, as I recall, the main contact  
12 person, one of the main contact persons. I didn't  
13 deal directly with Shell Deepwater Services. That  
14 was done through Shell Angola, because Shell  
15 Angola was the client.

16 Q. But you did -- Did you attend any  
17 meetings that were specifically held in the United  
18 States relating to Block 18?

19 A. I did.

20 Q. You did. How many meetings do you  
21 recall?

22 A. Two, to be -- that I can remember quite  
23 clearly. One was in the fall of 2000, which  
24 coincided with a conference in New Orleans, and  
25 laterally in December of 2000.

0070

1 GORDON PARRY 70

2 Q. What was the purpose of the fall  
3 meeting regarding Block 18?

4 A. A progress meeting. As I said, there  
5 was what was called a deepwater event which were  
6 held about twice a year where all Shell staff  
7 involved in deepwater ventures around the world  
8 gathered together to exchange experiences and  
9 learn from each other. And I took the opportunity  
10 during that conference to try to get together the  
11 key players from Shell Deepwater Services and  
12 Shell Angola and myself to discuss progress on the  
13 Block 18 project.

14 Q. Were the key players -- Were the  
15 players from Shell Angola there for the  
16 conference, or were they there for the meeting?

17 A. They were there for the conference  
18 primarily.

19 Q. How long did this meeting last, if you  
20 recall?

21 A. I don't recall.

22 Q. Do you recall whether all of the  
23 individuals from Shell Deepwater Services who  
24 you've mentioned attended the meeting?

25 A. I don't recall the exact attendance. I  
0071

1 GORDON PARRY 71  
2 have a feeling that one or two of them may have  
3 been missing. Barry Knight might have been  
4 missing. I don't recall exactly the attendance.

5 Q. Who from Shell Angola or SDAN attended  
6 the meeting?

7 A. To my recollection, Grigore Simon and  
8 Robert Inglis. But I can't be sure. It's too  
9 long ago to recall exactly.

10 Q. Were you the only person attending from  
11 EPG?

12 A. Martijn Minderhoud might have been  
13 there.

14 THE COURT REPORTER: I'm sorry, who?

15 THE WITNESS: Martijn Minderhoud;  
16 M-a-r-t-i-j-n, Minderhoud, M-i-n-d-e-r-h-o-u-d.

17 Q. What was Mr. Minderhoud's title, if you  
18 recall?

19 A. He was vice president for EPG for  
20 sub-Saharan Africa.

21 Q. In the EPG hierarchy, how did he relate  
22 to you?

23 A. He was slightly more senior to me.

24 Q. But he was not your supervisor?

25 A. No.

0072

1 GORDON PARRY 72

2 Q. What were his responsibilities?

3 A. He had more regional strategic  
4 responsibilities than actually looking after the  
5 individual nuts and bolts of individual companies;  
6 more from a strategic point of view.

7 Q. Can you give me an example of the kinds  
8 of things that he might have -- the kinds of work  
9 he did?

10 A. Positioning Shell's African ventures.

11 But he took an overall view on everybody's  
12 portfolio within EPG, so we could be guided by  
13 him. He wasn't directly supervising us as such,  
14 but we would be guided by his overall strategic  
15 view.

16 Q. Did he work very closely with  
17 Mr. Rothermund?

18 A. Yes.

19 Q. This meeting, I know you can't recall  
20 how long it lasted. Was it more than one day?

21 A. It definitely would not have been  
22 longer than a day, no.

23 Q. But it might have been a full day?

24 A. It wouldn't have been a full day. It  
25 would have been in and around the conference

0073

1 GORDON PARRY 73  
2 activities.

3 Q. What do you recall being discussed at  
4 that meeting?

5 A. It was just basically a progress -- a  
6 technical progress report and an exchange of views  
7 to allow each party to explain where they were at  
8 at that point in time.

9 Q. Were there formal presentations given  
10 at the meeting?

11 A. Not formal, but informal exchange of  
12 views around a table such as this.

13 Q. Was the meeting planned in advance of  
14 your arriving at the conference?

15 A. As I recall, I had e-mailed the various  
16 people to suggest that we should take advantage of  
17 that conference to have a meeting.

18 Q. What do you recall specifically being  
19 reported about the progress being made in Block  
20 18?

21 A. I can't remember exactly the details of  
22 the discussion. It was sort of one of many  
23 ongoing discussions, either by -- between Shell  
24 Angola and myself or -- just one of many  
25 milestones along the road. I don't recall

0074

1 GORDON PARRY 74

2 exactly.

3 Q. Do you recall whether the booking of  
4 proved reserves in Block 18 was a discussion at  
5 that meeting?

6 A. I don't recall precisely, but I can --

7 MR. FERRARA: What you recall --

8 Testify to what you recall, what you know. He  
9 doesn't want you to speculate.

10 THE WITNESS: I would prefer not to  
11 speculate. I can just make the general remark  
12 that as we were nearing the end of the year,  
13 nearing the date on which numbers had to be  
14 supplied to -- that SDAN had to supply numbers to  
15 Anton and Remco, that it would have been on the  
16 agenda. But I can't recall precisely what was  
17 said.

18 BY MR. MILLKEY:

19 Q. And by "numbers," you mean proved  
20 reserve numbers?

21 A. Yes. Those amongst others would have  
22 been discussed, yes. But I don't recall the exact  
23 content of the discussion.

24 Q. Was SDS given the task of determining a  
25 number that could be booked in terms of proved

0075

1 GORDON PARRY 75

2 reserves in Block 18? Was that a subject they  
3 discussed? Were they given the task of  
4 determining whether or how -- whether proved  
5 reserves could be booked in Angola in Block 18?

6 A. SDS were given the task to devise the  
7 most appropriate development scheme to evacuate  
8 the oil reserves, and as part of that process they  
9 would have taken into account various reserve  
10 volumes; a low, a most likely, and a high case.  
11 But the decision on what number is actually booked  
12 fell to Shell Angola in consultation with Remco  
13 and ultimately with Anton.

14 Q. Did you ever express to anyone at Shell  
15 Deepwater Services that it was important that  
16 proved reserves be booked in Block 18 in 2000?

17 MR. SMITH: Objection to form.

18 THE WITNESS: I raised the issue from

19 the meeting that I referred to earlier on when  
20 this problem was first highlighted in the EPG  
21 meeting. I relayed that to book reserves in  
22 Angola would help the EP case. But again, it was  
23 not a directive to book reserves, in no way.

24 BY MR. MILLKEY:

25 Q. Who do you recall communicating that to  
0076

1 GORDON PARRY 76

2 at Shell Deepwater Services?

3 A. To Grigore Simon and Robert Inglis and  
4 Peter Osborne.

5 Q. Did you convey that to anyone at Shell  
6 Deepwater Services as opposed to the gentlemen  
7 with SDAN?

8 A. This information was conveyed to Shell  
9 Deepwater Services, yes.

10 Q. By whom?

11 A. I can't recall precisely. I may have  
12 copied them on an e-mail, or it may have come from  
13 Robert Inglis. I don't recall precisely. But it  
14 was definitely conveyed to them. Because the  
15 business challenge was not just to Shell Angola  
16 but to all staff working for Shell Angola.

17 Q. Maybe it makes sense to start looking  
18 at a few documents.

19 (Exhibit 1 marked for identification and  
20 attached hereto.)

21 BY MR. MILLKEY:

22 Q. Mr. Parry, you've been given a copy of  
23 what's been marked as Exhibit No. 1, Parry Exhibit  
24 No. 1. If you could just spend a few moments  
25 looking this over to see if you recognize it.

0077

1 GORDON PARRY 77

2 I'll ask you some specific questions about  
3 specific portions and give you time to read those  
4 portions.

5 Parry Exhibit 1 has a Bates range  
6 SMJ00034876 through 84. It's an e-mail string.  
7 The earliest e-mail in the string is dated  
8 February 10, 2000, and the last is dated



9 September 16, 2000.

10 Mr. Parry, do you recognize this e-mail  
11 string?

12 A. Yes, I do.

13 Q. I'd ask you to turn your attention to  
14 the last page of the exhibit, which is the  
15 earliest e-mail. It's from Mr. Minderhoud to  
16 Mahdi Hasan with a cc to you. It's dated  
17 February 10, 2000, with a re line "Cluster  
18 development Angola."

19 Who is Mr. Hasan?

20 A. Mr. Hasan was in Shell Deepwater  
21 Services, and I think his position was platform  
22 construction design and platform construction. I  
23 personally had no contact with him. His field of  
24 expertise was way beyond mine.

25 Q. Now, the re line is "Cluster

0078

1 GORDON PARRY 78

2 development Angola." What do you understand the  
3 term "cluster development" to mean?

4 A. As I explained to you before, Angola  
5 was a complicated block. It wasn't just one  
6 single accumulation. It was a number or a cluster  
7 of smaller accumulations, and the trick was how to  
8 combine all these smaller accumulations into an  
9 efficient evacuation system.

10 Q. The first line of the e-mail suggests  
11 that you had had a conversation with  
12 Mr. Minderhoud about something called mini-DVA  
13 satellite development. The line says: "I  
14 understand from Gordon that you guys are actively  
15 looking at applying your mini-DVA satellite  
16 development approach to see whether Angola Block  
17 18 could be made commercial already." It goes on  
18 from there.

19 Do you recall having a conversation  
20 with Mr. Minderhoud about that?

21 A. I recall receiving a message from  
22 Mr. Minderhoud where he first raised the  
23 possibility of this particular system, which I  
24 have to say I know absolutely zero about. It's  
25 completely strange to me because it's way out of

0079

1 GORDON PARRY 79

2 my expertise. But it's something that  
3 Mr. Minderhoud had heard about himself as a  
4 possibility, and he was basically challenging --  
5 wanting to challenge SDS if this particular  
6 technique could be applicable to Angola to  
7 incorporate in a development scheme.

8 Q. Do you know where Mr. Minderhoud got  
9 the idea?

10 A. From discussions probably -- I can't be  
11 sure, but I think from Nigeria, because it's  
12 referred to. Mr. Minderhoud had an interest in  
13 all the African ventures, and Nigeria in  
14 particular.

15 MR. MILLKEY: Do you want to switch the  
16 tape?

17 THE VIDEOGRAPHER: This marks the end  
18 of Tape 1 in the deposition of Mr. Parry. We are  
19 going off the record. The time is 12:06 p.m.

20 (A recess was then taken.)

21 THE VIDEOGRAPHER: This marks the  
22 beginning of Tape 2 in the deposition of  
23 Mr. Parry. We are back on the record. The time  
24 is 12:08 p.m.

25 BY MR. MILLKEY:

0080

1 GORDON PARRY 80

2 Q. At the end of that same e-mail,  
3 Mr. Minderhoud use the term "portfolio  
4 management." What did you understand that term to  
5 mean?

6 A. I don't recall.

7 Q. Was it Mr. Minderhoud's hope that the  
8 mini-DVA technology would make it possible to book  
9 proved reserves across the Block 18 structure?

10 MR. SMITH: Could we have a time frame?  
11 Do you mean at the time of this e-mail or later?

12 MR. MILLKEY: At the time of this  
13 e-mail.

14 THE WITNESS: At the time, I  
15 interpreted this message as Mr. Minderhoud just  
16 putting in a constructive suggestion and

17 requesting that SDS look at its applicability to  
18 developing -- to developing Block 18. Because the  
19 other blocks that Shell was very interested in  
20 chasing at that time were similar -- geologically  
21 similar. So if we could develop a technique that  
22 was applicable in Block 18, it would have benefits  
23 in the neighboring block which we hoped to acquire  
24 at a later date.

25 BY MR. MILLKEY:

0081

1 GORDON PARRY 81

2 Q. Do you recall whether this e-mail was  
3 sent before or after the shortfall in Nigeria  
4 became apparent?

5 A. I can't be precise on the timing of  
6 these events.

7 Q. On the next -- on the page before this,  
8 SMJ34882, at the bottom, there is an e-mail from  
9 Mahdi Hasan dated February 15 to Mr. Minderhoud  
10 with a cc to you, and this e-mail appears to be  
11 his response to Mr. Minderhoud. And he says:  
12 "Sorry for the late reply, but your comment about  
13 us actively looking caught me off guard."

14 I gather from this e-mail that at this  
15 juncture, at least, SDS was not doing a  
16 substantial amount of work on Shell Angola; is  
17 that correct?

18 A. I can't recall the timing of these  
19 events --

20 Q. I understand.

21 A. -- or at what level of intensity the  
22 activity was at that point.

23 Q. The e-mail above that one is from  
24 Mr. Minderhoud dated February 15th to Mr. Hasan  
25 with a cc to you, and he says, in part: "I would

0082

1 GORDON PARRY 82

2 love to prove that we Shell think Block 18 is  
3 already economic whilst BP/Amoco still think they  
4 need the fourth well."

5 Do you understand the fourth well to  
6 mean an appraisal well?

7 A. I don't recall what he was referring

8 to, and I don't recall which -- exactly which well  
9 it is, the fourth well.

10 Q. At this juncture, Shell had not dug any  
11 appraisal -- at this juncture, no appraisal wells  
12 had been dug, correct? I believe that was your  
13 testimony from earlier.

14 A. Yeah. If we had dug three wells, they  
15 would have been three exploration wells.

16 Q. Do you know whether it was  
17 Mr. Minderhoud's belief that proved reserves could  
18 be booked without an appraisal well?

19 A. I wouldn't like to speak on behalf of  
20 Mr. Minderhoud.

21 Q. Now, the next earlier e-mail is dated  
22 April 17th. It's at the top of that same page and  
23 the bottom of the previous page, from  
24 Mr. Minderhoud to Mr. Inglis, again with a cc to  
25 you. "I have some months ago extended this

0083

1 GORDON PARRY 83  
2 challenge to SDS to see whether their mini-DVA  
3 concept could be the winner in Angola."

4 What did the term "challenge" mean?

5 A. As I said before, Mr. Minderhoud came  
6 with this idea from a discussion with somebody, or  
7 he had read it, and was trying to be helpful. He  
8 himself is -- he's not an engineer. He's a  
9 research geophysicist. He was challenging SDS to  
10 look at this system to see whether it had  
11 application in Angola. And he wanted an answer to  
12 his question.

13 Q. Now, on the page before that, 34881,  
14 about halfway down, there appears to be a response  
15 from Mr. Inglis to Mr. Minderhoud dated  
16 April 29, 2000. He says in the second paragraph:  
17 "I have had some material from SDS, but none of  
18 this indicates that min-DVA will do much for Block  
19 18. I will discuss further during my visit to  
20 Houston next week."

21 Was it your understanding that the  
22 min-DVA system was unlikely to be helpful with  
23 respect to Block 18?

24 A. That was my understanding from the

25 discussions I had with Robert Inglis, because my

0084

1 GORDON PARRY 84

2 first port of call when I was asked this question  
3 was to talk to Robert Inglis because he had more  
4 knowledge about it than I did. And he ultimately  
5 asked the question with SDS.

6 But the vibration I was getting was  
7 that, you know, this was not applicable and we  
8 shouldn't be wasting our time chasing it.

9 Q. Now, Mr. Inglis refers to his visit to  
10 Houston the next week. Do you know anything -- do  
11 you know why he was traveling to Houston?

12 A. I don't know. He traveled regularly to  
13 Houston.

14 Q. Why would Mr. Inglis have occasion to  
15 travel regularly to Houston?

16 A. For discusses with SDS.

17 Q. About Angola reserves? Or about  
18 Angola?

19 A. About Angola.

20 Q. The next earlier e-mail in the string  
21 is actually several months later. It's on the  
22 same page, 81, from Mr. Minderhoud sent on  
23 August 17th to Mr. Inglis with a cc to you, among  
24 others, including Peter Osborne. Do you know who  
25 Fran Lohr is, L-o-h-r?

0085

1 GORDON PARRY 85

2 A. Yeah.

3 Q. Who is that?

4 A. She was also in Shell Deepwater  
5 Services but on the exploration side.

6 Q. Mr. Minderhoud writes: "What is the  
7 latest on this? With our new discovery, the light  
8 at the end of the tunnel is very near. Can we  
9 make a competitive proposal to BPA?"

10 Do you know what he was referring to  
11 when he wrote "new discovery"?

12 A. I'm presuming it was one of the  
13 sequence of the six discoveries we made. But I  
14 don't know from this which one it was. But with  
15 each subsequent discovery, it became clearer that

16 there was value in that block and that we should  
17 be looking closely at developing it.

18 Q. When he says: "Can we make a  
19 competitive proposal to BPA," BPA refers to  
20 BP/Amoco?

21 A. BP Angola.

22 Q. Ah.

23 A. Yes, I presume so.

24 Q. What kind of proposal was he talking  
25 about there, if you know?

0086

1 GORDON PARRY 86

2 A. I don't know precisely. I can -- I can  
3 guess, but I don't know precisely.

4 Q. Well, recognizing that it's a guess,  
5 what would your guess be?

6 A. That we make BP an offer to take over  
7 their share of the business.

8 Q. Do you know whether a proposal along  
9 those lines was ever made in 2000?

10 A. It was not. The exposure would be too  
11 high.

12 Q. And by that, you mean --

13 A. Well, to have 100 percent of the  
14 venture, the financial and risk exposure is just  
15 too high. But as I mentioned before, we were  
16 always assessing the value of each component in  
17 the portfolio on a regular basis.

18 Q. Now, there is a fairly long gap between  
19 this e-mail and the one before it, from  
20 April 29th to August 17th. Do you know whether  
21 SDS was continuing to do work with regard to Block  
22 18 during that period of time?

23 A. I think it's a fair assumption to say  
24 that they were, yes.

25 Q. Okay. The next earlier e-mail begins

0087

1 GORDON PARRY 87

2 on page 34879. It's from Mr. Hines dated  
3 August 24th to Mr. Inglis and to Patrick Smith.  
4 Who is Mr. Smith?

5 A. I don't know.

6 Q. You were not specifically copied on

7 this e-mail. Do you remember -- do you recall

8 reading it before today?

9 A. I don't.

10 Q. It's a long e-mail. I'm not going to  
11 ask you questions about all of it. But Mr. Hines,  
12 who again is with SDS, says: "As discussed, some  
13 discussion on the DVA concepts, the real issue  
14 here is now managing the potentially unrealistic  
15 expectations which may have been created by  
16 generalizing the existing min-DVA experience."

17 Do you have any understanding what he's  
18 talking about here?

19 A. I don't. As I mentioned, I have no  
20 knowledge of this min-DVA concept.

21 Q. My assumption in reading this is that  
22 Mr. Minderhoud may have developed an unrealistic  
23 expectation about the ability of min-DVA to be  
24 helpful in Block 18. Do you think that's possibly  
25 what he's talking about?

0088

1 GORDON PARRY 88

2 MR. FERRARA: Sir, he said he doesn't  
3 recall. How could he legitimately testify about  
4 your assumption of what this means without it  
5 being gross speculation, which I presume you don't  
6 want?

7 MR. MILLKEY: That's a fair point.

8 BY MR. MILLKEY:

9 Q. Let's put it this way. It was your  
10 understanding that the min-DVA concept, based upon  
11 what you had heard, was not going to be applicable  
12 to Block 18; is that correct?

13 A. Yes. There was clearly push-back.

14 Q. From --

15 A. From Inglis and from SDS. But  
16 Minderhoud, having asked the question, was keen to  
17 get a considered answer.

18 Q. At the end of that same paragraph it  
19 refers to "subsurface uncertainty." Do you know  
20 what that refers to?

21 A. Can you just indicate?

22 Q. Oh, I'm sorry. It's at the top of  
23 page 34880.



24 A. Subsurface uncertainty I would  
25 interpret as being able to image accurately the  
0089

1 GORDON PARRY 89

2 reservoir.

3 MR. FERRARA: Sorry, before you go on,  
4 I just would like to ask, if you could, to double  
5 back for a moment to page 74, line 24. I heard  
6 two things in an answer, but I only see one  
7 recorded. I was curious if you heard the same  
8 thing I did. On 24, I heard the witness say from  
9 Inglis and SDS and all I see here is SDS. And I  
10 don't want to interrupt your line of questions,  
11 but since I know this is an area of importance,  
12 apparently, to you --

13 MR. MILLKEY: Yes, he did say that.  
14 You're correct.

15 MR. FERRARA: So perhaps we should just  
16 acknowledge that among ourselves and go on? Or  
17 would you like to ask the question again?

18 BY MR. MILLKEY:

19 Q. Mr. Parry, a moment ago, just to  
20 clarify, you said there was clearly push-back.  
21 Who was the push-back from?

22 A. As I recall, initially from Mr. Inglis,  
23 and subsequently from SDS.

24 Q. Do you know whether Mr. Inglis -- Do  
25 you know whether Mr. Inglis gave push-back

0090

1 GORDON PARRY 90

2 specifically because of conversations he had had  
3 with SDS?

4 A. No. When Martijn sent me this message,  
5 my reaction, as I have no knowledge of this  
6 subject, was to ask Robert Inglis as the first  
7 port of call, and he would have subsequently asked  
8 SDS for their even more detailed knowledge of it.

9 Q. Okay. I'd ask you to turn your  
10 attention to page 34878. There is an e-mail from  
11 Mr. Minderhoud to you with a cc to Mr. Rothermund  
12 and S. Lovelock. Do you know who Ms. Lovelock is  
13 or was at that time?

14 A. Yes. Susan Lovelock was the regional

15 finance advisor in EPG.

16 Q. Do you recall receiving this e-mail?

17 A. I recall this being part of that chain,  
18 yes.

19 Q. Now, the first line of the e-mail  
20 reads: "Gordon, sorry to keep harping on this  
21 one, but the way I see it is (1) to get reserves  
22 booked in 2000 one way or another; and (2) to then  
23 start drilling appraisal wells as Capex  
24 thereafter."

25 Is it fair to say that Mr. Minderhoud

0091

1 GORDON PARRY 91

2 felt that it was imperative to book reserves in  
3 Block 18 in 2000?

4 MR. SMITH: Objection to form.

5 THE WITNESS: Mr. Minderhoud, as a  
6 prominent member of EPG, saw it as a business  
7 challenge, as we all did. And I interpreted this  
8 issue of the min-DVA as just his enthusiasm to  
9 make a suggestion that might progress the Block 18  
10 project.

11 BY MR. MILLKEY:

12 Q. Did you construe the words "one way or  
13 another" to mean that he believed there was a  
14 mandate to book reserves in Block 18 in 2000?

15 A. He knew, as I did, that it had been  
16 suggested that we could, if things went well, book  
17 reserves for Angola. And the business challenge  
18 was to progress that project as rapidly as we  
19 could, and if we were able to book reserves, that  
20 would be a good thing.

21 Q. Is that how you understood the words  
22 "one way or another"?

23 A. Yes.

24 I would like to point out with a lot of  
25 these e-mails, not only from Mr. Minderhoud but

0092

1 GORDON PARRY 92

2 Mr. Rothermund, that they are non-English speaking  
3 and they quite often tend to use words and phrases  
4 that you and I would interpret differently.

5 Q. The second half of that sentence he

6 says, "to then start drilling appraisal wells as  
7 Capex thereafter."

8 What did he mean by the term "Capex"?  
9 What does that mean?

10 A. "Capex" is short for capital  
11 expenditure. Each year in the capital allocation  
12 process, operating units are allocated Expex or  
13 Capex. Capex is capital expenditure and Expex is  
14 exploration expenditure. And they -- they are  
15 different categories and they are treated  
16 differently in the accounting procedures. But I  
17 would hesitate to go into more detail after so  
18 many years' absence.

19 Q. Did you understand Mr. Minderhoud to be  
20 suggesting that appraisal wells should be drilled  
21 after the booking of proved reserves?

22 A. I interpret this to try to influence  
23 the -- how "expenditures" was defined.

24 Q. You mean Capex as opposed to Expex?

25 A. So that Shell Angola would not be

0093

1 GORDON PARRY 93  
2 drawing upon BP's global exploration budget,  
3 because there would have been a lot more  
4 competition for those dollars than there would be  
5 for Capex.

6 Booking reserves would have a positive  
7 effect on the value of the block. It would not  
8 only be good for the value of the block, but it  
9 would also put Shell -- The strategy was to put  
10 Shell Angola in a position for future business.  
11 We were at the time pushing hard to develop other  
12 business in Angola, in particular Block 34, which  
13 is referred to in one of these e-mails, which is  
14 sitting right next to Block 18 and could possibly  
15 have been included in any future development  
16 project.

17 And not only that, but there were also  
18 other, at the time, highly prospective blocks  
19 which the Angolan government were still to offer  
20 companies, and Shell wanted to position itself as  
21 a prime runner for one of those blocks.

22 Q. If Shell had all these other business

23 purposes for wishing to book reserves in Block 18,  
24 why didn't SDAN put Block 18 reserves on its  
25 scorecard for 2000?

0094

1 GORDON PARRY 94

2 A. Because at the time, it was not mature  
3 enough to do that. I mean, booking reserves has  
4 nothing to do with increasing your business there.  
5 Booking reserves is sort of a bureaucratic  
6 exercise that you do at the end of the year based  
7 on the knowledge that you have and regulated by  
8 the in-house experts.

9 My main challenge was to develop  
10 Shell's business in Angola, to increase the  
11 business there, to add value for the company. And  
12 there were highly prospective blocks -- considered  
13 highly prospective blocks out there available at  
14 that time. So to pursue Block 18 was a very  
15 positive step.

16 Q. But isn't it true that the booking of  
17 proved reserves was important for the independent  
18 reason of compensating for the shortfall in  
19 Nigeria?

20 MR. SMITH: Objection to form.

21 THE WITNESS: If we had booked reserves  
22 in 2000, it would have helped fill that hole.

23 BY MR. MILLKEY:

24 Q. Turning to page 34877, at the bottom  
25 there is an e-mail from you dated September 13th

0095

1 GORDON PARRY 95

2 to Mr. Inglis. The text is: "Rob, any ideas how  
3 to satisfy him once and for all?"

4 The "once and for all" language  
5 suggests a certain aspiration on your part. Is  
6 that fair?

7 A. Mr. Minderhoud was a bit like a dog  
8 with a bone on this issue. He wanted his idea to  
9 be considered properly. And all the messages I  
10 was receiving was that we were wasting our time,  
11 so I wanted to divert our energies on more  
12 meaningful projects, more meaningful work.

13 MR. MILLKEY: I think I'm ready to move

14 on to the next exhibit. We're very close to

15 12:40. Do you want to break for lunch?

16 THE VIDEOGRAPHER: We are going off the  
17 record. The time is 12:38 p.m.

18 (A recess was then taken.)

19 THE VIDEOGRAPHER: We are back on the  
20 record. The time is 1:28 p.m.

21 BY MR. MILLKEY:

22 Q. Mr. Parry, do you still have Exhibit 1  
23 handy? Could you turn to page 34878. That's the  
24 page where Mr. Minderhoud wrote at the top: "But  
25 the way I see it is (1) to get reserves booked

0096

1 GORDON PARRY 96

2 in 2000 one way or another."

3 At the bottom of that page he writes:

4 "However, nobody said that you had to actually  
5 execute that scheme. As you state, you do not  
6 require to take FID. You can happily continue  
7 drilling to prove up a better scheme. The  
8 existence of such smaller dummy scheme would  
9 probably not allow you to book more than the  
10 reserves you can actually produce with it, but it  
11 would be a start."

12 What does the term "FID" mean?

13 A. Final investment decision.

14 Q. And what is that?

15 A. It's the point when the company commits  
16 to spend the money to develop a field. So plans  
17 are made. A development plan is made, costed, et  
18 cetera, and at a certain point the senior  
19 management of the company have to decide whether  
20 to make the investment or not.

21 Q. Was it your understanding at that time  
22 that it was permissible for Shell to book proved  
23 reserves before FID?

24 A. I don't recall the exact date. There  
25 was a discussion surrounding whether you could

0097

1 GORDON PARRY 97

2 actually book it prior -- before or after. But I

3 don't remember the details of the discussion. But

4 it was certainly an intrinsic part of the

5 discussion.

6 Q. Now, when Mr. Minderhoud writes "Nobody  
7 said that you actually have to execute that  
8 scheme," did you have an understanding of what he  
9 meant by "that scheme"?

10 A. I think I would interpret it as a  
11 notional scheme based upon which you could take --  
12 you could take an FID. But I would not like to  
13 say -- I don't remember whether or not I  
14 challenged him on what he actually meant, so it's  
15 probably better you ask him.

16 Q. Now, when he says "the existence of  
17 such smaller dummy scheme," what did you  
18 understand him to mean by that term?

19 A. Other schemes, other possible schemes  
20 that would do the same job. In such a complicated  
21 area, it would be normal to test out a number of  
22 different possibilities to see which one is going  
23 to be the most efficient and cost effective. And  
24 Shell Deepwater would have been investigating  
25 these various schemes. You could argue that the

0098

1 GORDON PARRY 98  
2 min-DVA was one such scheme.

3 Q. Am I correct that what he is suggesting  
4 here is that it may be possible to book reserves  
5 utilizing a smaller scheme than the scheme he had  
6 previously been contemplating for the whole Block  
7 18 structure?

8 MR. SMITH: Objection to form.

9 BY MR. MILLKEY:

10 Q. Let me rephrase that.

11 Did you understand him to mean that it  
12 might be possible to book reserves through another  
13 scheme which he -- another smaller scheme which he  
14 referred to as a dummy scheme?

15 MR. SMITH: Objection to form again.

16 THE WITNESS: I saw this e-mail as a  
17 continuance of his attempt to stimulate discussion  
18 on what was an appropriate scheme to develop those  
19 reserves.

20 BY MR. MILLKEY:

21 Q. Was it your understanding from this

22 e-mail exchange that you and the people in Angola  
23 and Shell Deepwater Services were to find some way  
24 of booking reserves in Angola, that that was your  
25 mandate? That was your charge?

0099

1 GORDON PARRY 99

2 A. Our charge was to develop the reserves.  
3 Booking was a step along the way, and we had been  
4 given a business challenge to -- to try to book  
5 reserves if possible. But I saw that as a  
6 business challenge to, if you will, fast-track  
7 this development, to realize the value in that  
8 block as early as possible. And part of the step  
9 along the way would be to book reserves.

10 Q. Did you understand him to be requiring  
11 SDAN to book reserves based upon this e-mail  
12 exchange?

13 A. I didn't see that -- that as a message  
14 in this at all. I saw it purely as Martijn as a  
15 technical person challenging the technical  
16 establishment to come up with solutions and  
17 explore all the different avenues. Booking  
18 reserves, if we could achieve it, that would be  
19 fine.

20 Q. Now, you said earlier your deposition  
21 had been taken once before during the SEC  
22 investigation; is that correct?

23 A. That's correct.

24 Q. Do you recall being shown this e-mail  
25 exchange during that deposition?

0100

1 GORDON PARRY 100

2 A. It's possible.

3 Q. Why don't we mark that testimony as an  
4 exhibit.

5 (Exhibit 2 marked for identification and  
6 attached hereto.)

7 BY MR. MILLKEY:

8 Q. Mr. Parry, does this appear to be the  
9 transcript of the deposition that you gave in  
10 connection with the SEC investigation?

11 MR. SMITH: Objection to form.

12 MR. MILLKEY: Excuse me?



13 MR. SMITH: I objected to the form of

14 the question.

15 Do you want him to read the whole thing

16 to see whether --

17 MR. MILLKEY: No, I don't want him to

18 read the whole thing. I want to draw his

19 attention to page 40, 39 and 40 of the transcript.

20 BY MR. MILLKEY:

21 Q. Specifically the top of page 40 where

22 the SEC attorney says: "We've got

23 Mr. Minderhoud's e-mail referring to a smaller

24 dummy scheme, and he used the term 'dummy scheme,'

25 and he even suggested that you don't necessarily

0101

1 GORDON PARRY 101

2 have to execute that scheme. And you have

3 Mr. Rothermund agreeing with that in his e-mail

4 sitting next to you."

5 Actually, that is referring to a second

6 e-mail I have not shown you that I will show you.

7 But the question was asked: "Was it your

8 understanding from this exchange that the people

9 in Angola and Shell Deepwater Services were to

10 find some way of booking reserves in Angola? That

11 was your charge?"

12 And you answered "Yes." Was that

13 answer accurate.

14 MR. SMITH: Objection to the form of

15 the question.

16 THE WITNESS: It was part of the

17 process of developing the field, and booking

18 reserves was -- If we could do it, we would do it.

19 BY MR. MILLKEY:

20 Q. Was there a reason why during the SEC

21 examination you simply answered "yes" without that

22 further explanation?

23 MR. SMITH: Objection to the form of

24 the question.

25 THE WITNESS: I can't -- I've answered

0102

1 GORDON PARRY 102

2 the question today on the basis of what I

3 remember. My understanding is similar in general

4 terms to how it was.

5 MR. MORSE: Do you plan to go through  
6 his testimony on all the questions that he was  
7 asked?

8 MR. MILLKEY: No, I do not intend to do  
9 that.

10 MR. SMITH: I'd just like to note for  
11 the record that this is not a signed transcript.  
12 Okay?

13 BY MR. MILLKEY:

14 Q. Mr. Parry, do you believe that the  
15 excerpt that we just read from, do you have any  
16 reason to believe that the excerpt which we just  
17 read from your SEC testimony was inaccurate in any  
18 way?

19 A. I have no reason to believe that. I  
20 answered the questions at the time to the best of  
21 my ability.

22 MR. SMITH: I think that's not his  
23 question. I think his question is: Do you have  
24 reason to believe that the transcript itself is an  
25 accurate transcription of what you said at the  
0103

1 GORDON PARRY 103  
2 testimony?

3 THE WITNESS: I take it on trust. I  
4 don't remember what I said.

5 MR. MILLKEY: Why don't we mark No. 3.  
6 (Exhibit 3 marked for identification and  
7 attached hereto.)

8 MR. MILLKEY: We should probably note  
9 that the document that was marked as Parry  
10 Exhibit 2 was, I believe, produced to us by Shell.  
11 It has the Bates range SCA00003193 through  
12 SCA00003219, and it appears to be a transcript of  
13 a deposition that occurred at the Securities &  
14 Exchange Commission on November 4, 2005. The  
15 deposition was of Mr. Parry.

16 BY MR. MILLKEY:

17 Q. Looking at Exhibit 3, this is another  
18 e-mail string. The earliest e-mail in the string  
19 was February 10, 2000. The last e-mail in the  
20 string is September 18, 2000. The Bates range is

21 SMJ00040503 through 511.

22 Mr. Parry, many of the e-mails in this  
23 string were also part of the previous exhibit.  
24 The e-mail string took a divergence, I believe, on  
25 page 40505 with the e-mail of Mr. Rothermund to  
0104

1 GORDON PARRY 104  
2 you date September 18, 2000. If you look at the  
3 following page, I think you'll see that that's  
4 Mr. Minderhoud's e-mail to you that we were just  
5 discussing as part of the Exhibit 1.

6 Now, Mr. Rothermund, in addition to  
7 sending the e-mail to you and Mr. Inglis, has a cc  
8 to Ms. Lovelock, Mr. Minderhoud and Matthias  
9 Bichsel. Who is he?

10 A. Mr. Bichsel was the head of Shell  
11 Deepwater Services.

12 Q. And he says: "Gentlemen, against the  
13 background of Martijn Minderhoud's e-mail, with  
14 which I fully agree, let me make a few supporting  
15 comments."

16 Then he says: "One of the most  
17 important elements in the EP scorecard is reserves  
18 replacement. It is essential that we should come  
19 up with imaginative ways of booking those reserves  
20 we have. Martijn's approach is such an  
21 imaginative approach."

22 You received this e-mail, sir?

23 MR. MORSE: I would like to make one  
24 note.

25 MR. MILLKEY: Did I misread it?

0105

1 GORDON PARRY 105

2 MR. MORSE: You misread it, yeah. You  
3 said "one of the most important elements." The  
4 word "most" is not in there.

5 MR. MILLKEY: You're correct. "One of  
6 the important elements in the EP scorecard is  
7 reserves replacement." My apologies.

8 BY MR. MILLKEY:

9 Q. Did you understand Mr. Rothermund to be  
10 suggesting that the EP scorecard was -- Strike  
11 that.

12 Did you understand Mr. Rothermund to be  
13 saying that we must find a way to book reserves in  
14 Block 18?

15 A. I see this as stressing the message  
16 that he delivered at the EPG meeting, that if we  
17 can book reserves in Block 18, that would be a  
18 good thing.

19 Q. Did you understand him to be saying  
20 that one of the forces driving his desire to book  
21 reserves was the scorecard, the EP scorecard?

22 A. Clearly, booking of reserves was an  
23 element on that scorecard, and Mr. Rothermund may  
24 have found that, for him, very important. Clearly  
25 important, as he had had direction from his

0106

1 GORDON PARRY 106

2 superior.

3 Q. Excuse me, sir?

4 A. He had had a message from his superior  
5 that it was something that we should address.

6 Q. His superior being Philip Watts?

7 A. Uh-huh.

8 Q. The e-mail goes on: "Let's now use  
9 it" -- and I believe he's referring to an  
10 imaginative approach such as Mr. Minderhoud's --  
11 "and use it for what it is meant to be, not a  
12 final scheme for some optimal field development,  
13 but a scheme for the early booking of value."

14 Again, did you take that language to  
15 convey that some scheme should be found for the  
16 booking of proved reserves?

17 A. I took it as part of the debate that we  
18 should find an optimum solution for this field  
19 development. Neither Mr. Minderhoud nor  
20 Mr. Rothermund are experts in that field. And I  
21 was taking the advice of people in Shell Angola  
22 and Shell Deepwater Services as a more  
23 authoritative view on these things. But both  
24 Mr. Minderhoud and Mr. Rothermund were seeking --  
25 trying to encourage people to seek solutions.

0107

1 GORDON PARRY 107

2 Q. Now, the next paragraph reads: "I am

3 getting quite disenchanted to notice that each  
4 time a new idea for reserves booking is coming up,  
5 we spend determined time to shoot it down rather  
6 than to see how to progress it."

7 In that paragraph, did you understand  
8 him to be discussing field development or booking  
9 reserves?

10 A. A combination of both. But statements  
11 like that, having worked for Mr. Rothermund for  
12 quite a long time, I would discard it as being  
13 just Mr. Rothermund.

14 Q. So when he uses the term "reserves  
15 booking," he may have meant something different  
16 than just reserves booking? Is that what you're  
17 suggesting?

18 A. He's clearly very interested in  
19 reserves booking. But my personal objective was  
20 to get this project working and not to be  
21 deflected by a lot of comments coming from outside  
22 sources who didn't have detailed knowledge of the  
23 project.

24 Q. Are you suggesting -- are you referring  
25 to Mr. Rothermund's comments as such comments?

0108

1 GORDON PARRY 108

2 A. I don't feel that the comments were  
3 particularly helpful to the case.

4 Q. Would you agree that based upon the  
5 language he used, his utmost concern appeared to  
6 be reserves booking?

7 MR. SMITH: Objection to form.

8 THE WITNESS: I could speculate, but I  
9 think you should ask him.

10 BY MR. MILLKEY:

11 Q. The following paragraph reads: "It is  
12 a great shame that we did not manage to drill  
13 appraisal wells first in Block 18. I would not be  
14 surprised that one of the reasons for this is that  
15 ideal field development was seen as more important  
16 than early booking of value." I believe he meant  
17 "than early booking of value."

18 Did you understand him to be suggesting  
19 that the early booking of value was more important

20 than ideal field development?

21 A. He's expressing his opinion here, and  
22 with the benefit of hindsight, one might have done  
23 things differently. But we basically had to drive  
24 the project forward as best we could given the  
25 circumstances at the time. And if we were able to  
0109

1 GORDON PARRY 109

2 book reserves based on the work that was being  
3 done on behalf of Shell Angola by SDS, then fine.

4 Q. He finishes his e-mail with the words:  
5 "Please be guided accordingly."

6 Did you understand this as a directive  
7 that reserves were to be booked in Block 18?

8 A. I interpreted this as pressure --  
9 pressure to pursue the project; that he was  
10 interested in pursuing this project, and if we can  
11 book reserves, that's fine.

12 Q. At the time you received this e-mail,  
13 did you have any understanding of why  
14 Mr. Minderhoud would have cc'd Mr. Bichsel?

15 A. No.

16 Q. In an earlier answer you said "but we  
17 basically had to drive the project forward as best  
18 we could given the circumstances at the time."  
19 What did you mean by the phrase "the circumstances  
20 at the time"?

21 A. Given the status of the drilling  
22 results up until that time.

23 Q. And you understood the status of those  
24 results to be what?

25 A. They were all positive. The strategy  
0110

1 GORDON PARRY 110

2 had been to drill separate structures which each  
3 in turn were oil discoveries on separate  
4 structures.

5 Q. And those are exploration wells we're  
6 discussing, right?

7 A. That's right.

8 Q. The first page of this exhibit is  
9 SMJ00040503. At the bottom of the page there is  
10 an e-mail from Robert Inglis dated

11 September 18, 2000, to Heinz Rothermund with a  
12 number of cc's, including one to you.

13 On page 504, Mr. Inglis refers to the  
14 visit to Angola early in the year. Do you know  
15 anything about that visit?

16 A. I can only assume it was the visit we  
17 discussed earlier. In my recollection,  
18 Mr. Rothermund only went there once.

19 Q. And then he says: "Our plan was to  
20 steer BP to provide the necessary basis or  
21 undertake a small study ourselves to provide the  
22 technical basis to justify booking reserves. BP  
23 do not plan to book reserves this year."

24 Do you know whether BP was convinced to  
25 undertake the study that this e-mail refers to?

0111

1 GORDON PARRY 111

2 A. I don't. I was not involved in the  
3 day-to-day business between Shell Angola and BP.

4 Q. It says: "BP do not plan to book  
5 reserves this year. They say this is not a  
6 priority for them, and they want to see a bigger  
7 reserves base, too, for the development."

8 The last sentence says: "Consequently,  
9 to be safe, we requested SDS to carry out a study  
10 to underpin booking of existing reserves by year  
11 end. This was already along the lines suggested  
12 by Martijn."

13 Wasn't it the case that SDS was  
14 requested to carry out a study specifically to  
15 underpin the booking of reserves in Block 18  
16 in 2000?

17 A. I don't recall a request being made  
18 under those specific terms. I was only aware that  
19 we were pursuing every avenue to develop that  
20 block. But clearly, reserves were part of the  
21 process.

22 Q. But do you agree that Mr. Inglis, who  
23 was with SDAN, indicates that such a request was  
24 made to SDS?

25 MR. SMITH: Objection to form.

0112

1 GORDON PARRY 112



2 MR. FERRARA: I'm sorry, did you

3 respond to that question?

4 THE WITNESS: No, I didn't.

5 MR. FERRARA: I'm not sure what the  
6 question is. Are you just asking him whether the  
7 words you read appear on the page? I mean, the  
8 words say, "We requested SDS to carry out a study  
9 to underpin booking -- We read that. Did you ask  
10 him did he say it? I'm sorry, I'm confused with  
11 the question.

12 THE WITNESS: I don't recall seeing a  
13 document with such a request.

14 BY MR. MILLKEY:

15 Q. At the bottom of the page, he says:  
16 "We need to separate actual development solutions  
17 for optimized field development from work we do  
18 for the early value -- for early value creation  
19 only."

20 Were there two tracks happening here,  
21 one for optimized field development and one for  
22 the early booking of value?

23 MR. SMITH: Objection to form.

24 THE WITNESS: Not that I'm aware. SDS  
25 would clearly, as part of their analysis of this

0113  
1 GORDON PARRY 113

2 problem, have a view on the reserves. But at the  
3 end of the day, it's not their remit to dictate  
4 what reserves are booked. But they would clearly  
5 have a view on it from the work they do -- from  
6 the work they did.

7 BY MR. MILLKEY:

8 Q. What did you understand him to mean by  
9 the last sentence of this e-mail on that page?

10 MR. SMITH: Who is "him" in that  
11 question?

12 MR. MILLKEY: The author of the e-mail,  
13 who is Rob Inglis.

14 MR. SMITH: I don't think that's right.

15 MR. MILLKEY: Am I wrong?

16 MR. SMITH: Look at the last e-mail in  
17 sequence and you'll that the e-mail has been  
18 annotated by another author. I don't know that

19 it's clear exactly whose writing that is.

20 MR. MILLKEY: Can we go off the record  
21 for a second?

22 THE VIDEOGRAPHER: We are going off the  
23 record. The time is 2:03 p.m.

24 (Off-the-record discussion.)

25 THE VIDEOGRAPHER: We are back on the  
0114

1 GORDON PARRY 114  
2 record. The time is 2:07 p.m.

3 MR. MILLKEY: Mr. Smith has pointed out  
4 to me that the e-mail we've been discussing, which  
5 starts at the bottom of 503 and goes on to 504,  
6 appears to have Mr. Rothermund's annotations.  
7 BY MR. MILLKEY:

8 Q. The paragraph at the bottom of  
9 page 504, which begins, "I am not talking about  
10 game change," do you have an understanding of  
11 whether that was Mr. Rothermund's annotation or  
12 whether that is Mr. Inglis speaking?

13 A. I can't be sure, but if I had to  
14 choose, it --

15 MR. FERRARA: I'm sorry. If you  
16 know --

17 THE WITNESS: I don't know.

18 MR. FERRARA: Then you don't know. You  
19 don't have to -- Just what you recall.

20 THE WITNESS: This page looks out of  
21 place, to be honest.

22 BY MR. MILLKEY:

23 Q. Well, let me just ask the question this  
24 way. Regardless -- Did you have an understanding  
25 of that particular sentence: "We need to separate

0115

1 GORDON PARRY 115  
2 actual development solutions for optimized field  
3 development from work we do for early value  
4 creation only"?

5 A. I would interpret them as meaning the  
6 same thing, personally. But I didn't write it.

7 Q. Okay. All right.

8 MR. MILLKEY: Let's mark a new exhibit,  
9 4.

10 (Exhibit 4 marked for identification and

11 attached hereto.)

12 BY MR. MILLKEY:

13 Q. Just let me know when you're ready,

14 Mr. Parry.

15 A. Okay.

16 Q. Parry Exhibit 4 is a document that was  
17 marked by the SEC at your deposition. It was  
18 marked as Exhibit 460. The first page appears to  
19 be an e-mail from Heinz Rothermund dated  
20 September 5, 2000, to a number of individuals.  
21 The first listed is Lorin Brass. Who is Lorin  
22 Brass? I'm looking at the cover e-mail, the first  
23 page.

24 A. Who is Lorin Brass?

25 Q. Who is Lorin Brass?

0116

1 GORDON PARRY 116

2 A. Lorin Brass was head of the EPB, which  
3 was the new business development organization.

4 Q. It was also sent to Linda Cook. Who is  
5 Linda Cook?

6 A. Linda Cook at the time was head of Gas  
7 Power.

8 Q. Who is Carol Dubnicki?

9 A. She was head of BP Human Resources in  
10 The Hague.

11 Q. And I'm listing all of the recipients  
12 or the people to whom this e-mail is sent. Who is  
13 Dominique Gardy?

14 A. All of the remaining gentlemen on that  
15 list are the directors of the other business  
16 directorates. So Dominique Gardy was the head of  
17 BP Finance at the time.

18 Zaharuddin Megat was head of EPM, which  
19 was the Middle East.

20 Raoul Restucci was head of Asia, Asia  
21 Pacific.

22 Bob Sprague was Europe, EPN.

23 Tim Warren was head of Technical  
24 Services.

25 And Phil Watts, as you know, managing

0117

GORDON PARRY 117

1  
2 director of BP.

3 Q. Is it fair to say that --

4 A. The managing director at this time,  
5 yeah.

6 Q. Excuse me. Is it fair to say these are  
7 all senior managers within Shell or executives  
8 within Shell?

9 A. These are the members of the ExCom,  
10 Executive Committee.

11 Q. Is that the Executive Committee of EP  
12 or --

13 A. Of EP.

14 Q. The cover note says: "Attached is a  
15 note that explains EPG's position on reserves in  
16 Angola and Brazil for your general information."

17 The next page of this document, or what  
18 follows that cover page is a two-page note  
19 entitled "Note" from you, Mr. Parry, to Heinz  
20 Rothermund with a number of cc's dated  
21 September 5th. Does this appear to you -- Strike  
22 that.

23 Did you write this note?

24 A. I did.

25 Q. Did someone ask you to write it?

0118

GORDON PARRY 118

2 A. As I recall, following the meeting that  
3 we talked about earlier when Mr. Rothermund told  
4 us about the reserves issue, I felt it appropriate  
5 to explain the situation in Angola at that time,  
6 having mentioned in the meeting that there was a  
7 possibility that Angola could record reserves by  
8 the end of the year.

9 Q. Do you believe that this is the final  
10 version of this note?

11 A. I don't have any reason not to -- I  
12 don't remember word for word how I wrote it, but I  
13 have nothing else to compare it with.

14 Q. I understand. Okay.

15 Can you just briefly identify the cc's  
16 on this note?

17 A. Heinz Rothermund was the regional

18 director of EPG, business director.

19 Sal Kakok was a member of EPG, and he  
20 was, within EPG, assigned to collecting reserves  
21 information from the countries that EPG dealt  
22 with.

23 Martin Wink was the vice president for  
24 South America.

25 Michael Kool was the regional business

0119

1 GORDON PARRY 119  
2 advisor for Brazil.

3 Q. And the others I think we know,  
4 Mr. Aalbers, Mr. Simon --

5 A. You know the rest, yes.

6 Q. We could probably spend the rest of the  
7 afternoon on this note, which I don't want to do.  
8 But I do want to ask you a few questions about it.

9 The first line refers to question --  
10 reserves questions raised at the EPG meeting on  
11 14th August, 2000, and follows a meeting between  
12 EPG and Shell Angola staff with EPB-P on 22nd  
13 August, 2000.

14 Did you attend the August 14, EPG  
15 meeting?

16 A. I assume that was the meeting where  
17 Mr. Rothermund declared the situation.

18 Q. Where he raised the shortfall in  
19 Nigeria?

20 A. Yeah, I'm assuming that.

21 Q. Did you attend the meeting between EPG  
22 and Shell Angola staff with EPB-P on  
23 August 22, 2000?

24 A. I assume I did. I would have,  
25 following the meeting on the 14th, spoken to Shell

0120

1 GORDON PARRY 120  
2 Angola and also to Remco Aalbers to discuss the  
3 situation, and they would have helped me compile  
4 this note.

5 Q. Does EPB-P refer to Mr. Aalbers?

6 A. That's his reference indicator, yes.

7 Q. Do you have a specific recollection of  
8 that meeting?

9 A. I don't have a -- I had so many  
10 meetings with these people that I don't recall one  
11 specific meeting.

12 Q. Now, the second paragraph, in the  
13 second line, uses the term "commercially mature."  
14 The sentence says: "Proved reserves can be booked  
15 if it can be demonstrated that the development  
16 project of a discovered field is technically and  
17 commercially mature." And then there is a  
18 parenthetical.

19 What did you understand "commercially  
20 mature" to mean?

21 A. That the project was economically  
22 viable.

23 Q. Did you understand commercial maturity  
24 to be a prerequisite for booking reserves as  
25 proved?

0121

1 GORDON PARRY 121

2 A. No, I didn't make that link at this  
3 time.

4 Q. Then --

5 A. In our discussion, I would have sought  
6 the advice of Aalbers to construct that paragraph.

7 Q. Well, the sentence, I think, literally  
8 appears to say that reserves can be booked if it  
9 can be demonstrated that the development of the  
10 project -- the development project of the  
11 discovered field is technically and commercially  
12 mature.

13 I believe that says that commercial  
14 maturity is a requirement. If I'm mistaken,  
15 please correct me.

16 MR. SMITH: Object to the form.

17 THE WITNESS: I think the paragraph  
18 points out that the project should be deemed  
19 economic in order to book reserves. And this was  
20 checked with Remco, who was the custodian of the  
21 regulations.

22 BY MR. MILLKEY:

23 Q. And by "deemed economic," you mean  
24 commercially mature?

25 A. That met Shell's internal screening

0122

1 GORDON PARRY 122

2 criteria for an economic project, which varies  
3 from company to company.

4 Q. But at this juncture, was it your  
5 understanding that commercial maturity -- When you  
6 say that it must be economic, is that the same as  
7 saying commercially mature? Or is it different?

8 A. What I mean is it should make money,  
9 that the project should make money against certain  
10 screening criteria: oil price, rate of return, et  
11 cetera.

12 Q. Is that the same as commercial  
13 maturity?

14 A. If you're asking for my interpretation,  
15 that's how I would interpret it.

16 Q. At the bottom of that paragraph, NPV,  
17 is that net present value? Is that what that  
18 means?

19 A. Net present value, yes.

20 Q. What is PSV14?

21 A. Project screening value.

22 Q. Now, in the next paragraph, you write  
23 at the beginning: "Booking of proven reserves is  
24 not necessarily tied to FID or to economic  
25 cut-off."

0123

1 GORDON PARRY 123

2 What is economic cut-off?

3 A. The point at which the project no  
4 longer makes any money. I cannot remember what  
5 the acronym VIR is.

6 Q. So I'm just trying to understand the  
7 meaning of this sentence. Are you suggesting that  
8 the booking of proved reserves may be appropriate  
9 even below economic cut-off?

10 A. No, I would not mean that at all.

11 Q. What does it mean, that the booking of  
12 proven reserves is not necessarily tied to  
13 economic cut-off?

14 A. I don't recall the meaning of that.  
15 The first part I can follow, but I don't recall  
16 the meaning of the second part.



17 Q. Is this language that you would have  
18 gotten from Mr. Aalbers?

19 A. This is language that would have come  
20 from a combination of Mr. Aalbers and Shell  
21 Angola.

22 Q. Now, what is VAR?

23 A. Value assurance review.

24 Q. What is that?

25 A. In any project, certain tollgates were  
0124

1 GORDON PARRY 124  
2 defined, at which point a team of experts were  
3 commissioned to review the status of the project  
4 to identify shortfalls, work still needing to be  
5 done to keep it on track. So an FID is the final  
6 tollgate that you would reach. At VAR2 the  
7 project is already quite mature. I don't recall  
8 precisely what the criteria were for passing or  
9 failing VAR2, but it was already somewhere on the  
10 line.

11 Q. Towards the end of that paragraph it  
12 says: "A VAR2 is planned for Q4 2000, and could  
13 assist with booking 300 million barrels proven oil  
14 reviews in Angola by year end." "MMbbls," I  
15 presume, means million barrels?

16 A. That's correct.

17 Q. And "Q4" refers to the fourth quarter  
18 of the year 2000?

19 A. That's right.

20 Q. Do you recall whether a VAR2 actually  
21 occurred during the fourth quarter of 2000?

22 A. I recall that a VAR2 did take place in  
23 the offices of BP, I believe.

24 Q. Was it your understanding that the  
25 Shell guidelines permitted the booking of proved  
0125

1 GORDON PARRY 125  
2 reserves on the successful completion of a VAR2?

3 A. I don't recall precisely at the time  
4 what the situation was there.

5 Q. Do you recall the results of the VAR2?

6 A. In general terms, yes.

7 Q. What is your recollection?

8 A. That there were still some shortcomings  
9 in the work of BP. I don't remember precisely  
10 what they were, but as I remember, this was a  
11 further incentive for Shell Deepwater to do  
12 further work themselves to redress those  
13 shortfalls, and also for Shell Angola to work  
14 closely with BP to close out those outstanding  
15 issues.

16 Q. Now, again, according to the language  
17 of the memo, a VAR2 is planned for Q4 2000 and  
18 could assist in booking 300 million barrels of  
19 proven oil reserves in Angola. Because the VAR2  
20 was not successful, was SDS asked to do additional  
21 work to support a reserves booking in Block 18?

22 MR. SMITH: Objection to form.

23 THE WITNESS: As I just mentioned, this  
24 was an incentive for SDS to do further work on  
25 this project. And if reserves were going to be

0126

1 GORDON PARRY 126  
2 booked, fine.

3 BY MR. MILLKEY:

4 Q. There is a paragraph a couple of  
5 paragraphs down, "The LE" -- It uses the term  
6 "LE."

7 A. Latest estimate.

8 Q. It says: "The latest estimate (Shell  
9 PSC entitlement) of proven reserves for the  
10 Greater Plutonio hub in Block 18 is  
11 293 million barrels (P85)."

12 Does that stand for production share  
13 and contract? Is that correct?

14 A. That's correct.

15 Q. In other words, does that refer to  
16 Shell's 50 percent stake in the project?

17 A. Yes.

18 Q. What does the P85 refer to?

19 A. It's -- Any estimate of reserves is a  
20 distribution curve. You can never be precise. So  
21 usually reserves are quoted as P15, P50 and P85.  
22 P85 is a high level, a high degree of confidence,  
23 85 percent level of confidence.

24 Q. By including the P85 in this sentence,

25 were you suggesting that there was currently that

0127

1 GORDON PARRY 127

2 high level of confidence in the 293 million  
3 barrels?

4 A. At this moment in time, 293 was the  
5 figure that Shell Angola had calculated, as I  
6 recall.

7 Q. But why is the P85 in parentheses after  
8 that? What was that meant to convey?

9 A. Exactly that. There was an 85 percent  
10 certainty that it could be that value.

11 Q. The beginning of the next paragraph  
12 says: "The target in 2000 is to exceed the  
13 cut-off target of 750 million barrels, 100 percent  
14 for the Greater Plutonio hub."

15 What does "cut-off target" mean?

16 A. I don't recall exactly. I don't want  
17 to speculate.

18 Q. The following paragraph says: "The  
19 target for proven reserves for Angola or the EPG  
20 scorecard for 2000 is zero. The 2000 LE of  
21 293 million barrels offsets the zero 2000 LE for  
22 Nigeria SPDC. Our proved reserves have been  
23 frozen at ARPR 1.1.2000 numbers."

24 Does that sentence confirm your  
25 recollection that there were no proved reserves on

0128

1 GORDON PARRY 128

2 the -- I guess specifically I asked you if there  
3 was proved reserves for Angola on the SDAN  
4 scorecard. This confirms that there were no --

5 A. I think this statement is --

6 Q. As far as you know, that's accurate?

7 A. It's saying that there is a possibility  
8 that we have the 293, and this could offset what  
9 Nigeria had taken off their scorecard.

10 Q. The first line of the next paragraph  
11 has the letters SFR. What does that stand for?

12 A. Scope for recovery.

13 Q. What does that mean?

14 A. Normally, if you drill an exploration  
15 well and you have a discovery, it boosts your

16 confidence that there is a hydrocarbon system that  
17 is working, and it can indicate that either of  
18 parts of the same structure separated by faults or  
19 whatever, or nearby satellite structures could  
20 also contain oil, which if you drilled, would find  
21 more oil, so hence scope for recovery of more oil.

22 So if you include that sort of figure,  
23 you usually put a very high risk factor on it  
24 until you have more information to reduce that  
25 risk.

0129

1 GORDON PARRY 129

2 Q. Now, the 293 million barrels, was that  
3 scope for recovery, or something else?

4 A. As I understood it, the 293 were  
5 reserves. The scope for recovery would have been  
6 a much larger number.

7 Q. At the top of the next page there is  
8 the phrase "unitization negotiations with TFE."  
9 Do you know what that means?

10 A. Yeah. In the block to the north of  
11 Block 18 is Block 17, and that license was held by  
12 TotalFinaElf.

13 THE COURT REPORTER: Was held by --

14 THE WITNESS: TotalFinaElf. It was all  
15 one word. The company now is just called Total,  
16 but at the time it was called TotalFinaElf, and  
17 they were the licensees of Block 17.

18 And the Girassol field, which is a  
19 giant oilfield, the southern tip of it extended  
20 into Block 18, we thought. If we were to claim  
21 access to any reserves from the Girassol  
22 structure, we as a group in Block 18, we would  
23 have to drill a well within Block 18 on that  
24 structure to prove that the oil was there. So  
25 that was one of the possible targets in Block 18,

0130

1 GORDON PARRY 130

2 amongst many other structures that we had  
3 identified.

4 Q. What does the word "unitization" mean?

5 A. If you drill the well -- if you are to  
6 have drilled the well in Block 18 and found the

7 oil, you could have gone to TotalFinaElf and say,  
8 "Hey, part of that field belongs to us." And then  
9 they would have said, "Well, prove it." And then  
10 you would have to bring in a team of experts who  
11 had access to the data on both sides of the fence  
12 who would arbitrate what percentage was yours and  
13 what percentage was theirs.

14 This is a very common procedure in the  
15 North Sea and in the Gulf of Mexico where the  
16 block sizes are smaller than the actual fields.  
17 So who gets what is a very important element, very  
18 important exercise.

19 Q. Okay. Jumping down to the last  
20 paragraph --

21 THE VIDEOGRAPHER: Sorry, you're  
22 blocking your microphone.

23 BY MR. MILLKEY:

24 Q. Jumping down to the last paragraph,  
25 I'll read a sentence or two. It says: "In

0131

1 GORDON PARRY 131  
2 summary, therefore, it is likely that proven  
3 reserves in the order of 300 million barrels will  
4 be booked for Angola by end 2000, offsetting the  
5 zero additions for Nigeria SPDC."

6 Did you personally believe that it was  
7 likely at this juncture that 300 million barrels  
8 would be booked as proven for Angola by year  
9 end 2000?

10 A. Based on the information that Shell  
11 Angola had, we were optimistic at this juncture  
12 that it would be possible. And this is prior to  
13 doing a lot of the subsequent work, that we could  
14 offer the 293 to the reserves calculation.

15 Q. And again, the purpose of that reserve  
16 booking would be to offset the shortfall in  
17 Nigeria, correct?

18 MR. SMITH: Objection to form.

19 THE WITNESS: This note is a result of  
20 the meetings I had subsequent to the meeting on  
21 August 14th after preliminary meetings with Shell  
22 Angola and with Remco Aalbers and by no means was  
23 meant to be definitive but it was to give an

24 indication to the senior management that Angola  
25 may be able to offer some redress to the shortfall  
0132

1 GORDON PARRY 132

2 in Nigeria. That was the intent of this note.

3 MR. MILLKEY: All right.

4 (Exhibit 5 marked for identification and  
5 attached hereto.)

6 BY MR. MILLKEY:

7 Q. If you could just take a moment to look  
8 this over.

9 A. We can take a short break if you wish.

10 Q. It doesn't matter to me. It's been a  
11 while.

12 A. Let's take a short break.

13 THE VIDEOGRAPHER: This marks the end  
14 of Tape 2 in the deposition of Mr. Parry. We are  
15 going off the record. The time is 2:42 p.m.

16 (A recess was then taken.)

17 THE VIDEOGRAPHER: This marks the  
18 beginning of Tape 3 in the deposition of  
19 Mr. Parry. We are back on the record. The time  
20 is 2:55 p.m.

21 BY MR. MILLKEY:

22 Q. Mr. Parry, the document which we've  
23 just marked as Exhibit 5 has the Bates range  
24 SMJ00037671 through 74, and it appears to be a  
25 version of the note that we just discussed as part

0133

1 GORDON PARRY 133

2 of Exhibit 4.

3 Have you ever seen this particular  
4 document before?

5 A. I recognize the document as being  
6 written by myself, but I don't recall exactly the  
7 context in which it was written.

8 Q. This document appears to have all the  
9 text that was in the previous exhibit, but it has  
10 some additional paragraphs as well. Mr. Smith has  
11 drawn to my attention another document that I  
12 suppose we should mark also as Parry Exhibit 6.

13 (Exhibit 6 marked for identification and  
14 attached hereto.)

15 MR. MILLKEY: And I don't know how many

16 copies we have of this. We just received this.

17 BY MR. MILLKEY:

18 Q. Parry Exhibit 6 is Bates range

19 SMJ00037669 and 70, which are the two previous

20 pages in the Bates range to the document which we

21 just marked as Exhibit 5. It's an e-mail string.

22 The first e-mail on the first page is from Ian

23 Hines dated September 10, 2000, to Richard Sears,

24 Chandler Wilhelm and Barry Knight with a cc to

25 Derek Newberry. It says: "Gents, attached

0134

1 GORDON PARRY 134

2 revision maps out a number of issues raised by

3 Gordon's note and may help with the discussion."

4 Do you know, Mr. Parry, if the document

5 we've marked as Exhibit 5 includes the

6 interlineations of Mr. Hines to the note that you

7 had previously sent around? For example, if you

8 look at Exhibit 5, the second paragraph begins:

9 "There appears to be a lack of communication..."

10 That paragraph is not in Exhibit 4.

11 Did you draft that paragraph? Or did someone else

12 draft it?

13 A. I don't recall drafting that.

14 Q. Well, let's just look at another

15 example of a paragraph that occurs in Exhibit 5

16 but which isn't in Exhibit 4.

17 MR. SMITH: Could I just make one note

18 for the record which may be helpful?

19 MR. MILLKEY: Sure.

20 MR. SMITH: The first sentence of that

21 second paragraph appears to be a lack of

22 communication. This is the first we have heard

23 about the meeting on August 22nd. The witness has

24 already testified that he was at that meeting, so

25 I imagine this wouldn't be the first time he heard

0135

1 GORDON PARRY 135

2 of it.

3 I just note that for the record.

4 And he's also mentioned in the third

5 person in the fourth line of that paragraph. I



6 don't know that he would refer to himself in the  
7 third person.

8 BY MR. MILLKEY:

9 Q. Well, let me ask you this, then. Have  
10 you ever seen -- Do you recall ever seeing this  
11 version of this document with -- Let me just take  
12 a moment to point out some of the other paragraphs  
13 that are not in Exhibit 4. The fourth paragraph  
14 in Exhibit 5 which begins, "Currently neither BP  
15 nor Shell," that does not occur in Exhibit 4.

16 A. Could you ask the question again,  
17 please?

18 Q. The paragraph in Exhibit 5 that begins  
19 "Currently neither BP nor Shell are in a position  
20 to fulfill," do you recall if you wrote that  
21 paragraph?

22 A. I don't. I don't think I could have  
23 written that paragraph.

24 Q. Do you recall whether you've seen it  
25 before?

0136

1 GORDON PARRY 136

2 A. As I said initially, I don't recall  
3 seeing this hybrid note.

4 Q. In that case --

5 A. I must have seen it, but I don't recall  
6 the context in which I saw it.

7 Q. Well, if you think you've seen it, I  
8 may ask you questions about it. If you don't  
9 remember seeing it, we may save it for another  
10 day.

11 A. I can't honestly remember why my  
12 original note appears in a different form. I  
13 can't remember that.

14 Q. If you don't remember that you've read  
15 this before, I think we'll just save it for  
16 another day. Or we may come back to it later;  
17 we'll think about it.

18 Maybe I will ask you a few questions  
19 about this exhibit and see where it goes. Again,  
20 this is Exhibit 5.

21 The second paragraph, which did not  
22 occur in your Exhibit 4 says, there appears to be

23 a lack of communication and alignment from the  
24 asset to SDS. Did you believe -- do you believe  
25 that that is an accurate statement?

0137

1 GORDON PARRY 137

2 A. I -- I find it difficult to understand,  
3 because one of the crucial things throughout this  
4 whole period was that all parties be informed on  
5 what was going on. I went to great lengths to  
6 make sure that as the situation developed,  
7 everybody was informed and had the chance to make  
8 their views known so that at the end of the day,  
9 whatever the outcome was, it was an outcome that  
10 had the agreement of all contributing parties.

11 And the initial note here, I can only  
12 assume maybe that SDS at this point were not  
13 copied on it. I don't know. But from this  
14 starting point, which basically gives the  
15 situation on the 5th of September and makes all  
16 the most senior people in the company very aware  
17 of the situation in Block 18, and all the experts,  
18 the in-house experts, have had their chance to  
19 comment on it, this was a stake in the ground  
20 point during the year.

21 But the story has moved on, and I can  
22 only assume that SDS started to have some  
23 differing views and maybe a phone call was missed  
24 somewhere along the line. I don't know. Because  
25 the day-to-day contact between SDS and the asset,

0138

1 GORDON PARRY 138

2 Shell Angola, was between Robert Inglis and Ian  
3 Hines.

4 Q. Now, turning to the fourth paragraph of  
5 Exhibit 5, which again did not occur in the final  
6 version of your note which we've marked as  
7 Exhibit 4, the first sentence says: "Currently  
8 neither BP nor Shell are in a position to fulfill  
9 the criteria that commercial maturity should be  
10 demonstrated over a sufficiently large range of  
11 possible scenarios, including all surface and  
12 subsurface uncertainties."

13 Does that statement reflect the

14 understanding you had at that time?

15 A. Not on the 5th of September. I don't  
16 know where this statement came from. I don't  
17 recall drafting it myself.

18 Q. Exhibit 6, which Mr. Smith showed to  
19 me, is an e-mail from Mr. Hines to Mr. Sears and  
20 others in SDS. It says: "Gents, attached  
21 provision maps out a number of the issues raised  
22 by Gordon's note that may help with the  
23 discussion."

24 Exhibit 5 follows directly in the Bates  
25 range from Exhibit 6, and I think the suggestion

0139

1 GORDON PARRY 139  
2 is that Exhibit 5 reflects the interlineations  
3 written by Mr. Hines to your memo. But you have  
4 no independent basis of whether that's true,  
5 correct?

6 A. Yes. That was my assumption now  
7 reading it. But I don't recall.

8 Q. And that document, Exhibit 6, is dated  
9 September 10th. So if the theory is correct,  
10 these interlineations were written at about that  
11 same time on September 10th.

12 But getting back to the question,  
13 looking at the fourth paragraph Exhibit 5 that  
14 first sentence, "Currently neither BP nor Shell,"  
15 that did or did not reflect your understanding  
16 during that time period?

17 A. This is, I would imagine, the opinion  
18 of the author of that paragraph. Our  
19 understanding of the situation is as pointed out  
20 in the note of the 5th, which was written in  
21 collaboration with Shell Angola.

22 MR. SMITH: Just so the record is  
23 clear, the "this" he referred to there is  
24 Exhibit 4.

25 THE WITNESS: Yeah.

0140

1 GORDON PARRY 140  
2 BY MR. MILLKEY:

3 Q. The next sentence of Paragraph 4 says:  
4 "At the current time, neither of the companies

5 have working static or dynamic models  
6 representative of the individual reservoirs or the  
7 more complex cluster hub required for Block 18."

8 Do you know whether or not that  
9 statement was true?

10 A. I have no independent way of verifying  
11 that.

12 Q. The next sentence reads: "We currently  
13 only have a single well in each of the candidate  
14 structures, and the range of subsurface  
15 uncertainty being considered by BP is far too  
16 narrow."

17 Do you have any knowledge about whether  
18 that statement was true?

19 MR. SMITH: Object to the form. It's  
20 actually two statements.

21 THE WITNESS: I was not -- I was not  
22 involved with BP on a daily basis.

23 BY MR. MILLKEY:

24 Q. I'm just asking if you know.

25 The next two sentences read:

0141

1 GORDON PARRY 141

2 "Independent work within SDS to assess this has  
3 commenced recently. Hence, the technical basis to  
4 underpin surface and subsurface uncertainties is  
5 immature."

6 Do you know whether that second  
7 sentence beginning with the word "hence" was true?

8 A. I don't. We wrote the original note  
9 based on the information and knowledge that Shell  
10 Angola had developed themselves prior to the  
11 detailed work that was to come later from SDS, as  
12 I understand it.

13 Q. The last sentence says: "We also have  
14 concerns that the economic evaluations carried out  
15 by SDAN not yet verified by SDS may be based upon  
16 optimistic assumptions of reservoir performance,  
17 particularly the assumptions for well ultimate  
18 recovery, which are a fundamental project driver,  
19 and a potential lack of robustness to downside."

20 At that time, were you aware of anyone  
21 having the concerns expressed in this sentence?

22 A. No.

23 Q. Looking to the last paragraph on that  
24 page, and again we're still talking about  
25 Exhibit 5, the first sentence reads: "Currently  
0142

1 GORDON PARRY 142  
2 the Shell view is that it is unlikely that BP will  
3 pass the VAR2 gate, which is now planned for  
4 October."

5 At that time, had you heard a concern  
6 that BP was unlikely to pass VAR2?

7 A. I may have heard that in discussions  
8 with Rob Inglis, but I can't recall precisely on  
9 which day and which conversation.

10 Q. And the last sentence in that paragraph  
11 reads: "Hence, it is unlikely that reserves can  
12 be booked on the above basis."

13 Do you recall anyone expressing that  
14 concern to you at about that time?

15 A. I would have obviously read this note.  
16 I don't recall precisely the timing of reading it.  
17 But this was purely the opinion of Ian -- if it  
18 was Ian Hines, his opinion at that moment. And my  
19 role was to try to juggle the opinions of various  
20 players. I shouldn't use the word "players."  
21 Juggle the opinions of the different contributors  
22 to this project to pursue the business objective,  
23 which was my driver.

24 Q. Now, Mr. Hines was with SDS, correct?

25 A. That's correct.

0143

1 GORDON PARRY 143

2 Q. And SDS was one of the Centers of  
3 Excellence at Shell with expertise -- with  
4 deepwater technical expertise, correct?

5 A. That's correct.

6 Q. Would you, for that reason, have valued  
7 Mr. Hines' opinion highly?

8 A. I certainly would have listened to  
9 Mr. Hines' opinion. And if he could produce work  
10 to back up his statements, then, of course, we  
11 would have to listen to it. And indeed, over the  
12 course of the next month, SDS did a lot of work, a

13 lot of analysis which culminated in Shell Angola  
14 having to make a choice what to propose to our  
15 reserves experts to book.

16 Q. Okay. Let's turn to the second full  
17 paragraph on page 672 of Exhibit 5. And again,  
18 this did not occur in Exhibit 4 and presumably was  
19 written by Mr. Hines or someone; not you in any  
20 event. "This appears to be the key statement:  
21 Both BP and SDS appear to have concerns that the  
22 economics for development of the Oligocene" --  
23 O-l-i-g-o-c-e-n-e -- "reserves in the Greater  
24 Plutonio area will be marginal. Work on the wider  
25 block portfolio is also immature. Booking

0144

1 GORDON PARRY 144  
2 reserves on this basis runs a risk of needing to  
3 reverse this at a later stage. See also  
4 Chandler's remarks on finger pointing."

5 Did anyone express the opinion to you  
6 at this time that the economics as described in  
7 the first sentence here were marginal?

8 A. We knew it was going to be a difficult  
9 project, hence the need to analyze as many options  
10 as possible to find a way of creating value in  
11 that block. And different scenarios had different  
12 economics, and my recollection at the time was  
13 that certain individuals in SDS were rather  
14 pessimistic that were encouraged to pursue the  
15 work to come up with alternative solutions.

16 Q. And by creating value, you mean booking  
17 reserves?

18 A. No. I mean producing oil and  
19 increasing the value of the block. But booking  
20 reserves is a part of that process.

21 Q. Do you understand what's meant by the  
22 reference "Chandler's remarks on finger pointing"?

23 A. I don't, no.

24 Q. Do you know who Chandler is?

25 A. Chandler Wilhelm, yes. I knew him. He

0145

1 GORDON PARRY 145  
2 was in the exploration function of SDS.

3 Q. Now, turning to the fourth full

4 paragraph on this page, 37672, this paragraph did  
5 not occur in the previous Exhibit 4. "The  
6 reserves volume quoted by EPG appear to be  
7 considerably higher than what BP and SDS are  
8 currently carrying."

9 Were you aware that the reserve volumes  
10 quoted by EPG were higher than those carried by  
11 SDS at that time?

12 A. The reserve volumes quoted by EPG I'm  
13 presuming are the -- is the number 293, which is  
14 quoted in the note that I wrote. Because any  
15 reserves quoted would be figures of Shell Angola,  
16 not EPG. I would like to make that clear.

17 And it's possible that as SDS  
18 progressed their work, they may have had a  
19 different opinion on that reserve figure of 293,  
20 which was quoted on the 5th of September.

21 Q. At that time, did you understand or did  
22 you know that SDS might have a different opinion  
23 on that 293 figure?

24 A. If they came -- if they had a different  
25 opinion, then I would have heard about it. I

0146

1 GORDON PARRY 146

2 don't recall -- I would have heard of it  
3 indirectly through Shell Angola or in meetings  
4 that we had when all three parties were present.  
5 But I don't recall precisely on which occasion I  
6 heard that.

7 Q. So just to make sure I understand your  
8 answer, you believe you would have been aware of a  
9 different opinion by SDS?

10 A. If SDS had a different opinion, it's  
11 unlikely that I would not have been aware of it.

12 Q. In the fifth full paragraph it says:  
13 "Platina reserves may have been included within  
14 the EPG numbers. However, Platina could not be  
15 booked in 2000 as we currently have no development  
16 concept for including those reserves in the  
17 greater Plutonio hub which has been the focus of  
18 the current development planning efforts."

19 Do you recall anyone expressing or  
20 conveying that information to you at the time?



21 A. I do have a recollection. The reason  
22 for that is, as I recall, Platina was the first  
23 structure that was drilled where the first  
24 discovery was made, and it was not close to the  
25 subsequent discoveries made around a structure  
0147

1 GORDON PARRY 147  
2 called Plutonio. So with the benefit of  
3 hindsight, you would have drilled Plutonio first.  
4 But that's how it goes with geology.

5 Q. Do you recall whether any Platina  
6 reserves were included in the 293 figure?

7 A. I don't recall exactly, but I could  
8 understand if they weren't, because Platina was a  
9 separate entity a bit too far away from the  
10 Greater Plutonio to be part of the same  
11 development project.

12 Q. But you don't know for a fact that they  
13 were not included?

14 A. I can't say with 100 percent certainty.

15 Q. Turning to the seventh full paragraph  
16 on that page which begins with the words "To  
17 achieve 750..." Again, this is text that was not  
18 in your original memorandum or the final that you  
19 sent, the one that we marked as Exhibit 4.

20 It says: "To achieve  
21 750 million barrels, both the Cromio and the  
22 Plutonio salt flank wells must be successful. The  
23 initial results from the Plutonio salt flank well,  
24 assuming Cromio success, will only be available  
25 mid-December, hence probably too late for 2000  
0148

1 GORDON PARRY 148  
2 reserves booking. Furthermore, the required  
3 economic volume threshold previously assumed by  
4 SDAN and BP to be around 750 million barrels has  
5 to be verified by the ongoing development work."

6 Did anyone -- Do you recall this  
7 information being conveyed to you at the time?

8 A. It's in the notes. I must have read  
9 it. And I do remember a discussion about Cromio  
10 and Plutonio salt flank.

11 Q. Do you know whether reserves

12 attributable to Plutonio salt flank were included  
13 within the 293 million barrels we've been  
14 discussing?

15 A. They would not have been.

16 Q. They would not have been?

17 A. No.

18 MR. FERRARA: Mark, not meaning to  
19 interrupt, but it's, you know, 3:20. We're on a  
20 document and examining the witness on paragraphs  
21 which he neither authored nor has testified he's  
22 ever seen before today. And I'm wondering if  
23 given that you have another few months of paper to  
24 go through, I'm sure, whether it's productive to  
25 keep going this way and reading into the record  
0149

1 GORDON PARRY 149

2 what is in the paragraph and asking him what he  
3 knows about it. We're going to run out of time.

4 MR. MILLKEY: Well, I'm actually done  
5 reading from the document anyway.

6 BY MR. MILLKEY:

7 Q. But I am wondering, after this  
8 information in these additional paragraphs was  
9 made available to you, were you still of the  
10 opinion expressed in your memorandum -- in your  
11 note, that it is likely that proven reserves on  
12 the order of 300 million barrels will be booked  
13 for Angola by the end of 2000?

14 MR. SMITH: Objection to the form of  
15 the question for lack of foundation.

16 MR. MILLKEY: If you could explain the  
17 objection.

18 MR. SMITH: It's never been established  
19 that he saw this document before today. It's an  
20 assumption that's been made. It's never been  
21 established.

22 MR. MILLKEY: Well, he did say he would  
23 have read it. He said it repeatedly.

24 MR. SMITH: Would have read it?  
25 There's no -- I mean, he's not addressed in any of  
0150

1 GORDON PARRY 150

2 the e-mails in Exhibit 6.

3 MR. MILLKEY: That is correct. But I

4 believe that the transcript shows that he said he  
5 read it.

6 MR. SMITH: My objection stands. He  
7 can answer your question, but my objection stands.

8 MR. MILLKEY: Then I'll rephrase the  
9 question.

10 BY MR. MILLKEY:

11 Q. If you had -- if this information had  
12 been made available to you at that time, and it  
13 may have been, but if it had been, would it have  
14 changed your opinion on the likelihood of  
15 293 million barrels of oil being booked in Block  
16 18 in 2000?

17 MR. SMITH: Objection to form.

18 THE WITNESS: On September 5th when  
19 this note was written, 293 was the best figure  
20 that Shell Angola could offer. However, there was  
21 ongoing work which may have revealed a different  
22 situation, and I was open to the analysis being  
23 done to see where it led us. It was an ongoing  
24 piece of work, and more information was coming in  
25 on a daily basis and opinions were changing.

0151

1 GORDON PARRY 151

2 MR. MILLKEY: Let's mark the next one,  
3 No. 7.

4 (Exhibit 7 marked for identification and  
5 attached hereto.)

6 BY MR. MILLKEY:

7 Q. Exhibit 7 has Bates range SMJ00034872  
8 through 75. Let me know when you've had a chance  
9 to look at it.

10 Exhibit 7 is an e-mail string. It's  
11 actually two e-mails. The earlier e-mail was by  
12 Mr. Parry to Robert Inglis, among others, dated  
13 September 6th, and then there is a  
14 September 7th, 2000, e-mail from Ian Hines to  
15 Derek Newberry.

16 Your e-mail says: "I attach the final  
17 version of the note requested by Heinz at the last  
18 EPG meeting." And I think that's the document  
19 that we marked as Exhibit 4 or 3. Exhibit 3. Is

20 that correct?

21 A. Yeah. Exhibit 4.

22 Q. Exhibit 4, I'm sorry. And then you  
23 write: "This note was forwarded to Phil Watts,  
24 who remarked, quote, 'It is critical that the  
25 Angola reserves are booked this year or your EP  
0152

1 GORDON PARRY 152  
2 scorecard will be shot,' end quote."

3 Then you write: "Heinz's subsequent  
4 comment to me was, quote, 'Herewith Phil's  
5 reactions. We must pull this off aggressively.  
6 And we need one well, at least, as appraisal,  
7 whatever the purists say.'"

8 The quote from Mr. Watts, how were you  
9 made aware of that quote?

10 A. It was shown to me by Heinz Rothermund.

11 Q. I'm sorry?

12 A. It was shown to me by Heinz Rothermund.

13 Q. Did you understand this to be a quote  
14 from an e-mail Mr. Watts had written?

15 A. He forwarded me the e-mail.

16 Q. Oh, I see. So you copied and pasted  
17 the quotation into this e-mail; is that correct?

18 A. So rather than forwarding the complete  
19 message, I just extracted what I perceived were  
20 the quotes that I wished to repeat.

21 Q. Did you understand Mr. Watts' e-mail to  
22 be trying -- Did you understand Mr. Watts' e-mail  
23 to be an attempt to exert pressure on SDAN to book  
24 reserves?

25 MR. SMITH: Objection to form.

0153

1 GORDON PARRY 153

2 THE WITNESS: I understood this as  
3 Mr. Watts being very interested in the opportunity  
4 that we presented to fill the shortfall, and he  
5 was offering the business a challenge. And Heinz  
6 put his own interpretation in the forwarding  
7 message.

8 BY MR. MILLKEY:

9 Q. And when you said, "Let's be guided  
10 accordingly," what did you mean by that?

11 A. I used those quotations as, if you  
12 will, as a sense of business urgency to Shell  
13 Development Angola to demonstrate that the  
14 opportunity to progress Angola would satisfy  
15 Watts' wish to book the reserves but also to push  
16 the project forward. And it matched with my own  
17 aspiration to build a business in Angola.

18 Q. But a part of that was --

19 A. Part of the process was to book  
20 reserves. And at the time of this message, I felt  
21 that was an achievable objective.

22 (Exhibit 8 marked for identification and  
23 attached hereto.)

24 BY MR. MILLKEY:

25 Q. Are you ready?

0154

1 GORDON PARRY 154

2 A. Yeah.

3 Q. Exhibit 8 has a control number  
4 of 101403345. I believe it was produced by Shell.  
5 There is an e-mail at the bottom of the first page  
6 from Mr. Aalbers to Heinz Rothermund with a cc to  
7 Sue Lovelock, Grigore Simon and Mr. Parry. The re  
8 line is "Angola Reserves LE 3Q00." Do you  
9 remember reviewing this e-mail?

10 A. I vaguely remember receiving it.

11 Q. And apparently Mr. Aalbers was sending  
12 information to Mr. Rothermund for Sue Lovelock.  
13 Does that appear to be correct?

14 A. That appears to be the case.

15 Q. Why would -- At this juncture had  
16 Mr. Aalbers become involved in the conversation  
17 about Block 18?

18 A. Mr. Aalbers had been involved right  
19 from the beginning, because Mr. Aalbers was the  
20 recognized expert on reserves. So whatever was  
21 going to be booked would need his approval.

22 Q. The first line of the e-mail, the  
23 information that Mr. Aalbers was conveying for  
24 Ms. Lovelock says: "Plutonio estimates are under  
25 downward pressure as technical evaluation

0155

1 GORDON PARRY 155

2 continues in Houston."

3 What was your understanding at this  
4 time -- this is October, which was -- so it's  
5 another almost two months since the last -- since  
6 the note you had written. What was your  
7 understanding of SDS's position at this time with  
8 respect to the ability to book proved reserves in  
9 Block 18?

10 A. I interpreted this as just a status  
11 report on the journey towards the end of the year.  
12 And as the message indicates, as more work is  
13 done, the values change, the opinions change.

14 Q. At this juncture, though, at the bottom  
15 of the page it says: "Proved reserves LE 293."  
16 That was still the latest estimate as of that  
17 time?

18 A. That's what I interpret from this.

19 Q. On the second page, it says about a  
20 third of the way down she notes that "BPA is not  
21 under any pressure to book further reserves and is  
22 not booking Block 18 reserves." And she notes:  
23 "It would have been helpful if they also booked  
24 Block 18, but understand we have deviated from  
25 partners before on our booking of proved  
0156

1 GORDON PARRY 156  
2 reserves."

3 Are you aware of other instances when  
4 that may have occurred?

5 A. No.

6 Q. And then a little further down the page  
7 she writes: "Proved reserves booking will be  
8 visible externally and therefore available to  
9 Angolan government, et cetera. We would not  
10 necessarily want to have this be seen as trigger  
11 FID for production license and be committed to  
12 development expenditure."

13 Was the goal on the one hand to book  
14 reserves but on the other hand not to commit  
15 funds, at that point at least, to development?

16 A. This is the opinion of Sue Lovelock. I  
17 can't recall why she got involved in this. She  
18 was rarely, if at all, part of the discussion.

19 And I'm struggling to remember why she got  
20 involved at this particular juncture. This is  
21 just her opinion.

22 Q. Do you know whether that opinion  
23 reflected the opinion of Heinz Rothermund?

24 A. I don't.

25 (Exhibit 9 marked for identification and  
0157

1 GORDON PARRY 157  
2 attached hereto.)

3 BY MR. MILLKEY:

4 Q. Let me know when you've had a chance to  
5 look at that, Mr. Parry.

6 Exhibit 9 has Bates range SMJ00035943  
7 to 46. It's an e-mail string. The earliest  
8 e-mail is dated October 27, 2000. The most recent  
9 is November 21st, 2000. The e-mail beginning at  
10 the bottom of page 945 is the same e-mail we've  
11 just been discussing as part of Exhibit 8, and  
12 then at the top of that page there is an e-mail  
13 from Mr. Aalbers to Sue Lovelock with a cc to  
14 Mr. Parry and also to someone named van -- Do you  
15 know how to pronounce that name?

16 A. Van Nues.

17 Q. Do you know who that person is?

18 A. Regrettably not. I've been struggling  
19 even a year ago, and I haven't remembered.

20 Q. Mr. Aalbers says -- in his e-mail, he  
21 refers to "the outstanding Angola contractual  
22 issue." Do you know what that refers to?

23 A. I don't. I don't recall.

24 Q. On the page before that, 5944, there is  
25 an e-mail from you at the bottom to Mr. Aalbers

0158

1 GORDON PARRY 158  
2 with a cc to Mr. Van Nues and to Susan Lovelock,  
3 Sue Lovelock, and it refers to "a meeting with SDS  
4 in New Orleans last Wednesday."

5 Earlier you had referred to, I believe,  
6 to two meetings in Houston. Is this an additional  
7 meeting?

8 A. I think I referred to a meeting that  
9 took place in New Orleans which coincided with a



10 conference, the deepwater event conference.

11 Q. All right. So that is this meeting,  
12 the meeting --

13 A. Yes.

14 Q. Okay. And "It is our intention to  
15 arrange a further peer review," and that peer  
16 review is the second meeting you ultimately  
17 attended?

18 A. Yeah. As I understand it, at the  
19 meeting in New Orleans, I felt it would be useful  
20 to have a meeting of all parties in Houston in  
21 December because it was getting very close to the  
22 deadline for submissions of reserve figures.

23 Q. Why did you want to have that meeting  
24 in Houston?

25 A. Because the critical mass of people  
0159

1 GORDON PARRY 159  
2 were based in Houston.

3 Q. And by "critical mass of people,"  
4 you're referring to SDS?

5 A. Yes.

6 Q. In the second paragraph you say: "The  
7 outcome of VAR2 is being reported to Heinz  
8 tomorrow. As expected, BP failed."

9 At that juncture, what did you  
10 understand the impact of this development to be on  
11 the ability to book proved reserves in Angola?

12 A. At the time, I could see from the  
13 report that BP were not keeping to the schedule,  
14 the development schedule that we had hoped for.  
15 And the team, the VAR team, identified, as it says  
16 here, ten high urgency, high importance  
17 recommendations. And I can't remember the exact  
18 cut-off for failure, but I think there only had to  
19 be one high urgency item for there to be a  
20 failure. I can't remember the exact figure.

21 So clearly we felt that BP still had  
22 work to do, that this was -- acted as an  
23 additional spur for SDS to redress the shortfalls,  
24 and for Robert Inglis as the liaison person  
25 between Shell Angola and BP to get after BP to fix  
0160

GORDON PARRY 160

1 the shortcomings.

2 Q. The next earlier -- or I guess the next  
3 later e-mail is from Mr. Van Nues dated  
4 November 14th to you, Remco Aalbers and various  
5 others, including Mr. Minderhoud. And he suggests  
6 that "booking of reserves in Angola may well be a  
7 stretch. It seems difficult to book reserves at  
8 all, and if so, probably significantly below  
9 current numbers."

10 Do you recall receiving this e-mail?

11 A. The e-mail is familiar to me. I don't  
12 recall the precise moment it arrived. But I do  
13 recall the content.

14 Q. Do you recall your reaction to this  
15 content?

16 A. I thought this was an additional reason  
17 to have the meeting with the contributing parties  
18 to this project. Because clearly there are  
19 different figures being quoted here, and at the  
20 end of the day, we needed to come to a decision  
21 between Shell Angola and Shell Deepwater Services  
22 and our reserves experts on what figure could  
23 actually be booked, if any.

24 Q. Now, the next later e-mail is from you

0161

GORDON PARRY 161

1 to Mr. Aalbers, Mr. Van Nues, Susan Lovelock and  
2 various others dated November 15th. I take it --  
3 and it specifically refers to Hans, Mr. Van Nues.

4 A. Yeah.

5 Q. So this was your response to him?

6 A. I assume so, yes.

7 Q. You refer to booking of reserves in  
8 Angola as a sensitive issue, and you acknowledge  
9 that the latest figures coming out of SDS are  
10 lower than the 293. Then you write: "This has  
11 been mentioned to Heinz Rothermund. He is still  
12 firmly of the opinion that reserves should be  
13 booked."

14 When it was mentioned to Heinz  
15 Rothermund, do you recall his reaction?

16 A. I don't recall his precise reaction,

18 no.

19 Q. And you write: "He is still firmly of  
20 the opinion that reserves should be booked."

21 Was he -- Did he want to book reserves  
22 at the 293 level, or some lower level at this  
23 point?

24 A. Mr. Rothermund kept closely informed on  
25 the progress of this whole debate, as you've seen

0162

1 GORDON PARRY 162  
2 from the correspondence. And it's clear from the  
3 correspondence that his interest was in having  
4 reserves booked on the way to developing this  
5 project.

6 But I don't recall him saying we must  
7 book 293. I think he -- at the end of the day, he  
8 would be guided by what the experts tell him. He  
9 may have his own private opinions, as he quite  
10 often had the habit of expressing, but at the end  
11 of the day he would be guided by expert opinion.

12 Q. Now, why at the end of that e-mail --  
13 well, at the end of that e-mail you wrote: "I  
14 suggest Remco is part of the review team. Just  
15 like in Florida, we have asked for a recount, and  
16 the magic number is around 300."

17 Why did you say the magic number is  
18 around 300?

19 A. The occasion of the conference in New  
20 Orleans corresponded with the recount of the  
21 presidential election in Florida, and it just so  
22 happened that the number of votes was around 300.  
23 So it was a joke. It was just a coincidence.

24 Q. It didn't reflect -- Well, strike that.  
25 (Exhibit 10 marked for identification and

0163

1 GORDON PARRY 163  
2 attached hereto.)  
3 BY MR. MILLKEY:

4 Q. Exhibit 10 is an e-mail string. The  
5 earliest e-mail is November 22nd, 2000, and the  
6 last is November 23rd. It's control number  
7 104360322. The earliest e-mail is from Matthias  
8 Bichsel sent on November 22nd to Mr. Rothermund

9 with a cc to Tim Warren, and it appears to be an  
10 e-mail informing Mr. Rothermund that the  
11 300 million barrels of proved reserves were  
12 incorrect and represent volumes of entire  
13 structures rather than what can be booked with  
14 confidence in 2000.

15 At this juncture -- Well, have you ever  
16 seen this e-mail? Did you see this e-mail at or  
17 about the time it was sent?

18 A. Yes.

19 Q. Did you understand at this juncture, or  
20 was it your understanding that the 300 million  
21 barrels was off the table at this point?

22 A. It was looking that way.

23 Q. When Mr. Bichsel writes: "Contrary to  
24 what you have heard, we are not covering our back  
25 side. We are exploring every avenue to try to

0164

1 GORDON PARRY 164  
2 increase reserves booking."

3 Had Mr. Rothermund suggested that SDS  
4 was being overly conservative?

5 A. I don't recall him making that remark  
6 to SDS.

7 Q. Was there any friction between SDS and  
8 EPG at this point in time, as far as you're aware?

9 A. Not at my level. But I don't know what  
10 communication there was between Rothermund and  
11 Bichsel, apart from what we see in the  
12 correspondence.

13 Q. At the end of that page, Mr. Bichsel  
14 writes: "I have asked for another set of eyes of  
15 reservoir engineering expertise from SEPTAR and  
16 SEPCO to ensure we are not missing anything and  
17 literally leave no stone unturned at our next peer  
18 review session.'

19 What is SEPTAR?

20 A. It's an anogram for -- acronym, sorry,  
21 for Shell EP Technical something, something.

22 Q. Something. Do you know where SEPTAR is  
23 located?

24 A. I think -- I think they're in Houston.  
25 I can't remember whether they're in Houston or

0165

1 GORDON PARRY 165

2 Rijswijk.

3 Q. Do you know whether in fact SEPTAR was  
4 ever consulted on this issue?

5 A. I don't recall.

6 Q. Now, what about SEPCO? What is SEPCO?

7 A. That is a Shell EP company in the U.S.,  
8 I think.

9 Q. Do you know whether anyone from SEPCO  
10 was consulted on this issue?

11 A. I don't know which individual resources  
12 SDS procured to -- I know some of them but not all  
13 of them.

14 Q. And the subject of this e-mail is  
15 specifically what proved reserves can be booked in  
16 Angola; is that right?

17 MR. SMITH: Objection to form.

18 THE WITNESS: I think Mr. Bichsel is  
19 expressing an opinion -- the opinion that has come  
20 out from an SDS analysis. These figures would  
21 have to be analyzed by Shell Angola and ultimately  
22 sanctioned by Mr. Aalbers and then ultimately  
23 Barendregt.

24 BY MR. MILLKEY:

25 Q. The first e-mail on that page, or in

0166

1 GORDON PARRY 166

2 the exhibit from Mr. Rothermund to Mr. Bichsel, he  
3 refers to a historical shift. Do you have any  
4 idea what he's referring to there?

5 A. I have no clue what prompted  
6 Mr. Rothermund to write these sort of messages.

7 Q. Do you know what he means when he  
8 refers to an expiration mindset?

9 A. I can imagine, but I don't know for  
10 certain.

11 Q. What do you imagine?

12 MR. FERRARA: Sorry, what was that?

13 MR. MILLKEY: I said, "What do you  
14 imagine?" He said he can imagine. I'm just  
15 curious what he imagines.

16 MR. FERRARA: If you have a

17 recollection of having considered this issue  
18 before and forming a view on it, you should tell  
19 him. But you're not being asked to sit here and  
20 fantasize for the record. So even though you used  
21 the word "imagine" to open yourself up to it,  
22 please carefully consider whether you're giving a  
23 recollected consideration or fantasy. If it's the  
24 latter, you may wish to consider not exposing this  
25 record to it.

0167

1 GORDON PARRY 167  
2 THE WITNESS: I think it's worth saying  
3 that Mr. Rothermund is a very competent person.  
4 But he was quite -- could be quite  
5 confrontational, and I think that shows throughout  
6 the documents we've discussed today. You know, he  
7 expresses forthrightly his opinions on things  
8 which, because of maybe the language problem,  
9 can -- can come across rather too hard. And this  
10 is one Swiss talking to another Swiss.

11 So what is in Mr. Rothermund's mind  
12 when he writes these things I would not really  
13 like to comment on. But when you work with him,  
14 you have a filter.

15 BY MR. MILLKEY:

16 Q. Was it your impression that his  
17 confrontational style was his way of conveying his  
18 strong desire that reserves be booked in Block 18  
19 in 2000?

20 MR. SMITH: Objection to form.

21 THE WITNESS: Not directly. He  
22 exercised this style on whatever issue we were  
23 discussing.

24 BY MR. MILLKEY:

25 Q. Specifically, however, the e-mails that

0168

1 GORDON PARRY 168  
2 we've looked at raise -- display that style and  
3 have addressed the subject of proved reserves.  
4 Was it your understanding that he felt strongly  
5 that proved reserves should be booked in Block 18?

6 MR. SMITH: Objection to form.

7 THE WITNESS: Mr. Rothermund had

8 expressed his view on the subject. That view may  
9 or may not have been influenced by what  
10 communication he had with Mr. Watts. But my  
11 interpretation of his comments were basically  
12 that -- to progress the project. That was my  
13 personal desire. If it solved his problem as  
14 well, then I was happy with that.

15 MR. MILLKEY: Let's mark the next one.

16 (Exhibit 11 marked for identification and  
17 attached hereto.)

18 BY MR. MILLKEY:

19 Q. The only questions I'm going to have on  
20 this document are actually on the first page.  
21 Exhibit 11 has control number 104360318. It's an  
22 e-mail string, several of which we have already  
23 seen. The earliest is on November 22nd, 2000; the  
24 latest is November 23rd, 2000. I'm specially  
25 interested in the e-mail from Mr. Bichsel to you

0169

1 GORDON PARRY 169  
2 and Mr. Minderhoud dated November 23, 2000, where  
3 he says: "Martijn, we obviously need to develop  
4 our RE and reserves auditors in your questions."

5 If you want to look at the e-mail of  
6 the questions, you're welcome to, but what I'm  
7 really interested in is what does "RE" stand for,  
8 if you know?

9 A. I don't.

10 Q. Do you know who he was referring to  
11 when he refers to reserves auditors?

12 A. I assume he refers to Anton Barendregt  
13 and Remco.

14 Q. So where he says in the middle of that  
15 paragraph this is why -- "This was the main  
16 comment by the reserve auditors that we do not  
17 have any appraisal data and little understanding  
18 of the reservoir model in Block 18."

19 You take that to refer to  
20 Mr. Barendregt and Mr. Aalbers?

21 A. Yes. I would make that assumption,  
22 yes.

23 Q. The last -- the first e-mail on the  
24 page, the last in the sequence temporally, is an



25 e-mail from Mr. Rothermund to Mr. Watts where he  
0170

1 GORDON PARRY 170

2 says: "For interest, some further correspondence  
3 on this sorry subject."

4 Was Mr. Rothermund disgusted with Block  
5 18 at this point?

6 MR. SMITH: Objection to form.

7 BY MR. MILLKEY:

8 Q. Why did he refer to it as "this sorry  
9 subject"?

10 MR. SMITH: Objection to form.

11 THE WITNESS: I have no idea. It's  
12 just another instance of use of language.

13 (Exhibit 12 marked for identification and  
14 attached hereto.)

15 BY MR. MILLKEY:

16 Q. Exhibit 12 is a document Bates-stamped  
17 SMJ00017379 through 81. This is an e-mail string.  
18 The most recent is December 7, 2000. Actually,  
19 the first e-mail is from you, Mr. Parry, dated  
20 December 7th to Ian Hines, Chandler Wilhelm, Barry  
21 Knight, and it looks like you later forwarded your  
22 own e-mail to Rob Inglis. Do you recall this  
23 e-mail?

24 A. I do.

25 Q. Tell me what this -- what was this --

0171

1 GORDON PARRY 171

2 what were you trying to accomplish with this  
3 e-mail?

4 A. I wanted to arrange the meeting in  
5 Houston in December to involve all the interested  
6 parties to take a health check on where we were  
7 with the Block 18 project. And I was very keen  
8 that Remco and Anton would be there because it was  
9 getting close to the deadline for the reserves  
10 booking. So I basically wanted to -- to get SDS  
11 to present what their situation was so that the  
12 experts from The Hague and from Shell Angola and  
13 SDS, could try to come to an agreed position which  
14 we could present to the management, to the senior  
15 management. And the suggestion in the final

16 paragraph, that after the meeting we should put a  
17 note together to brief the senior management on  
18 what the likely outcome and what the status of the  
19 project was and what the likely outcome of  
20 reserves booking was going to be.

21 Q. Now, on the first page, you refer to  
22 discussions in Rijswijk. Is that how you say it?

23 A. Yes.

24 Q. What do you recall about that meeting?

25 A. This was a routine visit that I made to

0172

1 GORDON PARRY 172  
2 Rijswijk on a regular basis to talk to Rob Inglis  
3 and Grigore Simon, and Anton and Remco happened to  
4 be there as well. And we put together the  
5 contents of an agenda for the meeting in Houston  
6 for the consideration of Ian Hines's group. So  
7 the actual agenda was, you know -- we put it  
8 together as a team.

9 Q. Were Barendregt and Aalbers there by  
10 coincidence?

11 A. I can't remember whether or not they  
12 had other business there or whether they went  
13 there at my express request. I can't remember.  
14 But I was very, very keen to have them there.

15 Q. Did you jointly determine the meeting  
16 objectives and proposed outline?

17 A. We thought it would be useful to send  
18 an agenda to help them prepare for the meeting,  
19 yes.

20 Q. When it says "proposed outline of the  
21 presentation," whose presentation are we talking  
22 about?

23 A. Shell Deepwater's.

24 Q. In the last paragraph, you write: "As  
25 you realize, booking reserves this year is

0173

1 GORDON PARRY 173  
2 psychologically very important for the health of  
3 Angola in the eyes of top management."

4 What did you mean by that?

5 A. Progressing the Block 18 project, I  
6 felt, was a crucial step in the -- in building a

7 business, a growing business in Angola. Because  
8 Block 34 in parallel with this Block 18 effort, we  
9 were preparing a bid document for Block 34, and we  
10 had aspirations to apply for other blocks as well.  
11 So it would have been a good thing to be able to  
12 get the management's agreement that Block 18 was  
13 going to fly so that we could get capital  
14 allocation for it in the next round of  
15 negotiations for capital.

16 Q. Did you perceive that the ability --  
17 Did you perceive that a failure to book reserves  
18 in Block 18 would have an impact on the  
19 development of Block 34?

20 A. I don't think it would have helped.

21 Q. Would a failure to book reserves in  
22 Block 18 have affected funding issues with respect  
23 to -- Would it have affected the ability to  
24 fund -- Let me start over.

25 Would the failure to book reserves in  
0174

1 GORDON PARRY 174  
2 Block 18 have affected the funding of Block 34  
3 development?

4 A. I don't know. Because we did get the  
5 funding for Block 34 development -- for Block 34  
6 application. We applied for it and we were  
7 awarded it.

8 Q. I guess it's hard to know, because you  
9 did book reserves in Block 18 also.

10 A. I can't remember the precise timing of  
11 this -- of the actual application for Block 34 in  
12 the context of Block 18.

13 Q. So what did you -- what does UUDW mean?

14 A. Ultra-ultra deepwater. I referred to  
15 additional highly prospective acreage that  
16 Sonangol offered to the industry, and it was in  
17 what we refer to in Shell as ultra-ultra  
18 deepwater. That's water depths beyond, I think it  
19 was, 1500 meters.

20 Q. Now, did the peer review meeting  
21 ultimately occur in Houston?

22 A. It did.

23 Q. Who attended that meeting?

24 MR. SMITH: If you're going to go into  
25 the December meeting now, can be take maybe five  
0175

1 GORDON PARRY 175

2 minutes --

3 MR. MILLKEY: Sure.

4 MR. SMITH: -- and then get into that?

5 THE VIDEOGRAPHER: This marks the end

6 of Tape 3 in the deposition of Mr. Parry. We are  
7 going off the record. The time is 4:19 p.m.

8 (A recess was then taken.)

9 THE VIDEOGRAPHER: This marks the

10 beginning of Tape 4 in the deposition of

11 Mr. Parry. We are back on the record. The time  
12 is 4:30 p.m.

13 BY MR. MILLKEY:

14 Q. Mr. Parry, did the peer review session  
15 at SDS actually occur?

16 A. It did.

17 Q. Was that on December 12, 2000?

18 A. As I recall, yeah.

19 Q. Who attended that meeting from EPG?

20 A. Myself.

21 Q. Who attended from SDAN?

22 A. Robert Inglis, Peter Osborne, and I  
23 think Grigore Simon was there.

24 Q. Did anyone from in-country Nigeria  
25 attend that meeting? Did anyone from Angola

0176

1 GORDON PARRY 176

2 actually --

3 A. Peter Osborne may have been there as  
4 well, yes.

5 Q. Who attended from SDS? Was it the  
6 whole team that you mentioned earlier?

7 A. Present most of the time were Ian  
8 Hines, Derek Newberry, Barry Knight and Rich Sears  
9 and Matthias Bichsel but in appearances throughout  
10 the day.

11 Q. Did anyone from SEPCO attend?

12 A. They are SEPCO. That's Shell U.S.

13 Q. In the U.S., yes.

14 A. Shell Deepwater Services is SEPCO.

15 Q. Is part of SEPCO?

16 A. Yes.

17 Q. Did anyone from SEPTAR attend?

18 A. Not that I recall.

19 Q. Was Mr. Barendregt there?

20 A. Yes, and Remco.

21 Q. Do you recall anyone else attending the  
22 meeting?

23 A. There may have been one or two  
24 additional people from Shell Deepwater Services,  
25 but I don't recall. I don't recall.

0177

1 GORDON PARRY 177

2 Q. Was anyone from the Bellaire Technology  
3 Center at the meeting?

4 A. I don't recall precisely whether or not  
5 Dan Schwartz was there. I can't remember.

6 Q. Had anyone at the Bellaire Technology  
7 Center done any work with SDAN on Block 18?

8 A. I'm struggling to remember whether  
9 certain individuals worked for Bellaire. The only  
10 individuals -- new individuals, if you will, would  
11 have been the members of the VAR team, but to my  
12 recollection, they were not present for that peer  
13 review.

14 Q. Just stepping back for a moment, did  
15 anyone from the Bellaire Technology Center  
16 participate in the VAR2 review in 2000?

17 A. The participants of the VAR, the review  
18 team, were Dan Schwartz and Brad Kerr. I can't  
19 remember whether Dan Schwartz was working for  
20 Bellaire.

21 Q. What role did they play in the VAR?

22 A. They were the appraisal team. The  
23 appraisal team.

24 Q. So did they play a role in the  
25 conclusion that the VAR2 had failed?

0178

1 GORDON PARRY 178

2 A. That was the result of their report,  
3 yes.

4 Q. I'm not sure I asked this before, so  
5 let me just ask it now. What was your

6 understanding of why the VAR failed?

7 A. I can't remember the precise details on  
8 the cause of the failure.

9 Q. Getting back to the December 12th  
10 meeting, was that a one-day meeting, or did it  
11 spill over to the 13th?

12 A. It was in one day, as I recall.

13 Q. Do you recall what time of day it  
14 began?

15 A. I don't.

16 Q. Was it in the morning or the afternoon?

17 A. I can't remember precisely.

18 Q. Do you recall approximately how long  
19 the meeting lasted?

20 A. Several hours. Maybe -- maybe the bulk  
21 of the day.

22 Q. To the best of your recollection, just  
23 walk me through what occurred at the meeting.

24 A. It -- as far as I recall, it started  
25 with a presentation on all aspects of the project

0179

1 GORDON PARRY 179  
2 by the various members of the SDS team presenting  
3 their individual contributions to the project, and  
4 with intermittent interjections from Shell Angola,  
5 and a discussion on the status of the reserves at  
6 the end.

7 Q. Did anyone other than SDS personnel  
8 give presentations?

9 A. Not as I recall.

10 Q. So you don't recall Mr. Inglis actually  
11 giving a formal presentation?

12 A. I don't recall him doing that.

13 Q. Would you say the bulk of the meeting  
14 was presentations, or discussion?

15 A. There was a lot of presentation, but in  
16 equal measure there was a lot of discussion around  
17 the presentations.

18 Q. Do you remember the specific topics of  
19 the various presentations that were given?

20 A. Not precisely, but I can remember a  
21 description of the structures given by the  
22 geophysicist. There was a discussion about the

23 reservoir engineering and the assumptions --  
24 reservoir assumptions and ultimately the way they  
25 had made some calculations for reserves. But I  
0180

1 GORDON PARRY 180

2 don't remember the details.

3 Q. Am I correct that all of the  
4 presentations were in one way or another related  
5 to the subject of reserves?

6 A. No, not at all. I mean, the  
7 presentation was on the status of the project, and  
8 the reserves was an integral part of the  
9 presentation.

10 Q. Did SDS present any kind of unified  
11 opinion on the question of whether reserves could  
12 be booked in Block 18 in 2000?

13 A. I don't remember exactly, but they gave  
14 their opinion on what they felt were the range of  
15 reserves that could be expected, and this was  
16 input into the discussion with our collected group  
17 of experts there that we invited there to guide us  
18 on what we could and could not do.

19 Q. Now, setting aside the other experts,  
20 Mr. Aalbers and Mr. Barendregt, did SDS, going  
21 into the -- did SDS -- Well, you mentioned they  
22 presented a range; is that correct? Do you recall  
23 what the range was?

24 A. I don't. I don't remember exact  
25 figures.

0181

1 GORDON PARRY 181

2 Q. Do you recall Mr. Barendregt having a  
3 reaction to any of the SDS presentations?

4 A. I don't remember.

5 Q. What about Mr. Aalbers?

6 A. I can't remember any individual  
7 reactions to presentations. It's too long ago.

8 Q. What was the tone of the meeting? Was  
9 it friendly? Was it acrimonious?

10 A. No. I think it was constructive.

11 Q. Would you say there was debate at this  
12 meeting?

13 A. There was discussion, yes. Challenge,



14 debate, yes.

15 Q. Who was challenging whom, to the best  
16 of your recollection?

17 A. The client was challenging the  
18 contractor.

19 Q. The client being --

20 A. And we were also wanting to satisfy the  
21 requirements to submit figures to Remco and Anton.

22 Q. Now, when you said "the client," you're  
23 referring to SDAN?

24 A. Yes.

25 Q. And the contractor, you're referring to

0182

1 GORDON PARRY 182

2 SDS?

3 A. Yes.

4 MR. FERRARA: I think -- excuse me. If  
5 you look on page 151, line 16, the reporter meant  
6 the word "contractor" and inserted "contract."

7 BY MR. MILLKEY:

8 Q. When you say that the client challenged  
9 the contractor, what do you mean?

10 A. For an explanation on the assumptions  
11 he had made on reservoir quality, deliverability,  
12 et cetera, you know, as you normally would in any  
13 technical presentation.

14 Q. Was it the case that the range that SDS  
15 was recommending -- Was the range that SDS was  
16 recommending less than what SDAN had hoped to book  
17 in reserves?

18 MR. SMITH: Object to form.

19 THE WITNESS: My recollection was that  
20 the numbers that SDS were coming up with were  
21 lower than the figure that we had initially  
22 assumed on the 5th of September.

23 BY MR. MILLKEY:

24 Q. The 293 figure?

25 A. That's correct.

0183

1 GORDON PARRY 183

2 Q. Do you recall whether Mr. Barendregt  
3 concurred in the range that SDS was recommending  
4 for proved reserves?

5 MR. SMITH: Objection to form.

6 THE WITNESS: SDS were not recommending

7 any numbers to be taken as reserves. They were

8 recommending numbers that had come out of their

9 technical analysis of oil that could be developed.

10 The whole point of having Mr. Barendregt and

11 Mr. Aalbers there was, given the range of numbers

12 and given the technical analysis that had been

13 done, what numbers could Angola propose that he

14 would be satisfied with. That was my driver to

15 having Mr. Barendregt at that meeting. At the end

16 of the day, Mr. Barendregt had to be happy with

17 the numbers that Shell Angola proposed.

18 BY MR. MILLKEY:

19 Q. Am I correct that as part of the

20 presentation that SDS made, or at least one of the

21 presentations, that they suggested a range of

22 proved reserves that they believed would be

23 bookable in Block 18?

24 MR. SMITH: Objection to form.

25 THE WITNESS: They suggested a range of

0184

1 GORDON PARRY 184

2 numbers that could be developed.

3 BY MR. MILLKEY:

4 Q. Are you suggesting that they were not

5 asked to determine the reserves that could be

6 booked as proved in Block 18?

7 A. Part of their remit was -- in designing

8 the project was to have a view on the reserves

9 that could be developed. So they made

10 calculations based on the technical data they had,

11 on what hydrocarbons they felt were there. But

12 they had no remit to make any proposal on

13 reserves. That fell to Shell Angola, and

14 ultimately through the Shell Angola reporting

15 line.

16 I mean, the whole purpose of this

17 meeting in December was to get all the experts

18 together in one room so that there was no

19 misunderstanding, because we were approaching the

20 Christmas holidays and there was little time left

21 to submit the figures to meet the company's --

22 Shell's deadline for the operating units to submit  
23 numbers.

24 So to try to shortcut any  
25 misunderstanding, any discussion, to have all  
0185

1 GORDON PARRY 185  
2 those people in the same place at the same time  
3 was a very useful and constructive exercise, and  
4 it gave Mr. Aalbers the opportunity to ask  
5 questions and to become comfortable with what  
6 number -- with a number.

7 Q. When you say to have a view on the  
8 reserves that could be developed, is that  
9 different from reserves that could be booked as  
10 proved?

11 A. I don't really -- I mean, at the end of  
12 the day, they have a view on a reserve number and  
13 a development plan to produce that number of  
14 reserves. Based on that technical analysis, we  
15 could then propose -- or Shell Angola could  
16 propose to Remco and Anton Barendregt what they  
17 felt they wanted to book, and Anton would say,  
18 "Yes, I concur with that," or "No, I don't agree  
19 with you; it has to be a lower number because your  
20 degree of confidence isn't high enough."

21 Q. Is it fair to say that SDS did the  
22 technical work which led to the proved reserve  
23 number that SDAN ultimately proposed for booking?

24 MR. SMITH: Objection to form.

25 THE WITNESS: SDS did a lot of  
0186

1 GORDON PARRY 186  
2 technical work on that project, but that technical  
3 work was basically guided by Rob Inglis as the  
4 client. So Rob Inglis had the opportunity during  
5 the course of the project to guide SDS's progress.  
6 BY MR. MILLKEY:

7 Q. Do you recall anyone at the meeting  
8 being uncomfortable about the presence of  
9 Mr. Barendregt?

10 A. No.

11 Q. Did you ever hear that Richard Sears  
12 was uncomfortable with Mr. Barendregt being at

13 that meeting?

14 A. No.

15 Q. At the end of the meeting, was there  
16 any conclusion that was arrived at on the subject  
17 of proved reserves in Block 18?

18 A. I can't remember precisely how the  
19 meeting ended up. There certainly wasn't sort  
20 of -- The debate continued back in Holland where  
21 Shell Angola, together with Remco, Anton -- and I  
22 was involved as well. Based on what we had heard  
23 in that meeting, Shell Angola proposed a number  
24 which Remco and Anton were comfortable with. And  
25 as I recall, it was a lower number than 293.

0187

1 GORDON PARRY 187

2 Q. Do you recall what that number was?

3 A. It was a two-digit number, in the high  
4 end, 80, 90 or something. I don't remember  
5 precisely.

6 Q. Do you recall after the conclusion of  
7 the meeting that Shell Deepwater Services was  
8 going to do some additional work with respect to a  
9 booking of proved reserves?

10 MR. SMITH: Objection to form.

11 THE WITNESS: I don't recall that  
12 exactly, but the project work did continue.  
13 Because there was still the objective to get a  
14 development off the ground as early as possible.

15 BY MR. MILLKEY:

16 Q. Now, I believe -- and we can look at a  
17 document that will confirm this -- that the number  
18 that was ultimately booked for Block 18 was  
19 74 million barrels.

20 A. Uh-huh.

21 Q. Do you know who proposed -- What was  
22 the original source of that number of 74 million,  
23 if you know?

24 A. I can't remember exactly which  
25 individual proposed that number.

0188

1 GORDON PARRY 188

2 Q. Would that number have come from  
3 someone at SDS?

4 A. Not to my recollection.

5 Q. Who do you believe came up with the  
6 number 74?

7 A. I think it was would come from Shell  
8 Angola and with the concurrence of, ultimately,  
9 Anton. But I don't recall precisely the dialogue  
10 there. But the -- After the discussion, the  
11 objective was to prepare a note which would then  
12 go to Rothermund on the topic.

13 Q. If SDS was doing the technical work,  
14 what's the basis for your believing that the  
15 number 74 came from anyone other than SDS?

16 A. Because the number had to satisfy the  
17 regulations and the criteria that Shell dictate.  
18 And that was the responsibility of Anton and  
19 Remco. That was their responsibility.

20 Q. Do you know whether or not the number  
21 74 was proposed originally from --

22 A. I can't recall how they honed in on  
23 that precise number.

24 Q. So it's possible that the number  
25 originally came from SDS regardless of who

0189

1 GORDON PARRY 189

2 ultimately signed off on the number?

3 MR. SMITH: Objection to form.

4 THE WITNESS: I wouldn't speculate.

5 BY MR. MILLKEY:

6 Q. So you don't know?

7 A. I don't know.

8 (Exhibit 13 marked for identification and  
9 attached hereto.)

10 BY MR. MILLKEY:

11 Q. The document we're marking as Parry  
12 Exhibit 13 is Bates range SMJ00038575 through 77.

13 Mr. Parry, is this the memorandum or  
14 note that you had contemplated writing at the  
15 conclusion of the peer review?

16 A. This is a summary of the meeting  
17 written by Grigore Simon.

18 Q. Did you review drafts of this document  
19 before it was finalized?

20 A. I don't recall precisely, but I might

21 have seen an early draft of it.

22 Q. Do you recall this note being a joint  
23 effort, in other words?

24 A. I remember that Grigore Simon was the  
25 instigator of the note, but I can't remember how  
0190

1 GORDON PARRY 190  
2 much, if any, I did to it. I don't recall.

3 Q. Do you know whether this note was ever  
4 communicated to Mr. Rothermund?

5 A. Mr. Rothermund would have received a  
6 note. I can't recall that it was this precise one  
7 or whether it was modified slightly to, you know,  
8 make it a bit more succinct.

9 Q. In Exhibit 12, which we discussed  
10 earlier, in the last paragraph you say: "After  
11 the meeting," referring to the upcoming  
12 December 12th meeting, "I would like us to jointly  
13 draft a note to Heinz explaining why the reserves  
14 booked, if any, are likely to be less than the  
15 293 million barrels currently recorded."

16 Do you recall that this note,  
17 Exhibit 13, is what you were contemplating at the  
18 end of Exhibit 12?

19 A. Yes. Well, I was contemplating that  
20 some of the content of this note would appear in a  
21 note to Rothermund. But as I said, I can't  
22 remember whether it was precisely this note or  
23 whether it was modified slightly. I don't  
24 remember that. But maybe you have it in your  
25 file.

0191

1 GORDON PARRY 191

2 Q. Do you know whether there was some  
3 other document that was drafted that was the group  
4 effort you were referring to in Exhibit 12?

5 A. I can't remember precisely whether or  
6 not we sent this one as it is or whether it was  
7 modified. That's my point.

8 Q. I understand.

9 Now, this note is organized with a  
10 couple of headings. The first major heading is  
11 "Exploration Phase: Why 293 million barrels were

12 initially reported as possible." And then the  
13 second, the next heading, is "Present situation:  
14 Why only 60 to 70 million barrels now."

15 Does this refresh your recollection  
16 that the range that came out of the December 12th  
17 meeting for proved reserves for Block 18 was 60 to  
18 70 million barrels?

19 A. No. I don't recall the details of the  
20 meeting.

21 Q. At the top of page 576 it refers to a  
22 creaming project.

23 THE COURT REPORTER: Refers to a what  
24 project?

25 MR. MILLKEY: Creaming,  
0192

1 GORDON PARRY 192  
2 c-r-e-a-m-i-n-g.

3 BY MR. MILLKEY:

4 Q. Was this the project in which reserves  
5 were ultimately booked for Block 18?

6 A. I really don't recall the detail.

7 Q. Do you know whether a creaming project  
8 was what Heinz Rothermund referred to in the  
9 earlier exhibit when he referred to a dummy -- was  
10 it a dummy project?

11 MR. SMITH: Object to the form.

12 THE WITNESS: A creaming project was  
13 one of several possibilities for producing the  
14 oil. I don't think -- Again, what he meant by a  
15 "dummy project," I would say notional. My  
16 translation of "dummy" is notional.

17 BY MR. MILLKEY:

18 Q. Is what?

19 A. Notional. Which could be this project  
20 or that project, one of several that would be  
21 considered to solve the problem.

22 Q. What do you understand the term  
23 "creaming" to mean?

24 A. My understanding of the word "creaming"  
25 is when you have developed a field almost to its

0193

1 GORDON PARRY 193  
2 entirety and you're just picking up the last



3 drops. So it doesn't apply to this case. It's  
4 not the right use of the word "creaming," in my  
5 view.

6 I think what they refer to here is just  
7 focusing on one small accumulation, which is a  
8 very appropriate way of -- one way of developing  
9 the oil that was found in Block 18.

10 Q. Was that project ever developed?

11 A. I don't know. I stepped out of it  
12 in 2000 -- during 2001.

13 Q. Now, why did you step out?

14 A. Because my -- I handed over my  
15 responsibility to somebody else.

16 Q. Excuse me?

17 A. I changed jobs.

18 Q. Why did you change jobs?

19 A. This is a typical thing in Shell. You  
20 change jobs quite -- quite regularly.

21 Q. Now, on that page 576, in the third  
22 full paragraph, it says: "No appraisal wells  
23 drilled to date."

24 So is it correct to say that Shell  
25 booked proved reserves in Block 18 without ever  
0194

1 GORDON PARRY 194  
2 drilling appraisal wells?

3 A. To my recollection, no. What I would  
4 consider was an appraisal well, was drilled. But  
5 the degree -- I mean, I think the reason why the  
6 booked number is a lot smaller than initially  
7 hoped for was because the degree of confidence  
8 only stretched as far as that number.

9 Q. The paragraph in the middle of the page  
10 that begins: "The need for caution." "The need  
11 for caution on the assumptions regarding recovery  
12 factors is also born out by SEPCO/BTC work on  
13 turbidites."

14 Do you know what "BTC" stands for?

15 A. Maybe it's Bellaire.

16 Q. Do you know whether this work on  
17 turbidites was done specifically in connection  
18 with Block 18?

19 A. No. The turbidite play is the most

20 important geological play in the Gulf of Mexico,  
21 so Shell has a deep understanding of the  
22 geological circumstances of turbidites, and they  
23 were trying to use that expertise in Angola where  
24 turbidites were also the main play concept in  
25 Block 18, as they were in other blocks in the  
0195

1 GORDON PARRY 195

2 area.  
3 Q. I'm looking at a heading or subheading  
4 a little lower down. It says "Development of high  
5 confidence areas." I'll just read a portion of  
6 this paragraph. "It was hoped that by  
7 concentrating on the high confidence areas in the  
8 five Block 18 fields, well numbers could be  
9 reduced and that the overall project economics  
10 could be improved, even if the project size would  
11 be smaller. The result was that only a  
12 development of the Plutonio and Cobalto fields,  
13 which are close together, was anywhere near  
14 commercial."

15 Am I correct that saying something is  
16 near commercial is not the same as saying it is  
17 commercial?

18 MR. FERRARA: Since my colleague Colby  
19 has not raised a customary objection as to form,  
20 perhaps I will do it for him and, having seized  
21 the record to make that brief objection, I will  
22 elaborate very briefly to tell you that, in my  
23 judgment, this witness is here to testify to what  
24 he heard or said, read or wrote. And every time  
25 on this record and all the records in these  
0196

1 GORDON PARRY 196

2 depositions that a witness is asked to comment on  
3 the correctness or fairness of an issue and we  
4 raise an objection to form, we intend to pursue  
5 those objections if those answers are sought to be  
6 included in the record of the proceedings before  
7 the court.

8 Having these people speculate on what  
9 you think is fair or whether something is correct  
10 is not testimony, as far as I'm concerned. And

11 Colby has been very careful in raising each  
12 objection to form, and we've let him answer the  
13 question. But be aware, those answers are going  
14 to be the subject of proceedings before the court  
15 if they are included.

16 MR. MILLKEY: Well, let's put it  
17 another way, then.

18 BY MR. MILLKEY:

19 Q. Was it your understanding that the  
20 Plutonio and Cobalto fields were in fact  
21 commercial, were commercially mature?

22 A. During my tenure, I don't think they  
23 reached that point.

24 Q. Do you know whether they reached that  
25 point before the reserves were booked in Block 18  
0197

1 GORDON PARRY 197  
2 in 2000?

3 MR. SMITH: Objection to form.

4 THE WITNESS: I can't remember when  
5 there was any official statement to the effect  
6 that this was going to be commercial. But the  
7 work was ongoing with a view to producing the oil.  
8 But I don't remember the precise dates, so I don't  
9 wish to speculate.

10 BY MR. MILLKEY:

11 Q. At the end of the note, the last page,  
12 page 577, there is a heading that says "Actions."  
13 At the conclusion of the 12th December meeting it  
14 was concluded that SDS would, and it lists a  
15 number of action items.

16 Do you know whether SDS actually did  
17 the work that was listed here?

18 A. I can't say for sure.

19 Q. Do you know whether these actions were  
20 deemed to be prerequisites to the booking of  
21 proved reserves?

22 A. The note implies that, but I don't  
23 recall seeing them ticked off one by one.

24 Q. Just so I'm clear on one point, you  
25 don't know whether or not Shell -- SDS recommended  
0198

1 GORDON PARRY 198

2 74 million barrels as the amount to be submitted  
3 for -- to be booked -- You don't know whether SDS  
4 recommended the number 74 million barrels to SDAN  
5 for submission as being proved?

6 A. I don't recall that recommendation  
7 being made.

8 Q. Do you know who Shell's outside  
9 auditors were?

10 A. No.

11 Q. Did you ever -- Are you aware or do you  
12 know whether KPMG Accountants, NV or  
13 PricewaterhouseCoopers, LLP had any involvement in  
14 the discussions of Block 18?

15 A. Not to my knowledge.

16 Q. Have you ever spoken with Philip Watts?

17 A. Yes.

18 Q. On a number of occasions?

19 A. Several.

20 Q. Did any of those occasions relate to  
21 any of the work that was done with Block 18?

22 A. No.

23 Q. Have you ever had any communications  
24 with Judith Boynton?

25 A. Never.

0199

1 GORDON PARRY 199

2 Q. What about Walter van de Vijer?

3 A. Yes, but not in connection with Angola.

4 MR. MILLKEY: I might be done. Why  
5 don't we take a little break and I'll let you  
6 know.

7 THE VIDEOGRAPHER: We are going off the  
8 record. The time is 5:15 p.m.

9 (A recess was then taken.)

10 THE VIDEOGRAPHER: We are back on the  
11 record. The time is 5:24 p.m.

12 BY MR. MILLKEY:

13 Q. If you could just find Exhibit 9 there.  
14 Have you found it?

15 A. Yeah.

16 Q. On the first page there, page 39543,  
17 you say in your e-mail to Hans Van Nues, you say:  
18 "As you know, booking of reserves in Angola is a

19 sensitive issue."

20 And now I would just like you also to  
21 turn to the document we -- your SEC transcript. I  
22 don't recall -- I believe that was Exhibit No. 3.  
23 If you could turn to page 57 of Exhibit 3.

24 MR. SMITH: It's Exhibit 2.

25 MR. MILLKEY: Is it Exhibit 2?

0200

1 GORDON PARRY 200

2 BY MR. MILLKEY:

3 Q. Exhibit 2, I'm sorry. On that page  
4 you're talking about the same document, the same  
5 e-mail.

6 A. Just repeat where.

7 Q. It's on page 57, Exhibit 2, a little  
8 bit below halfway down in the page. You were  
9 asked what made it a sensitive issue, and that's  
10 referring to the same language that we just  
11 mentioned. And you said: "That is meant to imply  
12 that it is an issue which is under close scrutiny,  
13 and clearly it's an issue that we haven't reached  
14 a landing on. There was a variance of opinion,  
15 but at the end of the day there was strong  
16 pressure that there should be a number."

17 And the question was asked: "Strong  
18 pressure from where?"

19 The answer is: "On high."

20 And then the question was:  
21 "Specifically who?"

22 And the response was: "Directly from  
23 Heinz Rothermund but indirectly from Phil Watts,  
24 because Heinz Rothermund was basically carrying  
25 out the instructions of Phil Watts."

0201

1 GORDON PARRY 201

2 My only question is: Do you stand by  
3 those answers?

4 MR. SMITH: Objection to form.

5 THE WITNESS: I think the answers I  
6 gave are not too different than -- they're not so  
7 different than my answer to you today.

8 MR. MILLKEY: That's all I have.

9 THE VIDEOGRAPHER: This marks the end

of the deposition of Mr. Parry. The total number  
of tapes used today was four. We are going off  
the record. The time is 5:28 p.m.

(Whereupon, the deposition was concluded at  
5:28 p.m.)

GORDON PARRY 202  
WITNESS CERTIFICATE

I, GORDON PARRY, have read or have had the  
foregoing testimony read to me and hereby certify that  
it is a true and correct transcription of my testimony  
with the exception of any attached corrections or  
changes.

\_\_\_\_\_  
GORDON PARRY

☐ No corrections

☐ Correction sheet(s) enclosed

SUBSCRIBED AND SWORN TO BEFORE ME, the  
undersigned authority, by the witness, GORDON PARRY,  
on this the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC IN AND FOR  
THE STATE OF \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

GORDON PARRY 203

## REPORTER'S CERTIFICATE

I, the undersigned Registered Professional Reporter and Notary Public, do hereby certify that GORDON PARRY, after having been first duly sworn by me to testify to the truth, did testify as set forth in the foregoing pages, that the testimony was reported by me in stenotype and transcribed under my personal direction and supervision, and is a true and correct transcript.

I further certify that I am not of counsel, not related to counsel or the parties hereto, and not in any way interested in the outcome of this matter.

SUBSCRIBED AND SWORN TO under my hand and seal this 13th day of September, 2006.

\_\_\_\_\_  
JOHN L. HARMONSON, RPR

Notary Public in and for  
the District of Columbia

My Commission Expires: 10/14/2010

GORDON PARRY 204

## CHANGES AND SIGNATURE

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1 GORDON PARRY 205

2 CHANGES AND SIGNATURE

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**From:** Hines, Ian IM SIEP-EPT-DE  
**To:** Newberry, Derek D SIEP-EPT-DE  
**CC:**  
**BCC:**  
**Sent Date:** 2000-09-16 11:56:48.000  
**Received Date:** 2000-09-16 11:56:48.000  
**Subject:** FW: Angola Block 18  
**Attachments:**

Derek,

Just have a look through the trail of correspondence on this which provides some more insights on the reserves booking issue.

Ian.

-----Original Message-----

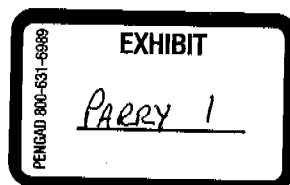
**From:** Hines, Ian IM SIEP-EPT-DE  
**Sent:** Saturday, September 16, 2000 6:45 AM  
**To:** Haney, John JP SIEP-EPT-DD  
**Cc:** Dorgant, Paul PL SIEP-EPT-DD; Smith, Patrick PL SIEP-EPT-DD; Knight, Barry BP SIEP-EPT-DE; Rodenbusch, George G SIEP-EPT-DD; Breaux, J JN SEPCO; Lindsay, Mark MS SIEP-EPT-DD; Helmkamp, Robert RE SIEP-EPT-DD;  
Wilhelm, Chandler CT SIEP-EPT-DE; La Caze, David DA SIEP-EPT-DD; Adam, Jim JZ SIEP  
**Subject:** Angola Block 18

John,

Questions surrounding the applicability of a mid or min DVA system for sweet spot development of Block 18 have been around for several months - the debate has even been taking place within the upper levels of EPG, see attached. However, this dialogue has not been underpinned by any significant technical work by ourselves on the viability of the concept for the specific functional requirements of Block 18.

We are including a high level look at DVA concepts within the current concept screening work - applications of min/mid DVA systems for Block 18 satellites include some significant challenges in terms of reservoir drainage, gas, water management and flow assurance issues, which may well place the concept outside the range of current study work for the GofM. We can already see potential for BP to draw inappropriate conclusions on the application of dry tree

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systems, which can only be countered by a solid technical case. I am also hearing feedback from the Erha team which suggests that we need to look carefully at the functionality of the concept for applications outside of the GofM, which currently provide the bulk of the in house study work for min/mid DVA systems. This will require a piece of technical work based upon the Block 18 specifics. Give the EPG desire to try to book reserves early, the asset team now wish us to assess this with some urgency and this will require a more substantial study effort than originally planned.

We have been experiencing some difficulties with surface facilities resourcing for Block 18, particularly for topsides. This has improved very recently but with the potential for increased scope of specific studies for Block 18 min/mid DVA assessments, I would like to revisit this and to plan ahead.

I will be in the UK all next week in meetings with BP, but have spoken about this separately to both Barry and George. I would appreciate if we can discuss this as soon as I get back from the UK and will call to setup a get together.

Regards,

Ian.

-----Original Message-----

From: Inglis, Robert RB SIEP-SDAN-AM  
Sent: Friday, September 15, 2000 2:16 AM  
To: Hines, Ian IM SIEP-EPT-DE  
Subject: FW: Cluster development Angola

Ian,

See attached so you know what is going around. I've told Gordon we will undertake a study with you and this should cover Martijns ideas.

Regards,

Rob

-----Original Message-----

From: PARRY, G.  
Sent: Wednesday, September 13, 2000 5:38 PM  
To: Inglis, Robert R.B. /SIEP /SDAN-AM  
Subject: FW: Cluster development Angola

Rob,

Any ideas how to satisfy him once and for all?

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SMJ00034877

Gordon

-----Original Message-----

From: MINDERHOUD, M.

Sent: Wednesday, September 13, 2000 3:07 PM

To: PARRY, G. /SIEP /EPG

Cc: ROTHERMUND, H.C. /SEPI /EPG; LOVELOCK, S. /SEPI /EPG

Subject: FW: Cluster development Angola

Gordon,

sorry to keep on harping on this one. But the way I see it, is (i) to get reserves booked in 2000 one way or another and (ii) to then start drilling appraisal wells as Capex thereafter. I fully understand now that the full, most optimal development of Block 18 requires more than a 'simple Min DVA' concept. But I also quote from below note :

"The min-DVA concept may be of interest for selective sweet spot development of individual reservoir structures (e.g. for Plutonio) if this system proves cost effective for the predicted recoverable volumes."

If I understand it well, for reserves booking it is required that there exists a doable, economic development scheme ; I quote from your note sent separately:

"Proved reserves can be booked if it can be demonstrated that the development project of a discovered field is technically and commercially mature (and a market is expected to be available). Commercial maturity should be demonstrated over a sufficiently large range of possible scenario's (including all surface and subsurface uncertainties). A project is deemed commercial if the NPV7% @ PSV14 > 0. "

However NOBODY SAID THAT YOU ACTUALLY HAVE TO EXECUTE THAT SCHEME !!

As you state, you do not require to take FID. You can happily continue drilling to prove up a better scheme. The existence of such smaller, "dummy" scheme would probably not allow you to book more than the reserves you can actually produce with it, but it would be a start.

I think it would be worthwhile to pursue this idea -- if I am completely crazy, tell me where I got it wrong

Or maybe your other plans have sufficiently progressed - then shred this

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SMJ00034878

cheers

martijn

-----Original Message-----

From: Inglis, Robert R.B.

Sent: 24 August 2000 09:04

To: MINDERHOUD, M.

Cc: PARRY, G. /SIEP /EPG; Osborne, Peter L. /SDANG /GM; LOHR, FRAN F.A. /SIEP /EPB /157182; HASAN, MAHDI S.M. /SIEP /EPT-DD /777124; KNIGHT, BARRY B.P. /SIEP /EPT-DE /777890; Hines, Ian I. /SIEP /EPT-DE /777319; SMITH, PATRICK P.L. /SIEP /EPT-DD /535313; Simon, Grigore G. /SIEP /SDAN-AM

Subject: RE: Cluster development Angola

Martijn,

See attached SDS info on applicability of Min-DVA concept for Block 18.

We are looking at these concepts in the work being done in SDS, but as I indicated earlier, they are not likely to offer a step change in economics for this development. BP are also working on minimum dry tree options, drawing on the joint industry work done as part of WADO (West Africa Deepwater Operators), where these type of concepts were worked extensively with a number of contractor groups about 5 years ago.

We will continue to ensure that all development options are explored, but the real enabler for B18 is to be able to place high productivity, high ultimate wells.

Regards,

Rob

-----Original Message-----

From: Hines, Ian I. /777319 On Behalf Of Hines, Ian I. /777319

Sent: Thursday, August 24, 2000 1:29 AM

To: Inglis, Robert R.B.; Smith, Patrick P.L. /535313

Subject: RE: Cluster development Angola

Rob,

As discussed, some discussion on the DVA concepts. The real issue here now is managing the potentially unrealistic expectations which may have

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been created by generalizing the existing min-DVA experience. Its on our radar screen but a second order effect compared to the subsurface uncertainty which we are facing right now.

Development of the Block 18 reserves combines the challenges of two other ongoing deepwater developments projects: i.e. Erha (with a series of complex stacked amalgamated channel turbidite reservoirs) and Nakika (with its multiple reservoir aurally distributed reserves). This combination presents a very significant and unique development challenge.

DVA systems are one of a number of development options being considered for Block 18, they are also being evaluated for Erha and Holstein. However, unlike these other developments the aurally distributed nature of the reserves and the variable reserves density within the separate structures in Block 18 require much larger numbers of wells and are such that a single DVA structure is not a viable development option for the entire Block. The min-DVA concept may be of interest for selective sweet spot development of individual reservoir structures (e.g. for Plutonio) if this system proves cost effective for the predicted recoverable volumes.

Development of the wider reserves base will require a large number of wells (current estimates range from 40 - 80wells), infield storage (e.g. an FPSO or an FSU) and either several DVA systems, significant numbers of subsea wells, or most probably a combination of these options given the aerial extent of the reserves in individual structures. The choice between subsea wells and dry trees (and hence the cost effectiveness of DVA systems) will depend upon the subsurface, flow assurance, well engineering and development system assessments which are part of ongoing concept screening exercises being conducted by both BP and Shell. The focus of current effort is to develop a good understanding of the range of subsurface uncertainties/key drivers in the complex multiple reservoir setting within Block 18. The number of separate structures results in a large number of potential development scenarios. However, the surface engineering screening work is not sufficiently mature to make a choice between the dry tree and wet tree options. It is expected that the DVA concept and the dry tree versus wet tree decision will almost certainly be carried forward into the concept selection stage (post VAR2) as was the case for Bonga/Nakika and is currently anticipated for Erha.

In summary, the cost benefit assessment of using DVA systems at Block 18 is more complex and less clear cut than for some other ongoing developments. However the ongoing evaluation is benefiting from the development work carried out in SDS in recent years in terms of

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capturing representative lower bound costs for potential minimum systems.

-----Original Message-----

From: MINDERHOUD, M.

Sent: 17 August 2000 16:33

To: Inglis, Robert R.B.

Cc: PARRY, G. /SIEP /EPG; Osborne, Peter L. /SDANG /GM; LOHR, FRAN F.A. /SIEP /EPB /157182; HASAN, MAHDI S.M. /SIEP /EPT-DD /777124

Subject: RE: Cluster development Angola

Rob,

what is the latest on this? with our new discovery, the light at the end of the tunnel is very near. Can we make a competitive proposal to BPA?

(By the way, this is the latest e-mail I could find on this, maybe there is later correspondence).

Martijn

-----Original Message-----

From: Inglis, Robert R.B.

Sent: 29 April 2000 11:49

To: MINDERHOUD, M.

Cc: PARRY, G. /SIEP /EPG

Subject: RE: Cluster development Angola

Martijn,

Sorry I have not responded to this request - all the focus on B34 has diverted attention.

I have had some material from SDS, but none of this indicates that Min DVA will do much for Block 18. I'll discuss further during my visit to Houston next week.

So do not hold your breath - Min DVA is a niche application which does not fit easily in Angola.

Regards,

Rob

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-----Original Message-----

From: MINDERHOUD, M.

SMJ00034881



Sent: Monday, April 17, 2000 6:11 PM  
To: Inglis, Robert R.B. /SIEP /SDA-AM  
Cc: PARRY, G. /SIEP /EPG  
Subject: FW: Cluster development Angola

Rob,

I have some months ago extended this challenge to SDS, to see whether their miniDVA concept could be the winner in Angola (at least Block 18). I am very curious to hear from you what the status of this is, as I was very intrigued by the idea.

Greetings

Martijn

-----Original Message-----  
From: MINDERHOUD, M.  
Sent: 15 February 2000 08:46  
To: Hasan, Mahdi S.M. /777124  
Cc: PARRY, G.  
Subject: RE: Cluster development Angola

Mahdi,

Indeed you sold me that very idea, and this is why I contacted you.

I think that your exciting ideas on this mini development are or could be the competitive edge bringing us back great in Angola. I would love to prove that we Shell think that Block 18 is already economic, whilst BP-Amoco still think they need the fourth well. Having said that, I cannot judge whether the high level screening look is sufficient to start taking steps or whether more in-depth work is required. And what the budgetary consequences are, I think Gordon could comment here.

I look forward to hearing more on this topic

Martijn

-----Original Message-----  
From: Hasan, Mahdi S.M. /777124  
Sent: 15 February 2000 00:43  
To: MINDERHOUD, M.  
Cc: PARRY, G.  
Subject: RE: Cluster development Angola

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Martijn,

Sorry for the late reply - but your comment about us "actively looking..." caught me off guard. Rob Inglis has been asked to give a view on the BP cost estimates and he was planning to use some broad brushed comparisons to possible alternatives we might use and what they would cost. That is a long way from having work done on it even to establish whether the concept would be technically feasible for this application.

Having said that, this capability certainly exists in SDS - actually is the heart of what we provide. However, I caution that a high level, screening type look, should be mis-read as actively studying it to find a solution. However, if that is what you/Angola wish us to do, we shall be delighted to provide you a service - a service that you will not find anywhere in quality and reliability.

Mahdi

---

From: Minderhoud, Martijn M SEPI-EPG  
Sent: Thursday, February 10, 2000 5:57 AM  
To: Hasan, Mahdi SM SIEP-EPT-DD  
Cc: Parry, Gordon G SIEP-EPG  
Subject: Cluster development Angola

Mahdi,

I understand from Gordon, that you guys are actively looking at applying your miniDVA satellite development approach to see whether Angola Block 18 could be made commercial already with the three developments there are (approx 600 mmbbls). Can you tell me what the current views on this are, and are you in a position to say anything concrete, in the context of portfolio management?  
Thanks

Martijn

Martijn Minderhoud  
Regional Vice-President SubSaharan Africa EPG  
office (31)-(70)-377-1402

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e-mail m.minderhoud@sepi.shell.com

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2 In the Matter of: )	2 WITNESSES EXAMINATION
3 THE ROYAL DUTCH/SHELL ) File No. EW-02742-A	3 Gordon Parry 5
4 GROUP )	4 EXHIBITS
5 WITNESS: Gordon Parry	5 EXHIBITS: DESCRIPTION IDENTIFIED
6 PAGES: 1 through 77	6 491 Background Questionnaire 10
7 PLACE: Securities and Exchange Commission	7 492 E-mail exchanges re Angola 53
8 100 F Street, N.E.	8 3rd-qtr 2000 reserves
9 Washington, D.C.	9 PREVIOUSLY INTRODUCED EXHIBITS
10 DATE: Friday, November 4, 2005	10 EXHIBITS: DESCRIPTION IDENTIFIED
11	11 87 Form 1662 6
12 The above-entitled matter came on for hearing, pursuant	12 460 E-mail from H. Rothermund 18
13 to notice, at 9:35 a.m.	13 to Phil Watts, et al dtd
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21	21 H. Rothermund
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23	23 of H. Rothermund
24 Diversified Reporting Services, Inc.	24 476 Series of e-mail exchanges 43
25 (202) 467-9200	25 w/ G. Parry and others
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1 APPEARANCES:	1 PREVIOUSLY INTRODUCED EXHIBITS
2	2 EXHIBITS: DESCRIPTION IDENTIFIED
3 On behalf of the Securities and Exchange Commission:	3 477 E-mail exchange w/multi- 62
4 DAVID L. PEAVLER, ESQ.	4 people in 12/00
5 Division of Enforcement	5 478 E-mail re "Reserve Booking 70
6 801 Cherry Street, Suite 1900	6 Note"
7 Fort Worth, Texas 76102	7 479 E-mail from R. Inglis 72
8 (817) 978-1417	8 482 Document referencing meeting 73
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10 On behalf of the Witness:	10 488 Exchange of e-mails in 1/02 74
11 COLBY A. SMITH, ESQ.	11
12 SCOTT M. AUBY, ESQ.	12
13 DeBevoise & Plimpton LLP	13
14 555 13th Street, N.W.	14
15 Washington, D.C. 20004	15
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17	17
18 GEOFFREY H. COLL, ESQ.	18
19 JOCELYN C. BRAMBLE, ESQ.	19
20 AUTUMN BRIETSTEIN, ESQ.	
21 LeBoeuf, Lamb, Greene & MacRae, LLP	
22 1875 Connecticut Avenue	
23 Suite 1200	
24 Washington, D.C. 20009	
25	

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EXHIBIT

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## PROCEEDINGS

MR. PEAVLER: On the record.

Whereupon,

GORDON PARRY

was called as a witness and, having been first duly sworn,  
was examined and testified as follows:

EXAMINATION

BY MR. PEAVLER:

Q Would you spell your last name please?

A P-a-r-r-y.

Q Mr. Parry, my name is David Peavler, and I'm an  
attorney with the United States Securities and Exchange  
Commission. And I'm an officer of the Commission authorized  
to take your testimony and other evidence in the matter of  
the Royal Dutch/Shell Group.

Do you understand that?

THE WITNESS: I do.

MR. PEAVLER: That authority is found in a document  
we commonly refer to as the Formal Order. A copy of which is  
here and available for your inspection and your counsel's  
inspection today.

Now, is it true that you're not appearing pursuant  
to a subpoena?

THE WITNESS: Correct.

MR. PEAVLER: And I want to thank you for agreeing

A I am.

MR. PEAVLER: Would counsel please make an  
appearance.

MR. AUBY: Sure. Scott Auby, of DeBevoise &  
Plimpton for Mr. Parry.

MR. SMITH: Colby Smith, DeBevoise & Plimpton for  
Mr. Parry.

MR. COLL: Geoffrey Coll, LeBocuf, Lamb, Greene &  
MacRae.

MS. BRAMBLE: Jocelyn Bramble with LeBoeuf, Lamb,  
Greene & MacRae.

MS. BRIESTSTEIN: Autumn Brieststein, LeBocuf, Lamb,  
Greene & MacRae.

BY MR. PEAVLER:

Q Mr. Parry, the testimony you are giving today is  
being used to ascertain whether there have been violations of  
United States federal securities laws. But it may indicate  
violations of other state or federal U.S. laws.

We also do share what you tell us and the evidence  
we gather with other law enforcement in the United States as  
well as in other countries.

Do you understand that?

A I do.

Q Have you ever given a deposition before?

A No.

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to come and give testimony today.

I am going to show you what I've previously marked  
as Exhibit No. 87, and this is the document that we refer to  
as Form 1662.

(SEC Exhibit No. 87 was  
referred to.)

BY MR. PEAVLER:

Q Did you receive a document like that?

A Yes, I've read this document.

Q Okay. I'm not going to outline all of the things  
that are in there, but generally that document outlines your  
rights and obligations in providing testimony to the  
Commission.

Do you understand that?

A I do.

Q A couple of things I do want to highlight.

First, you have the right under the Fifth Amendment  
to the United States Constitution not to give testimony that  
tends to incriminate you.

Do you understand that?

A I do.

Q Secondly, you have the right to counsel.

Do you understand that?

A I do.

Q Are you represented by counsel today?

Q The ground rules are very simple. I'm going to ask  
a series of questions. You are under oath to give your best  
answers if you can.

We are taking down everything either of us say.  
What that means is, number one, we can't use non-verbal  
communications because it doesn't show up on a tape.

Do you understand that?

A I do.

Q You can give "yeses, noes," some sort of audible  
verbal response, okay?

A Okay.

Q Secondly, the transcript that comes out of this  
will look a lot better and be a lot easier to read if we  
don't talk over each other.

Can you try to let me finish my question before you  
start answering, and I likewise will try not to step on the  
end of your answer, all right?

A Okay.

Q Lastly, if at any point you need to take a break or  
need to consult with your counsel, let me know that. I'll do  
my best to stop and if you need to talk with counsel, we'll  
stop then. If you need to take a break, let me get to a good  
stopping point. Okay?

A Okay.

Q Who do you work for now?

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<p>1 A I'm retired.</p> <p>2 Q When did you retire?</p> <p>3 A The first of May 2004.</p> <p>4 Q From whom did you retire?</p> <p>5 A Shell International Petroleum Company, as it was</p> <p>6 known at the time.</p> <p>7 Q Is that a part of the Royal Dutch/Shell Group or at</p> <p>8 least what used to be known as the Royal Dutch/Shell Group?</p> <p>9 A Correct.</p> <p>10 Q And today we're going to be talking about Shell or</p> <p>11 the Group. And I realize that at least in prior times there</p> <p>12 was a very complex structure in place.</p> <p>13 But if I refer to "Shell" or the "Group," will you</p> <p>14 understand I'm talking about the company as a whole and not</p> <p>15 necessarily individual part?</p> <p>16 A I understand.</p> <p>17 Q Now, there will be times when we talk about the</p> <p>18 expiration of production, part of the company or EP.</p> <p>19 Do you understand what that is at Shell?</p> <p>20 A I do.</p> <p>21 Q And likewise, there'll be times when we talk about</p> <p>22 the EPG portion of the company.</p> <p>23 Are you familiar with that?</p> <p>24 A I am.</p> <p>25 Q Very good.</p>	<p>1 A I did.</p> <p>2 Q During the entire time?</p> <p>3 A Yes.</p> <p>4 Q What were your -- in a more general sense -- your</p> <p>5 responsibilities as the regional business advisor for Sub-</p> <p>6 Saharan Africa?</p> <p>7 A It involved several different roles, one of which</p> <p>8 was the governance of Shell's operating companies in that</p> <p>9 region. Angola was only one of several. So my time wasn't</p> <p>10 exclusively spent on Angola. There were other exploration</p> <p>11 ventures which I looked after.</p> <p>12 I was also responsible for developing business in</p> <p>13 the region, both acquisitions and divestments, looking for</p> <p>14 new opportunities.</p> <p>15 Q Did you serve as I guess the liaison for local</p> <p>16 business units to more senior management?</p> <p>17 A Yes. I acted as the go-between, if you will,</p> <p>18 between the operating companies in these various countries</p> <p>19 including Angola, between the operating unit and the senior</p> <p>20 management in the Center.</p> <p>21 Q When you refer to the "Center," is that --</p> <p>22 A The Hague.</p> <p>23 Q The Shell operation. Is that an EP headquarters,</p> <p>24 if you will?</p> <p>25 A Yes, in the Hague.</p>
Page 10	Page 12
<p>1 How long were you employed with Shell?</p> <p>2 A Thirty-three years.</p> <p>3 Q Is that the only company you've been employed with?</p> <p>4 A Yes.</p> <p>5 Q Why did you retire?</p> <p>6 A I reached my sell-by date.</p> <p>7 MR. PEAVLER: Let me show you what I'm marking as</p> <p>8 Exhibit 491. This is a Background Questionnaire.</p> <p>9 (SEC Exhibit No. 491 was marked</p> <p>10 for identification.)</p> <p>11 BY MR. PEAVLER:</p> <p>12 Q Did you fill this out?</p> <p>13 A I did.</p> <p>14 Q And is all the information in there true and</p> <p>15 correct as far as you know?</p> <p>16 A It's correct as far as I know.</p> <p>17 Q There were really just a couple of things if you</p> <p>18 could hand that back. A couple of things I have a question</p> <p>19 about.</p> <p>20 I noted in your employment history that you spent</p> <p>21 from March of 1998 to September of 2002 as a regional</p> <p>22 business advisor for Sub-Saharan Africa.</p> <p>23 A Correct. Of EPG.</p> <p>24 Q In that capacity, did you have responsibility for</p> <p>25 operations in Angola, Shell's operations in Angola?</p>	<p>1 Q Now, I just want to make sure I understand.</p> <p>2 With respect to the Angolan operation, I had heard</p> <p>3 in other context that Chris Duhan may have replaced you in</p> <p>4 that role.</p> <p>5 A He did.</p> <p>6 Q What time period was that?</p> <p>7 A That was about -- I can't remember exactly, but it</p> <p>8 was about September 2002.</p> <p>9 Q Let's talk a little bit about the Block 18 property</p> <p>10 or field in Angola.</p> <p>11 Is that a field that you have some familiarity</p> <p>12 with?</p> <p>13 A It is.</p> <p>14 Q Was that I guess a scheduled exit for Shell at some</p> <p>15 point? In other words, Shell intended to exit the operations</p> <p>16 in Block 18?</p> <p>17 A That was not the intention during my tenure.</p> <p>18 Q Okay. There was not a point at which during your</p> <p>19 tenure that Block 18 was intended to be --</p> <p>20 A It had been discussed.</p> <p>21 Q Okay.</p> <p>22 A Throughout my tenure.</p> <p>23 Q But your testimony is it was never on any list or</p> <p>24 schedule -- let me finish my question --</p> <p>25 It was never on any list or kind of official</p>

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1 schedule of areas that Shell was going to get out of.  
 2 A During my time there, we never actively marketed  
 3 that property. It was discussed from time to time, but with  
 4 increasing success in the block, of course it became more and  
 5 more difficult to propose it as a divestment.  
 6 Q What was the status of Block 18 in 1999?  
 7 A 1999. As I recall, by then we had made one or two  
 8 oil discoveries.  
 9 Q Who did you -- and I want to maybe focus on a  
 10 couple of time periods. Let's focus on the year 2000 and  
 11 into 2001.  
 12 Who did you report to?  
 13 A Heinz Rothermund.  
 14 Q Anyone else?  
 15 A No.  
 16 Q Who did Mr. Rothermund report to?  
 17 A Phil Watts.  
 18 Q At least to the point that Mr. Watts was replaced  
 19 by Mr. Vande Vijver? Or did that happen at all during your  
 20 tenure?  
 21 A That did happen during my tenure, but at the very  
 22 end.  
 23 Q And I want to just revisit a little bit the  
 24 timetables here, realizing that you're thinking back on  
 25 things you may not have contemplated in a while.

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1 Walter Vande Vijver replaced Phil Watts as the head  
 2 of EPG in roughly July of 2001.  
 3 Does that help you, in thinking back on your tenure  
 4 as the RDA for Sub-Saharan Africa, put a different time line  
 5 on it?  
 6 And the only reason I say that is because there are  
 7 some documents, which I'm sure we can look at, that suggest  
 8 that perhaps your tenure ended sometime in 2001, at least  
 9 with respect to Angola.  
 10 A I'm struggling to remember when I changed jobs from  
 11 EPG to EFA.  
 12 Q Are there documents, and that's not saying we have  
 13 to drag them out today, but would you expect there to be some  
 14 form of documents that would help us understand what your  
 15 tenure was? I mean sort of official paperwork?  
 16 A Well, Chris Duhan replaced me, so he would become  
 17 the lead in the correspondence.  
 18 Q Well, we'll move on now but I was just wondering if  
 19 that helps, and it sounds like it may not necessarily clear  
 20 up your recollection any better.  
 21 A I spent three and a half years in EPG.  
 22 Q Okay.  
 23 A And I joined in 1998. So indeed, maybe I mentioned  
 24 2002 earlier. Maybe it should have been 2001.  
 25 Q Okay. Well, we'll see if anything we look at today

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1 helps clarify that at all.  
 2 But let me go back, and again in this 2000 and 2001  
 3 time period, did you have people reporting to you?  
 4 A No.  
 5 Q What --  
 6 A May I just modify that.  
 7 Q Please.  
 8 A The position of regional business advisor was a  
 9 fairly unique one. But there was a group that varied between  
 10 maybe eight to 10 depending on the circumstances,  
 11 representing different countries in the region, all reporting  
 12 to Heinz Rothermund, but none of us had people reporting to  
 13 us. We just had support.  
 14 The head of the operating division, and in the case  
 15 of Angola, that was Peter Osborne, he also would report  
 16 directly to Heinz Rothermund. But there would be a dotted  
 17 line between him and me. Although I had no executive  
 18 authority over the general manager and the operating area. I  
 19 could only advise.  
 20 Q And with respect to Mr. Osborne and as it relates  
 21 to Block 18, did the asset manager report to Mr. Osborne?  
 22 A Correct.  
 23 Q And during 2000 and 2001, who was the asset manager  
 24 for Block 18?  
 25 A Rob Inglis, as I recall. Shell Angola is a small

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1 company. Peter Osborne was in-country. There was no  
 2 technical work done, for obvious reasons, in Angola. So all  
 3 the technical work was done in Holland. And Rob Inglis was  
 4 based there together with the exploration guy, Grigore Simon.  
 5 Q You may have said this earlier. You were based at  
 6 the Center, correct?  
 7 A In the Hague, yes.  
 8 Q Let me ask you -- I want to kind of put your mind  
 9 back in early 2000, if you can.  
 10 Do you recall any instances in early 2000 where you  
 11 met with Mr. Rothermund and discussed the issue of the group  
 12 having a reserve replacement problem?  
 13 A That discussion took place in a EPG team meeting.  
 14 Q What is an EPG meeting?  
 15 A We had a weekly team meeting.  
 16 Q A team meeting. I'm sorry.  
 17 A A team meeting. Where all the business advisors  
 18 reporting to Heinz would get together and discuss ongoing  
 19 business, et cetera.  
 20 Q When was that? Was it a meeting or a series of  
 21 meetings?  
 22 A I can't remember exactly the date this topic was  
 23 raised at such a meeting, but this was before where the  
 24 problem was presented to us as a group.  
 25 Q What were -- if there were any given -- what

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1 reasons or causes were given, if any, for this problem?

2 A As I recall, this was reported at the time, we were  
3 heading for a shortfall. And that the main reason for that  
4 was that Nigeria was not going to deliver on the promise it  
5 had made.

6 Q Was that Nigeria SPDC or Semco?

7 A SSPDC I believe.

8 Q Was the source of this information to you, at least  
9 Mr. Rothermund?

10 A Yes.

11 Q Were any solutions proposed?

12 A No. He asked us as a group to propose a solution.

13 Q Did you propose any solution?

14 A I did.

15 Q What did you propose?

16 A I was aware that discoveries were being made in  
17 Angola. And that there was a possibility that we may be able  
18 to contribute to the reserves problem from Angola. And I  
19 believe my colleague proposed Brazil as well.

20 Q At the point in time you made this suggestion, did  
21 you have in your own mind any particular volume that could be  
22 contributed?

23 A Not at that moment.

24 Q Did you suggest any ranges at this meeting?

25 A I don't recall.

Page 18

1 Q Were there any representatives from the Block 18  
2 asset present at this meeting?

3 A No.

4 Q Was it strictly people at your peer level?

5 A Yes.

6 Q Let me show you what we've previously marked in  
7 this case as Exhibit 460. And Exhibit 460, the front of it  
8 is an e-mail from Heinz Rothermund to a number of people,  
9 including Phil Watts. It's dated September 5, 2000. And  
10 attached to it is a note from you to Mr. Rothermund dated  
11 September 5, 2000.

12 (SEC Exhibit No. 460 was  
13 referred to.)

14 Q Do you recognize the note, the attachment?

15 A Yes, I recognize it.

16 Q I'm sorry. Do you recognize it?

17 A I recognize it.

18 Q Did you prepare this? **CONFIDENTIAL**

19 A I did.

20 Q Did you run it past any of the people in Angola for  
21 comment before you sent it -- well, first, did you send it to  
22 Mr. Rothermund?

23 A I did.

24 Q Did you run it past any of the Angola Block 18  
25 people before you sent it?

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1 A Yes. I don't recall precisely this note, but it  
2 was my habit to do that, so that basically there was a  
3 consensus from the operating company on the content of such a  
4 note because they are the custodians of the data. In the  
5 Center, we did no technical work ourselves. We were  
6 dependent on distilling that information from the operating  
7 companies themselves.

8 Q Who within the Block 18 asset group did you run  
9 this past or consult with on it?

10 A On this issue, it would have been Grigore Simon.

11 Q You may need to speak up a little. I'm not sure if  
12 it's picking up.

13 Is it picking up okay?

14 Now if you'd look at the very first sentence, this  
15 references "reserves question raised at the EPG meeting on  
16 the 14th of August of 2000."

17 Is that the meeting that you described for us  
18 earlier that involved Mr. Rothermund, where the issue of  
19 reserve replacement problems came up, or is there some other  
20 meeting?

21 A I would guess that that is correct. I can't  
22 remember precisely but I would imagine that that is the case.

23 Q Was there more than one meeting with Mr. Rothermund  
24 that you were part of where group reserves shortfalls were  
25 discussed, solutions for that were discussed?

Page 20

1 A I can't remember precise instances, but this was a  
2 topic that would have been on the agenda on a regular basis.

3 Q The rest of this sentence that we were just looking  
4 at references a meeting between EPG and Shell Angola staff as  
5 well as EPG -- it's drawn over -- EPG-P on 22nd August 2000.

6 Do you remember that meeting?

7 A Not precisely. I had many, many meetings with  
8 Shell Angola because we were in the same town and access to  
9 them was quite easy, so we met many, many times, so it's very  
10 hard to remember one precise meeting.

11 Q Well, EPG-P, who is that, to the best you can  
12 remember?

13 A I struggle to remember.

14 Q Is that reserves -- group reserves coordinator?

15 A It could be, it could be.

16 Q Do you remember meeting with Shell Angola staff and  
17 the group reserve coordinator in this mid-2000 time frame?

18 A I don't remember precisely, but, again, he was in  
19 the same building, so we met on a frequent basis.

20 Q About Angola?

21 A About many companies.

22 Q But Angola was one of them?

23 A Angola was one of them.

24 Q Where did you get the information that is in this  
25 memo or this note about the booking of crude reserves?

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1 A Any information on reserves I would have got from  
2 Shell Angola.  
3 Q What about in terms of -- if you look, for  
4 instance, in the middle, right in the middle of this first  
5 page of the note, you've written, "In marginal cases,  
6 especially in new areas where resource volumes are very close  
7 to commercial cutoff, reserves should not be booked."  
8 Where did you get that information?  
9 A I don't recall.  
10 Q Was that information that you just had at the tip  
11 of your fingers, or ordinarily would you expect you'd have to  
12 go to someone in that area to --  
13 A I --  
14 Q Let me get the whole thing out.  
15 Or you had to go to someone else to get that  
16 information?  
17 A This information I'm assuming would have come from  
18 the conversations I had with specialists on reserves.  
19 Q Was, at least for Shell, was Angola a new area?  
20 A Shell entered Angola in the early '90s.  
21 Q You mentioned that there had been -- your  
22 recollection was there had been a couple of successful  
23 discoveries in 1999 or by 1999.  
24 At least from the perspective -- let me ask it this  
25 way.

Page 22

1 Where you've written here, "In new areas," were you  
2 talking about someplace like Angola Block 18?  
3 A Yes. I'm referring to green field exploration  
4 ventures.  
5 Q And that's what Block 18 was at that point in time?  
6 A At that point in time.  
7 Q If we go down towards the bottom of this first  
8 page, there's a reference to "293 million barrels of target  
9 proven reserves" -- I'm sorry. "293 million barrels of  
10 potential proved reserves in Angola."  
11 Do you see where I'm referring?  
12 A Yes.  
13 Q Where did that 293-million-barrel figure come from?  
14 A This is the 300 -- it's a rounding up of the 293,  
15 which was the figure that was held in Shell Angola in the  
16 early days of the venture.  
17 Q Well, you don't even have to go to the bottom. A  
18 little higher up, just on the sentence we read about marginal  
19 cases, you've written "The LE" -- is that "latest estimate"?  
20 A That's correct.  
21 Q "Shell PSD in Thailand, of proven reserves for the  
22 Greater Plutonio hub in Block 18."  
23 And just incidentally, is that the southern portion  
24 of Block 18?  
25 A Could you just tell me where you are?

Page 23

1 Q Sure, I'm sorry. Yes, this is the fifth paragraph  
2 that begins "LE."  
3 A Oh, yes, I see.  
4 Q Is the reference there to "Greater Plutonio hub,"  
5 is the southern half or southern portion of Block 18?  
6 A It refers to the area surrounding the Plutonio  
7 discovery, where there was several other similar-looking  
8 prospects.  
9 Q But Plutonio, if you know, was that in the southern  
10 part of the Block 18?  
11 A Yes. Without looking at the map. Yes, Plutonio  
12 was the center of a number of discoveries. The first  
13 discovery was Platina, which was in the north of the block  
14 and rather isolated from it.  
15 Q Anyway, one sentence refers to "Latest estimates,  
16 proven reserve for the Greater Plutonio hub in Block 18 of  
17 290 million barrels."  
18 And what I'm wondering is, did you get that  
19 information from the people in Angola?  
20 A I did.  
21 Q Did they describe it at that point in time proven  
22 reserves?  
23 A I can't remember precisely how that figure was  
24 described.  
25 Q As you prepared this note and sent it to Mr.

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1 Rothermund, did you have any response or reaction from Mr.  
2 Rothermund directly to you?  
3 A As I recall, he would not have reacted. He would  
4 have expressed interest that Angola could help in remedying  
5 the reserves situation, and would follow the story closely.  
6 Q Did you forward this note on to Mr. Inglis? He's  
7 shown as a cc.  
8 A Yes. Rob would have been aware of this. It was my  
9 habit to share the documentation with him because as they  
10 were supplying a lot of the information that goes in these  
11 documents, they would like to keep a copy for their own  
12 files.  
13 Q Did Mr. Inglis tell you around this September 5  
14 date that the 293-million-barrel figure was an expectation,  
15 you know, an expectation volume figure rather than a proved  
16 volume figure?  
17 A In the discussions we had, I don't recall him  
18 telling me that exactly, but we had many discussions about  
19 this subject.  
20 Q Is it possible he said that?  
21 A It's possible.  
22 Q Did you know the difference at that point in time  
23 between proved and expectation volume, at least as they  
24 related to what Shell might tell the rest of the world about  
25 its crude reserves?

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<p style="text-align: right;">Page 25</p> <p>1 A I was aware of what the difference is. The link</p> <p>2 with the outside world, I was not particularly conscious of.</p> <p>3 Q You did understand there was a difference between</p> <p>4 expectation volume and proved volume in terms of what that</p> <p>5 meant.</p> <p>6 A Yes.</p> <p>7 Q We talked a minute ago -- I asked you about meeting</p> <p>8 -- a group reserve replacement problem.</p> <p>9 Did EPG itself have a reserve replacement problem</p> <p>10 at this point in time of 2000, the mid part of 2000?</p> <p>11 A The fact that Nigeria was falling short of the</p> <p>12 promise that it had made, made it an EPG problem.</p> <p>13 Q Was reserves replacement -- first, are you familiar</p> <p>14 with the concept of score cards at Shell?</p> <p>15 A I am.</p> <p>16 Q And what, generally speaking, is "score cards" at</p> <p>17 Shell? What does it mean, what does it do?</p> <p>18 A It's a collection of parameters which are designed</p> <p>19 to measure the performance of an individual or a group of</p> <p>20 staff towards achieving the overall business aims of the</p> <p>21 company.</p> <p>22 Q What score card I guess or what group score card</p> <p>23 most directly impacted you? And by that I mean -- let me ask</p> <p>24 this a different way.</p> <p>25 Did EPG have its own score card?</p>	<p style="text-align: right;">Page 27</p> <p>1 you aspire to shoot into that target. And all the different</p> <p>2 business units are doing the same thing, which forms the EP,</p> <p>3 the total EP score card.</p> <p>4 Q For the EPG score card, was there a target for</p> <p>5 reserve replacement as a percentage of, for instance, a 50</p> <p>6 percent reserve replacement, 100 percent, whatever the case</p> <p>7 may be, or was it, to the best you can recall, in terms of a</p> <p>8 volume of reserves added during the year -- for EPG?</p> <p>9 A As I recall, it was a number, not a percentage.</p> <p>10 Q So some volume --</p> <p>11 A A volume, yes.</p> <p>12 Q What about on the EP score card? Was reserve</p> <p>13 replacement an item on there?</p> <p>14 A I don't recall exactly. It was there in one form</p> <p>15 or another, but I can't remember whether it was a number or a</p> <p>16 percentage.</p> <p>17 Q If EPG failed to meet its target, it fell short of</p> <p>18 its target, on reserve replacement, would that impact how</p> <p>19 much you got paid or compensated?</p> <p>20 A The reserves parameter is one of several, so the</p> <p>21 overall score depended on other parameters as well. So if</p> <p>22 the overall score came below target, it would have an impact</p> <p>23 but the level of financial impact was not worth talking</p> <p>24 about.</p> <p>25 Q I guess in other words, there were other factors</p>
<p style="text-align: right;">Page 26</p> <p>1 A Yes.</p> <p>2 Q Did the individual countries have their own score</p> <p>3 cards?</p> <p>4 A Yes.</p> <p>5 Q And did EP as a whole have a score card?</p> <p>6 A That's correct.</p> <p>7 Q Now, of those score cards, which, if any, impacted</p> <p>8 you the most?</p> <p>9 A Personally?</p> <p>10 Q Yes.</p> <p>11 A I would imagine -- well, indirectly all of them,</p> <p>12 because we also had individual score cards. So my individual</p> <p>13 score card was the contribution to EPG, which was a</p> <p>14 contribution to the EP score card, so they sort of cascade.</p> <p>15 Q Was reserves replacement part of the EPG score</p> <p>16 card?</p> <p>17 A Not reserves replacement but achieving reserves for</p> <p>18 the individual companies.</p> <p>19 Q I'm not sure I understand the difference.</p> <p>20 What's the difference?</p> <p>21 A Reserves replacement, as I interpret it, is --</p> <p>22 well, maybe there's not a difference. Basically each</p> <p>23 country, at the start of a business year, tries to predict</p> <p>24 what amount of reserves it aspires to achieve in the coming</p> <p>25 year. So you quote a value with a high and a low end, and</p>	<p style="text-align: right;">Page 28</p> <p>1 that might offset -- <b>CONFIDENTIAL</b></p> <p>2 A Yes.</p> <p>3 Q -- that reserve replacement or reserve addition --</p> <p>4 A That's correct.</p> <p>5 Q Let me show you what we've previously marked as</p> <p>6 Exhibit 461. Exhibit 461, the first page is an e-mail from</p> <p>7 Robert Inglis to Ian, Heinz and some other people of</p> <p>8 September 11, 2000. And at least the attachment reference</p> <p>9 appears to be the same note on Angolan Brazil reserves that</p> <p>10 we looked at previously.</p> <p>11 (SEC Exhibit No. 461 was</p> <p>12 referred to.)</p> <p>13 Q What I want to ask you about is on the second page.</p> <p>14 There is an e-mail from you to Mr. Inglis and a number of</p> <p>15 other people, including Remco Aalbers, attaching, it looks</p> <p>16 like, the final version of that note.</p> <p>17 Do you recognize the e-mail that looks like it came</p> <p>18 from you?</p> <p>19 A I do.</p> <p>20 Q Within your e-mail, you've written -- you've quoted</p> <p>21 some things or attributed some quotes to Mr. Watts and Mr.</p> <p>22 Rothermund.</p> <p>23 Do you see where I'm referring?</p> <p>24 A I do.</p> <p>25 Q The quote attributed to Mr. Watts reads, "It's</p>

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1 critical that the Angola reserves are booked this year or our  
 2 EP score card will be shot" is what you've written.  
 3 Is that something you heard Mr. Watts say?  
 4 A No.  
 5 Q Where did you learn of that?  
 6 A This was embedded in an e-mail. This was forwarded  
 7 to me by Heinz Rothermund.  
 8 Q When you say "embedded in the e-mail," what do you  
 9 mean?  
 10 A I didn't just press the forward button to send  
 11 Heinz' message to these people. I preferred to just extract  
 12 the critical sentence.  
 13 Q How soon before you sent this e-mail here,  
 14 September 6, 2000, was the e-mail you received from Mr.  
 15 Rothermund?  
 16 A It would have been very shortly before that.  
 17 Q Quite possibly the same day?  
 18 A Quite possibly.  
 19 Q Just to make sure I understand.  
 20 Did you effectively block and cut and paste from  
 21 Mr. Rothermund's e-mail and drop that into this e-mail?  
 22 A Yes. That's what I preferred to do.  
 23 Q Did you speak with Mr. Rothermund after you  
 24 received that e-mail?  
 25 A I don't recall exactly a special meeting to discuss

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1 this because, again, he was only sitting a few offices away  
 2 from me, and I spoke to him on a regular basis. But I would  
 3 have told him that based on this sort of information that I  
 4 would be pursuing Shell Angola to analyze the situation  
 5 carefully, and would report back on a regular basis.  
 6 Q Did you make any change to the quote as it was  
 7 embedded in Mr. Rothermund's e-mail?  
 8 A No.  
 9 Q Now, you've also written here, "Heinz's substantive  
 10 comment to me was 'Herewith Bill's reaction, we must pull  
 11 this off aggressively! And we need one well at least as  
 12 appraisal, whatever the purists say!' And that's what you've  
 13 written.  
 14 Is that something again that was embedded in this  
 15 other e-mail?  
 16 A That was in the covering note, and the other part  
 17 was in the attachment, which was the original message from  
 18 Watts to Rothermund.  
 19 Q Okay. Let me make sure. I may be understanding  
 20 this a little bit better.  
 21 Mr. Rothermund forwarded you an e-mail that he had  
 22 received from Mr. Watts, is that correct?  
 23 A Correct. And that's his response to reading the  
 24 note.  
 25 Q And in Mr. Rothermund's cover to Mr. Watts' e-mail,

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1 Mr. Rothermund wrote what you've attributed here.  
 2 A Yes.  
 3 Q Okay. That helps me understand it.  
 4 A Basically instructing me to get after it.  
 5 Q Why did you forward these quotes to the people in  
 6 Angola? I guess what was your purpose?  
 7 A To help stress to these people the importance of  
 8 doing the work and to demonstrate that there was an interest  
 9 in this topic at a high level.  
 10 Q Was it your perception that these reserves needed  
 11 to be booked, had to be booked, in 2000?  
 12 A It was my perception from the meetings and these  
 13 responses that it was clearly important.  
 14 Q Did you view that as pressure from Mr. Rothermund  
 15 and I guess by extension Mr. Watts to make a booking in  
 16 Angola?  
 17 A Yes.  
 18 Q And did you by forwarding this on intend to convey  
 19 that pressure to the people in Angola?  
 20 A Yes, I did.  
 21 Q Did you think the pressure was in any way improper?  
 22 A No. I was used to receiving instructions from  
 23 one's boss, and if there were reserves that we could possibly  
 24 book, then that was the professional thing to do. At this  
 25 point in time, I was not saying that we could or we couldn't.

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1 It was just to stress the importance of analyzing the  
 2 situation to come up with an answer.  
 3 Q Did you feel that there was anything unusual about  
 4 getting this kind of instruction from Mr. Watts?  
 5 A Not particularly. I didn't think this was  
 6 particularly unusual.  
 7 Q Were there other occasions where you had forwarded  
 8 comments, whether or not it was an embedded e-mail, forwarded  
 9 comments from the EP CEO about the bookings of a particular  
 10 field needing to be made or being critical?  
 11 A For me, this is the only case.  
 12 Q At this point in time, in early September of 2000,  
 13 Angola Block 18 was relatively immature, was it not?  
 14 A Yes. That's a fair statement.  
 15 Q At that point in time, how many wells had been  
 16 drilled in Block 18, as best you can recall?  
 17 A Three or four. I don't recall exactly.  
 18 Q Were any of those wells appraisal wells, again, at  
 19 that point in time?  
 20 A No, not in the true sense of the word.  
 21 Q They were all I guess exploration wells?  
 22 A Yes.  
 23 Q Let me ask you this. But for this instruction from  
 24 Mr. Rothermund and by extension Mr. Watts, would reserves,  
 25 crude reserves, have been booked in Angola in 2000?

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<p>1 A I don't believe so, because, as I recall, it was</p> <p>2 not on the score card to do so.</p> <p>3 Q Let me show you what we've previously marked as</p> <p>4 Exhibit 463.</p> <p>5 (SEC Exhibit No. 463 was</p> <p>6 referred to.)</p> <p>7 A Thank you.</p> <p>8 Q And Exhibit 463 is a series of e-mail exchanges</p> <p>9 going all the way back into early February of 2000, and</p> <p>10 concluding with an e-mail from Heinz Rothermund to you and</p> <p>11 Mr. Inglis and a Mahdi Hassan, on September 18, 2000.</p> <p>12 Do you recognize this exchange of e-mails?</p> <p>13 A I recognize them.</p> <p>14 Q The e-mail, the one I want to talk about first, is</p> <p>15 on the first page, Mr. Rothermund's e-mail.</p> <p>16 Let me ask you first, who is Mr. Hassan?</p> <p>17 A Mahdi Hassan was based in Houston, working for</p> <p>18 Shell Deep Water Services and he was in charge of deep water</p> <p>19 engineering, as I recall. So his responsibility was</p> <p>20 designing the hardware that you put in the ocean.</p> <p>21 Q Mr. Rothermund, in his first bullet point,</p> <p>22 references the important element for reserve replacement in</p> <p>23 the score cards, do you see that?</p> <p>24 A Yes, I do.</p> <p>25 Q And he's written, "It is essentially that we should</p>	<p>1 continuous basis on how best to go about this, especially to</p> <p>2 try to influence BP, because BP was the operator of this</p> <p>3 block.</p> <p>4 And if I may, this train of e-mails was sparked off</p> <p>5 by Martijn Minderhood, who had attended a conference in</p> <p>6 Houston and listened to a talk on this mini DVA scheme and</p> <p>7 had thought it might be of relevance to Block 18. So he</p> <p>8 challenged Mahdi Hassan, "You know, what do you think?"</p> <p>9 And this came my way, but not being an expert in</p> <p>10 this field, I couldn't comment one way or the other, so I</p> <p>11 would have to seek advice and discuss whether or not it</p> <p>12 indeed it was a realistic suggestion.</p> <p>13 And having had those discussions, my own personal</p> <p>14 view was it was not going to be a realistic suggestion. But</p> <p>15 as I recall, Heinz Rothermund saw the original e-mail of</p> <p>16 Martijn, sort of grasped at the straw and said, "What are we</p> <p>17 doing about this?"</p> <p>18 And so it created I suppose a confrontation between</p> <p>19 somebody who was grasping the straw thinking this could be</p> <p>20 the big solution.</p> <p>21 I was trying to find out the information, positive</p> <p>22 or negative, whether or not it was so that I could give an</p> <p>23 informed answer.</p> <p>24 Q In 2000, did Shell ever contemplate developing only</p> <p>25 one or two parts in order to -- parts of Block 18, I think we</p>
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<p>1 come up with imaginative ways of booking those reserves we</p> <p>2 have."</p> <p>3 And I guess what I'm wondering is, putting yourself</p> <p>4 back in that time, what was essential about doing this, at</p> <p>5 least with respect to Angola at that time?</p> <p>6 A Could you clarify what is essential about doing</p> <p>7 what?</p> <p>8 Q Okay. When you read this and you saw Mr.</p> <p>9 Rothermund refer to being essentially to come up with</p> <p>10 imaginative ways of booking those reserves we have, I guess</p> <p>11 what I'm wondering is what was essential, at least as far as</p> <p>12 you saw, about coming up with imaginative ways to do this?</p> <p>13 A One of the problems with Block 18 was to come up</p> <p>14 with a development scenario that was going to make the</p> <p>15 project economic, because although we were very successful in</p> <p>16 the exploration drilling -- every well we drilled was a</p> <p>17 success -- the trick was how to develop it in an economic</p> <p>18 way.</p> <p>19 It was not just an easy case of developing one</p> <p>20 accumulation. There were several scattered around, which</p> <p>21 makes the design rather complex. So the actual development</p> <p>22 concept, the eventual development concept, was going to be</p> <p>23 crucial to the success of this project.</p> <p>24 So SDS being the center of excellence for this type</p> <p>25 of work in Houston were being challenged on a rather</p>	<p>1 looked at Plutonio or Covalto, and leaving the rest, and not</p> <p>2 doing the rest? Or was it always contemplated to do the</p> <p>3 full-field development?</p> <p>4 Let me ask a clean question. That was a bad</p> <p>5 question.</p> <p>6 In 2000, was Shell's intention to do a full-field</p> <p>7 development of Block 18?</p> <p>8 A As I recall, various scenarios were looked at. And</p> <p>9 it became apparent that we would have to concentrate on what</p> <p>10 is referred to as the Greater Plutonio hub. And as I</p> <p>11 mentioned before, the original discovery Platina would not be</p> <p>12 part of that. And that would have to be part for possible</p> <p>13 later developments and possible cooperation with Total -- in</p> <p>14 the block to the north, because it was much closer to the --</p> <p>15 field.</p> <p>16 So the focus of BP and Shell's attention was on the</p> <p>17 Greater Plutonio hub. And various scenarios were looked at.</p> <p>18 It was a very dynamic situation, where we were struggling to</p> <p>19 find the optimum solution.</p> <p>20 Q Let's go back to Exhibit 463 for just a minute.</p> <p>21 The last bullet point Mr. Rothermund has listed</p> <p>22 here. He's written -- let's see. "It is a great shame that</p> <p>23 we did not manage to drill appraisal wells first in Block 18.</p> <p>24 I would not be surprised if one of the reasons for this is</p> <p>25 that 'ideal' field development was seen as more important</p>

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1 than early booking of value.

2 What did you understand him to be referring to or  
3 talking about here?

4 A I interpret this to mean that the focus of Shell  
5 Angola's efforts have been to make as many oil discoveries as  
6 possible to see what there was in the block, prior to coming  
7 to a landing on which — or how to develop it. But when the  
8 focus turned on reserves, it might have been to aid an early  
9 development, it might have been prudent at the time to drill  
10 an out-step well to one of the discoveries. That's how I  
11 interpreted it at this time.

12 Q He closes his e-mail by, "Please be guided  
13 accordingly."

14 What guidance did you take from this e-mail?

15 A The philosophy at the time was to work together  
16 with Shell Angola and the various specialists in the fields  
17 to get an informed piece of work, but it was going to address  
18 the reserves issue.

19 At that time, I felt the debate about the  
20 development schemes was a bit of a red herring. I preferred  
21 to work together with Shell Deep Water and Shell Angola to  
22 answer the basic question that had been raised sparked off by  
23 the e-mail from Phil Watts.

24 Q If you'll look at the next page, which is the e-  
25 mail from Martijn Minderhood that Mr. Rothermund appears to

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1 be responding to when he says, "with which he fully agrees."

2 And there's something in here that I wanted to ask  
3 you if it made sense to you. If you look towards the bottom,  
4 there's a paragraph that reads, "However, nobody said you  
5 actually had to execute that scheme," do you see that  
6 paragraph?

7 A I do.

8 Q At the end, it says, "The existence of such smaller  
9 'dummy' scheme would probably not allow you to book more than  
10 reserves you can actually produce with it, but it would be a  
11 start."

12 Let me ask you, what do you understand him to be  
13 referring to with this "smaller dummy scheme"?

14 A I don't recall the discussion of this, but my  
15 interpretation is the word "dummy" you can substitute with  
16 "notional." Meaning one of several different schemes which  
17 were being looked at the time, both large and small.

18 Q Was this a "notional" a plan that you don't  
19 necessarily intend to follow but it's something at least in  
20 notion could be done?

21 A That's correct.

22 Q There were ultimately reserves booked for Block 18,  
23 correct? Some volume.

24 A I believe so, yes.

25 Q The plan or the development plan that was put in

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1 place was for that booking, that was put together to support  
2 that booking, was that a notional plan as you viewed it?

3 A It would have been because it was not the final  
4 scheme.

5 Q Would you call it a "dummy" scheme?

6 A I would not personally use that term.

7 Q Do you think the terms are interchangeable, at  
8 least as you understand Mr. Minderhood here?

9 A Mr. Minderhood is a Dutchman, and his use of  
10 English is not always 100 percent. I would not have used  
11 that term personally.

12 Q Did you, after you received this e-mail, and,  
13 again, in the context of other e-mails you received from Mr.  
14 Rothermund, did you view it as your marching orders and I  
15 guess as Angola's and even SDS's marching orders to find a  
16 notional plan that would support a booking of reserves that  
17 you found?

18 A I interpreted it as just another expression of Mr.  
19 Rothermund's interest in pursuing this project. He was quite  
20 prone to making these sorts of challenges on a regular basis.  
21 And sometimes they would be positive and other times he would  
22 possibly not agree and you'd have to take the time to  
23 respond. This was not an unusual response from Mr.  
24 Rothermund.

25 Q And I guess -- I'll ask my question a little bit

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1 differently.

2 We've got Mr. Minderhood's e-mail referring to a  
3 smaller scheme, and he used the term "dummy" scheme. And he  
4 even suggested you don't necessarily have to execute that  
5 scheme. And you have Mr. Rothermund agreeing with that in  
6 his e-mail sitting next to you. We have his earlier  
7 communication with you.

8 Was it your understanding from this exchange that  
9 you and the people in Angola and Shell Deep Water Services  
10 were to find some way of booking reserves in Angola? That  
11 was your charge.

12 A Yes.

13 Q Let me show you -- let's go through one more and  
14 we'll take a short break.

15 I show you what I've marked as Exhibit 464.

16 (SEC Exhibit No. 464 was  
17 referred to.)

18 Q And this e-mail is -- Exhibit 464 is very similar  
19 to what we just reviewed, except that it has what appears to  
20 be a further exchange by Mr. Inglis and Mr. Rothermund move  
21 or less in response to Mr. Rothermund's comments that we just  
22 looked at. And you're shown as a recipient of Mr. Inglis'  
23 comments as well as Mr. Rothermund's response.

24 Did you discuss any response to Mr. Rothermund's e-  
25 mail, such as looked at in Exhibit 463, with Mr. Inglis?

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<p>1 A I believe I did, yes</p> <p>2 Q I mean what -- as best you can tell, or the best</p> <p>3 that you recall, did you and he discuss?</p> <p>4 A May I read this first?</p> <p>5 Q Please. Do you recall what you and Mr. Inglis</p> <p>6 discussed?</p> <p>7 A I believe I had a conversation with Rob alerting</p> <p>8 him to the fact that Heinz had challenged on this e-mail</p> <p>9 string. And I think, as I was not an expert in this field,</p> <p>10 Rob was far better qualified to provide him an answer than I</p> <p>11 was. If I would have answered, I'd have just basically</p> <p>12 repeated Rob's words. So Rob basically replied on our</p> <p>13 behalf.</p> <p>14 Q Did Mr. Inglis seem unhappy or upset about Mr.</p> <p>15 Rothermund's e-mail?</p> <p>16 A Not unduly. I don't recall. As I said, Heinz</p> <p>17 Rothermund was prone to sending e-mails like that where he</p> <p>18 sometimes acted in a school-masterly way and, you know,</p> <p>19 sometimes not fully informed, but that was his style. So I</p> <p>20 asked Rob, "Let's try to satisfy him once and for all, you</p> <p>21 know, we're doing the right thing to tackle the problem."</p> <p>22 Q Did Mr. Inglis ever express to you whether before</p> <p>23 he sent this e-mail or at any time in 2000 that he didn't</p> <p>24 think reserves should be booked in Block 18?</p> <p>25 A I don't recall a specific example of him telling me</p>	<p>1 A I think I would have interpreted it that way, yes.</p> <p>2 Q Was there a need, at least as you saw it, to book</p> <p>3 reserves in Angola to justify the continued expenditure in</p> <p>4 Angola? And specifically Block 18, I should say.</p> <p>5 A I see there's a linkage, but at the time I don't</p> <p>6 recall that that was the overriding reason to do it. But I</p> <p>7 clearly was of the opinion at the time that it would be</p> <p>8 helpful.</p> <p>9 Q What was the overriding reason to do it?</p> <p>10 A To book the reserves?</p> <p>11 Q Yes.</p> <p>12 A To satisfy the request we had received.</p> <p>13 Q Looking again at the exhibit, did you understand</p> <p>14 what Mr. Rothermund meant by "separating actual development</p> <p>15 solutions for optimized field development from work we do for</p> <p>16 early value creation only"?</p> <p>17 A What I felt at the time I don't recall, but reading</p> <p>18 it again now, I would interpret that to mean that, you know,</p> <p>19 we should focus on finding a solution which would enable us</p> <p>20 to book reserves, rather than wait until more information is</p> <p>21 available to come with an optimum solution for the whole</p> <p>22 area.</p> <p>23 Q Can you think of any other fields you've been</p> <p>24 involved with where you or the assets were essentially</p> <p>25 instructed to come up with -- and I'll use some of Mr.</p>
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<p>1 that but the reserves were the subject of debate on a</p> <p>2 continuous basis.</p> <p>3 Q Did he ever tell you in so many words that he</p> <p>4 didn't think that it was right to book reserves of Block 18</p> <p>5 in 2000?</p> <p>6 A He may have expressed that opinion, but I can't</p> <p>7 recall precisely the occasion.</p> <p>8 Q And just to be clear, you recall that he expressed</p> <p>9 that view to you --</p> <p>10 A I said that he may have done, but I don't recall.</p> <p>11 Q Okay. I just wanted to be clear.</p> <p>12 A Couple of things that I wanted to ask you about</p> <p>13 that pertain to Mr. Rothermund's response to Mr. Inglis'</p> <p>14 comment.</p> <p>15 If you'd look on the second page of the exhibit</p> <p>16 please. The very end of the second page, Mr. Rothermund has</p> <p>17 written, "I'm not talking about gain change or worked-out</p> <p>18 solutions, but about a solution that's sufficiently worked</p> <p>19 out and the very unlikely extreme implementable. We need to</p> <p>20 separate actual development solutions for optimized field</p> <p>21 development from work we do for early value creation only."</p> <p>22 I want to ask you first, the concept of "early</p> <p>23 value creation."</p> <p>24 Did you interpret that to refer to the booking of</p> <p>25 reserves in Block 18?</p>	<p>1 Rothermund's words "sufficiently worked-out and unlikely to</p> <p>2 be implementable -- very unlikely to be an implementable</p> <p>3 solution, solely to book reserves."</p> <p>4 A No.</p> <p>5 Q Did anything about that strike you as an odd</p> <p>6 request or out of the ordinary?</p> <p>7 A I don't have sufficient experience as an explorer</p> <p>8 in production matters, but I interpreted it as just him</p> <p>9 trying to stimulate the debate from his point of view on</p> <p>10 finding a solution.</p> <p>11 Q I guess in the context of what we've seen, that was</p> <p>12 expressed at least to you for a booking, did what he's</p> <p>13 written there make sense in the context of the reasons given</p> <p>14 for needing a booking at all?</p> <p>15 A I interpreted it at the time as basically Heinz</p> <p>16 expressing his personal opinions. I had basically, together</p> <p>17 with Shell Angola, Shell Deep Water, had embarked upon a</p> <p>18 process, you know, where we would hope to find a solution,</p> <p>19 and sometimes these are not too helpful and sometimes they're</p> <p>20 not.</p> <p>21 MR. PEAVLER: Let go off the record and take a</p> <p>22 short break.</p> <p>23 (A brief recess was taken.)</p> <p>24 MR. PEAVLER: On the record.</p> <p>25 BY MR. PEAVLER:</p>

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1 Q Okay. Mr. Parry, I want to jump forward in time a  
2 little from where we were talking, and show you what I've  
3 previously marked as Exhibit 476. And this consists of some  
4 e-mail exchanges. You're shown as a sender of one of the e-  
5 mails here, November 13, 2000.

6 And there's an attachment, a fairly lengthy  
7 attachment, entitled "Angola Block 18 Development Project,  
8 Shell management of BP operations, the value assurance review  
9 2."

10 (SEC Exhibit No. 476 was  
11 referred to.)

12 Q Now, I'm going to you first, do you recognize this  
13 e-mail and the attachment?

14 A Yeah, I recognize the document.

15 Q The attachment itself, is that the report on -- the  
16 VAR 2 Report on Block 18, at least at that stage?

17 A I believe it is, yes.

18 Q If you'd go to the first page of the exhibit, your  
19 e-mail to Remco Aalbers, November 13, 2000.

20 Who is Mr. Aalbers at that point?

21 A Mr. Remco Aalbers was the reserves coordinator for  
22 Shell BP in the Hague. His role was to compile the reserves  
23 reporting from all the operating companies to present to BP  
24 management.

25 Q In your e-mail, you ask to I guess meet with Mr.

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1 discussed?

2 A I would have been seeking update on what they were  
3 doing, on the progress.

4 Q At that point, had Shell Deep Water Services come  
5 up with a solution for booking reserves in Block 18?

6 A Not to my recollection.

7 Q At that point, did any of the members of the SDS  
8 team working on the issue express that they didn't think  
9 reserves should be booked at Block 18?

10 A I don't recall specifically such a statement, but  
11 there was concern that it was an uphill struggle.

12 Q Who from SDS did you consult with in New Orleans  
13 about Block 18?

14 A I would have spoken to Barry Knight, Rich Sears. I  
15 can't remember if Ian Hines was there. If he was, I would  
16 have spoken to him.

17 Q Anyone else come to mind?

18 A Matthias Bichel.

19 Q Were all of these -- anyone else?

20 A I can't remember. There may have -- Derek Newberry  
21 may have been there. I can't remember precisely. But as I  
22 recall, the person I would have sought out would have been  
23 Barry Knight, because he was the one that was most involved.

24 Q On the Block 18 issue?

25 A Yes.

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1 Aalbers, is that correct?

2 A Yes, he was sitting downstairs.

3 Q Was the purpose of that meeting to discuss the  
4 results of the VAR 2 in Block 18?

5 A I believe after the VAR 2, I wanted to share the  
6 information with him as part of the ongoing dialogue on the  
7 Angola reserves issue.

8 Q You refer in your e-mail to a "meeting with SDS New  
9 Orleans/Wednesday." Which I guess, if we work backwards,  
10 would be around November 8, 2000.

11 A Uh-huh.

12 Q Did you attend that meeting?

13 A I did. It was on the occasion of a Shell Deep  
14 Water conference, which was held in New Orleans, and it was  
15 attended by staff, local staff, that were involved in any  
16 deep water venture, including Angola. And it was an  
17 opportunity to meet with Shell people, the staff, on the site  
18 of the conference.

19 So it wasn't a dedicated meeting for Angola. It  
20 was just an informal discussion outside the conference.

21 Q Was Block 18 discussed with the Shell Deep Water  
22 people at that -- I guess outside-of-the-conference  
23 discussion?

24 A That would have been me, the conversation, yes.

25 Q And what specifically about Block 18 that was

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1 Q Did these SDS people, whoever precisely you met  
2 with, make any kind of presentation to you or show you any  
3 kind of documentation?

4 A Not on this occasion.

5 Q Was this a fairly informal discussion you had?

6 A Yes, it would have been over lunch or coffee or  
7 something.

8 Q Did you meet with Mr. Aalbers, as you're  
9 referencing in this e-mail?

10 A On that occasion?

11 Q Yes.

12 A I can't remember whether he was there or not.

13 Q Oh, I'm sorry. Let me be more clear.

14 You refer here that when you're back in the office,  
15 and you're talking about Mr. Aalbers, who would like to  
16 discuss the Angola reserves situation with you.

17 Did you have that meeting with Mr. Aalbers  
18 subsequently?

19 A I'm sure I did, yes.

20 Q What did you pass on to Mr. Aalbers in that  
21 discussion?

22 A The contents of the VAR exercise.

23 Q Did Mr. Aalbers have any reaction?

24 A Oh, I can't remember precisely, but Remco was, as  
25 the gatekeeper for reserves, was always challenging and

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1 that's why I wanted his expertise in the debate. He was an  
2 important element in this debate.

3 And as I say, it was an ongoing debate as new  
4 information became available, both from Angola and from  
5 Houston. And at this time, I believe there was variance in  
6 opinion where to me it became more and more important to  
7 involve the key players.

8 Q And you've written further to Mr. Aalbers. "At the  
9 outcome of our -- being reported to Heinz tomorrow."

10 Did you have a presentation of that to Mr.  
11 Rothermund?

12 A I attended the presentation. The presentation was  
13 given by Brad Kerr.

14 Q That's K-e-r-r. Brad Kerr.

15 What was Mr. Rothermund's reaction to the  
16 presentation, if you can generalize?

17 A I don't remember precisely, but -- I don't remember  
18 precisely.

19 Q The development plan that was the subject of the  
20 VAR 2, was that I guess a full-field type plan, full-field  
21 development plan? And feel free to review the VAR itself or  
22 VAR report itself.

23 A Could I ask you to repeat the question?

24 Q Sure. What was Mr. Rothermund's reaction to the  
25 VAR 2?

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1 A I believe I said that I don't recall his precise  
2 reaction to that. He supported the process but I don't  
3 recall whether he expressed strong disappointment or -- I  
4 don't recall.

5 Q You've written in your e-mail to Mr. Aalbers, "That  
6 as we expected BP failed."

7 And I guess the end result of the VAR 2 was that  
8 the development project suggested was it failed the criteria  
9 of VAR 2, is that accurate?

10 A I think that is -- that is accurate. BP was not  
11 progressing as far as Shell wanted. So Shell was putting a  
12 lot of pressure on BP. Rob Inglis spent a lot of his time  
13 interacting with BP and at a certain point he was spending  
14 time in their offices in London.

15 But we basically wanted to have this VAR, maybe  
16 knowing that they weren't quite ready for it, but to identify  
17 shortcomings, so that we could try to fix them as soon as  
18 possible.

19 But after this point in time, you know, they were  
20 clearly behind schedule, the schedule that we were trying to  
21 impose on them.

22 Q And I think I do remember the question that I had  
23 asked you, and that was, was this VAR -- the development plan  
24 that was submitted for this VAR 2, a full-field plan?

25 A As far as I remember, it was a plan to address the

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1 main discoveries that we had at the time, with the exception  
2 of Platina, which we both recognized was, you know, a  
3 separate entity.

4 But I think Shell was trying to pursue, not only  
5 with BP, but also independently alternative scenarios to try  
6 to fast track the whole thing.

7 Q But at least as VAR 2 pertained to a fuller field,  
8 leaving aside the Platina, a fuller-field development plan  
9 and not simply a sweet spot or small development plan, is  
10 that accurate?

11 A As I remember, it was a VAR of BP's work to date,  
12 and as I recall, BP had been addressing all discoveries to  
13 date. So whether you want to call that "full field plan"  
14 with an additional well, what is construed as a field may  
15 have expanded.

16 But it was clearly an attempt by Shell to pin BP  
17 down to what we wanted as a faster-track plan.

18 Q Why wasn't the VAR 2 failure -- why didn't that end  
19 the discussion of making the booking in Block 18 for 2000?

20 A Do I interpret you to mean that we should have  
21 said, "Okay. Based on the work BP has done, we can't make a  
22 booking"?

23 Q Well, what I'm wondering is why wasn't that the  
24 case?

25 A Because we felt that with the time and resources

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1 that both BP and Shell could put into it, we could still  
2 salvage something and have a plan that would justify booking  
3 some reserves.

4 Q Did BP ever propose a development plan that only  
5 would develop one or two of the discoveries and leave the  
6 rest?

7 A Not that I recall.

8 Q Was BP the operator?

9 A BP was the operator.

10 Q If you will look down to slide number 15, and it's  
11 entitled "Reserve bookings." And there's a reference in 1  
12 guess the third bullet point to "Focus on sweet spot approach  
13 which shows promise and partiality."

14 Was there a discussion of this at the presentation  
15 of Mr. Hines? Was there elaboration, I should say, on what's  
16 written here?

17 A I don't recall whether we elaborated on that  
18 particular point.

19 Q The last bullet point reads, "Caution needs to be  
20 taken to not damage the longer-term project objectives and  
21 schedule by the pursuit of the reserves booking in 2000."

22 Was there any elaboration on that point and what  
23 that meant?

24 A I don't recall.

25 Q Did Mr. Rothermund have any reactions to this

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1 particular slide?

2 A I really don't recall.

3 MR. PEAVLER: Let me show you what I'm marking as  
4 Exhibit 492. And Exhibit 492 are e-mail exchanges right  
5 around this mid-November of 2000 time frame, involving you  
6 and a number of people, including Hans Van Nues. And the  
7 subject is "Angola reserves latest estimate, third-quarter  
8 2000."

9 (SEC Exhibit No. 492 was marked  
10 for identification.)

11 BY MR. PEAVLER:

12 Q And this was a document that was produced to the  
13 Commission in electronic form, and the only identifier we  
14 have is the number 101403357.

15 Do you recognize this exchange of e-mails?

16 A I do, yes.

17 Q Now, who is Mr. Van Nues?

18 A That's a great question. I don't recall. I'm  
19 struggling to remember who he was. I'm assuming he was  
20 working with Remco.

21 Q It may help if you look -- he does have a EFF.

22 A That's the finance group, but that doesn't help me.  
23 I don't remember him.

24 Q Okay. Now, the e-mail from Mr. Van Nues to you  
25 dated November 14, 2000, and then your e-mail back to him,

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1 seems to follow your e-mail to Mr. Aalbers that we just  
2 looked at a moment ago.

3 A Yeah.

4 Q And one of the things that I wanted to point out is  
5 Mr. Van Nues makes the comment in his e-mail to you, "With  
6 reference to page 15 of the VAR report, it seems that booking  
7 the reserves for Angola may well be a stretch."

8 And if you recall, that's the page that says  
9 "Reserves" that we just looked at.

10 A Yes.

11 Q Did you I guess talk with anyone about what Mr. Van  
12 Nues has written here about -- right here about booking  
13 reserves in Angola?

14 A As I mentioned before, this was a debate that was  
15 ongoing on an almost daily basis and all parties were fully  
16 in the loop. Remco Aalbers, myself, Shell Angola, Grigore  
17 Simon and Rob Inglis and SDS.

18 And as I think you detect, there is a growing  
19 concern about the reserves, because they're approaching the  
20 end-of-year deadline when Remco has to set the number. So  
21 it's becoming more and more important to reach a landing on  
22 this that all parties can accept.

23 So it's crucial -- I felt it was crucial that all  
24 parties should continue to openly debate this issue to  
25 resolve any differences of opinion that were arising.

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1 Q One of the things Mr. Van Nues has written says,  
2 "It seems difficult to book reserves at all."

3 Did you -- well, first, did you talk to Mr. Van  
4 Nues about his reason for writing that?

5 A I don't recall discussing that particular point  
6 with him, but it's clearly a reference to the fact that there  
7 is a lively debate going on at this point in time.

8 Q The response you sent back to Mr. Van Nues, you've  
9 written, "This has been mentioned" and you're referring to  
10 the latest figures coming out of SDS, that they're lower than  
11 the 293 million-barrel estimate.

12 A Yeah.

13 Q "This has been mentioned to Heinz Rothermund. He  
14 is still firmly of the opinion that reserves should be  
15 booked."

16 Let me ask you first, what was mentioned to Heinz  
17 Rothermund?

18 A I would have alerted -- I mean Heinz didn't like  
19 surprises. The executive committee didn't like surprises.  
20 So if bad news -- if you were aware that bad news was coming,  
21 it was better to flag it early rather than later.

22 So if there was a possibility that the number that  
23 was in Heinz' mind was going to change, then I felt it  
24 prudent that he should know as soon as possible. So I would  
25 have clearly -- I would have alerted him to that fact, and

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1 warned him that, you know, the work is ongoing, and at a  
2 certain point he would be told in more formal terms.

3 Q Did you also alert Mr. Rothermund that there were  
4 at least some expressing the view that it may be difficult to  
5 book any reserves?

6 A I don't recall using those words, but I would have  
7 expressed the view that the figure is likely to be reduced.  
8 I don't recall if I actually said down to zero.

9 Q Did you give Mr. Rothermund a range?

10 A I really don't recall.

11 Q Regardless of what you may have told him, his  
12 response was that reserves should still be booked, is that  
13 correct?

14 A Yeah. He was very keen that reserves should be  
15 booked.

16 Q Was he referring to reserves in the magnitude of  
17 300 million barrels or was it more in the nature of "Whatever  
18 figure it is, we need to book a figure"?

19 A I believe the latter to be the case.

20 Q Did he say that?

21 A I don't recall this. I see what his words were,  
22 but Heinz is a person that if you presented him with a  
23 properly argued case, he would accept it. But clearly he  
24 would have been disappointed if he'd been told 300 and then  
25 suddenly you come with a much lower number. I mean that

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1 would have been a normal human reaction.

2 Q Did anyone from SDS suggest that the proper thing  
3 to do, the right outcome, was not to book any reserves? And  
4 I'm talking in the end of 2000, very early 2001 time frame.

5 A I really don't recall. That opinion may have been  
6 expressed but I don't recall any individual specifically  
7 telling me that.

8 Q What about anyone from either the Block 18 asset or  
9 Angola?

10 A The same answer. I don't recall any individual  
11 expressing that view.

12 Q You wrote in the first sentence of your e-mail to  
13 Mr. Van Nues, "As you know, booking a reserve in Angola is a  
14 sensitive issue."

15 What made it a sensitive issue?

16 A That is meant to imply that it is an issue which is  
17 under close scrutiny. And clearly it's an issue that we  
18 haven't reached a landing on. There was a variance of  
19 opinion, but at the end of the day, there was strong pressure  
20 that there should be a number.

21 Q Strong pressure from where?

22 A On high.

23 Q Specifically who?

24 A Directly from Heinz Rothermund but indirectly from  
25 Phil Watts, because Heinz Rothermund was basically carrying

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1 out the instructions of Phil Watts.

2 Q How do you know that?

3 A From the e-mail exchange that we've seen.

4 Q Did Mr. Rothermund say to you -- outside of that e-  
5 mail -- that Mr. Watts was somehow pressuring or putting any  
6 kind of pressure on this issue?

7 A Not that I recall.

8 Q I show you what we've previously marked as Exhibit  
9 468. And Exhibit 468 is really a number of e-mail exchanges  
10 it seems that Mr. Rothermund was forwarding to Mr. Watts in  
11 the latter part of November 2000.

12 (SEC Exhibit No. 468 was  
13 referred to.)

14 Q And if you will flip down to the third page of this  
15 exhibit, you will see an e-mail from Mr. Rothermund to you  
16 dated November 23, 2000, where he appears to be expressing  
17 some disappointment over what he is hearing about booking of  
18 reserves in Angola.

19 Let me ask you, do you remember receiving this e-  
20 mail from Mr. Rothermund?

21 MR. SMITH: It looks like it might help him if you  
22 can kind of show him where each e-mail begins and ends.

23 MR. PEAVLER: Sure.

24 MR. SMITH: And it may help you to look at the top  
25 of the right hand of each page, 1 of 4, 2 of 4.

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1 THE WITNESS: All right. I'm just trying to find  
2 out where it begins. Yeah, I remember the exchange, as one  
3 of many, but --

4 BY MR. PEAVLER:

5 Q And it may help -- I was just looking through this  
6 a little more, again, like I said, this seems to be Mr.  
7 Rothermund is sending several exchanges to Mr. Watts.

8 A Uh-huh.

9 Q If you look down to the last three pages of this  
10 exhibit, the page that says 1 of 3 and it has your e-mail  
11 from you to Mr. Rothermund, November 23, 2000 sent 2100  
12 hours. And this looks like your direct response to what Mr.  
13 Rothermund has sent.

14 Is that accurate?

15 A Yes.

16 Q Did you have any discussion with Mr. Rothermund  
17 about his e-mail outside of this e-mail communication?

18 A About which one in particular?

19 Q Specifically his e-mail where he says, "I am  
20 obviously disappointed by the attached information."

21 A Yes. Okay.

22 Q Did you and he have a telephone conversation or  
23 face-to-face meeting to discuss his disappointment, apart  
24 from what we're seeing in these e-mail exchanges?

25 A It's possible. I don't recall precisely because,

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1 again, we spoke on a daily basis, and I don't recall a  
2 specific discussion about that particular e-mail.

3 But, again, I think he's -- you see a pattern in  
4 the way that Rothermund writes e-mails. That he picks on just  
5 one piece and then sends a very confrontational message. "I  
6 am disappointed" which then requires you to respond. He's  
7 waiting for you to respond.

8 I was not of the habit of knee-jerk reacting and  
9 going back and trying to answer it immediately. I prefer to  
10 try to get to the bottom of it, and come back with a far more  
11 considered approach, because quite often the topic he may  
12 have expressed disappointment with, not necessarily this one,  
13 but may be outside one's field of expertise, so you need to  
14 involve other people.

15 And in this particular case, I remember discussing  
16 this again with Rob Inglis because it was a reservoir  
17 engineering matter and Rob is a petroleum engineer, I'm not.  
18 So Rob and I discussed how to respond to Heinz, and this e-  
19 mail, although it's my signature, has a lot of input from Rob  
20 in it as well.

21 And, again, we found it quite tiresome that Heinz  
22 Rothermund would make these sort of cutting remarks without  
23 what would appear to be much thought.

24 Q You had listed in your e-mail response, "Key steps  
25 leading to reduce bookable reserves" and you've got six items

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1 there.

2 Do you see that?

3 A Yes.

4 Q There looks like -- and I'm kind of generalizing  
5 here, but reading this, it appears that additional work was  
6 done and more information was gathered, the volume declined.

7 Is that a fair summary of what you're writing here?

8 A I think that's a fair assessment. As the weeks  
9 were passing, more and more work was being done, and more and  
10 more concern was being expressed from different parties as  
11 the deadline was approaching to put a number to it.

12 And clearly it was important in my view that all  
13 expertise was brought to bear on this problem, so that  
14 whatever was reported ultimately would be supported by the  
15 various parties.

16 Q If we go to the very first page, as I mentioned, it  
17 looks like Mr. Rothermund forwarded on all of this exchange  
18 to Mr. Watts.

19 Did you ever hear of or learn of any response from  
20 Mr. Watts to this?

21 A I'm not aware how much information Heinz did or did  
22 not forward to Mr. Watts. But I can imagine that in the same  
23 way that I responded to Mr. Rothermund, he would feel obliged  
24 to warn Mr. Watts if there were problems on the horizon. But  
25 I was certainly not party to any discussions involving Mr.

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1 Watts. And Mr. Rothermund would selectively send me messages  
2 that Phil had written, including the one that you showed me  
3 earlier.

4 Q And then I guess my question is, did you get  
5 anything like that following this exchange?

6 A Not to my recollection.

7 Q I show you what we've previously marked as Exhibit  
8 477. And this is an e-mail exchange involving you, Mr.  
9 Hines, a number of people from SDS, as well as Mr. Inglis and  
10 Mr. Simon. This is from early December 2000.

11 (see Exhibit No. 477 was  
12 referred to.)

13 Q Do you recognize this exchange?

14 A I do.

15 Q In your e-mail to Mr. Hines on December 7, 2000, on  
16 the first page here, you refer to a December 12 meeting in  
17 Houston.

18 Did you attend that meeting?

19 A I did.

20 Q How long was that meeting?

21 A One or two days.

22 Q Was the meeting devoted specifically to the Angola  
23 booking?

24 A Yes. This is a meeting that I initiated basically  
25 to bring together all the interested parties with all the

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1 expertise to discuss this subject in the run-up to the date

2 on which we have to make a report.

3 Q Did Mr. Aalbers attend this meeting?

4 A He did.

5 Q What about Anton Barentrek?

6 A He was there too.

7 Q What was your understanding of Mr. Barentrek's role  
8 or function as it related to reserves?

9 A He was an auditor. His role was to cast a critical  
10 eye on the reporting of reserves from various -- to present  
11 a neutral view.

12 Q Was he involved, from your perspective, very  
13 heavily in the process by which reserves were booked in Block  
14 18 in 2000?

15 A To my recollection, no. I had not had contact with  
16 him up until that moment.

17 Q Again though, from your perspective, did he seemed  
18 as involved as, say, Remco Aalbers in the process by which  
19 reserves ultimately were booked in 2000 in Block 18?

20 A Remco Aalbers had been involved on a day-to-day  
21 basis. I had sought his input over a period of time. I  
22 can't recall who actually asked Anton to join. But when I  
23 found out he was going to be involved, I was happy to have  
24 him there as an additional check, view, that would add more  
25 credibility to the results of the exercise.

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1 Q In these meetings, or this meeting in Houston, did  
2 Mr. Barentrek play -- again, from your perspective -- play an  
3 advocate role, in other words coming up with a solution  
4 function as opposed to perhaps looking at a solution that was  
5 presented and saying, you know, yes or not, something like  
6 that?

7 A As I recall, he was very -- clearly he was in  
8 command of what was possible and what was not. And he was  
9 pushing back on many of the suggestions that -- I mean the  
10 purpose of the meeting was to really see what could or could  
11 not be done within the guidelines that the experts were  
12 laying forth. And I recall that Anton was quite stubborn in  
13 his views, because we were challenging them on what was  
14 possible.

15 I personally, and I don't think the people in Shell  
16 Angola had a deep knowledge of the regulations. Were being  
17 exposed to it for the first time, many of us. So we were  
18 questioning ourselves what is possible and what is not  
19 possible.

20 Q Did Mr. Barentrek propose solutions to support a  
21 booking?

22 A I don't recall him doing that, but he would have  
23 said that is acceptable or is not acceptable.

24 Q To be clear, at this time you understood that he  
25 was a reserves auditor, is that correct?

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1 A Yes, yes. For EP.

2 Q Was there anything about his involvement in this  
3 particular meeting that you observed that seemed inconsistent  
4 with him functioning as an auditor?

5 A No. I can't say that I did. This is the first  
6 exposure I had had with such a process. So I didn't have a  
7 benchmark.

8 Q Was there any development plan or proposal that  
9 came out of this meeting? In other words, when you left -- I  
10 take it you left Houston after the meeting, is that right?

11 A Yes.

12 Q At the time you left Houston, was there a proposal  
13 in place or something more firm that had been agreed upon?

14 A I can remember, we came to a landing on a number  
15 which was in the order of 70 million barrels, which is, of  
16 course, far less than the original number. But I don't  
17 recall exactly whether there was a firm landing on any  
18 particular development scenario. It was still ongoing work.

19 Q Going into this meeting, I guess was the goal to  
20 find whether any reserves could be booked, or would it be  
21 more accurate to say that was to find out how much -- how can  
22 we come up with some booking?

23 A On entering that meeting, I personally was keen  
24 that we could agree upon a number to be booked. And if the  
25 expertise in the room supported that, I would be happy.

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1 Because clearly we, and in particularly myself, were under  
2 pressure that we should make a booking. This is a recurring  
3 thing.

4 Q From your perspective, was an acceptable outcome to  
5 this meeting that zero reserves be booked for Angola Block  
6 18?

7 A I would have been very disappointed if that was the  
8 outcome.

9 Q Was that an acceptable outcome from your  
10 perspective based on your e-mail that we've looked at, that  
11 you're getting from Heinz Rothermund?

12 A Possibly not. I was very keen that that was not  
13 the answer at the end of the day.

14 Q If you look at the last page of Exhibit 477, you  
15 have written -- and this is in the last paragraph -- it is  
16 right in the middle of this paragraph. You've written, "As  
17 you realize, booking reserves this year is psychologically  
18 very important for the 'health' of Angola in the eyes of top  
19 management."

20 What did you mean by "psychologically very  
21 important"?

22 A For Angola, we had a business strategy for Block  
23 18, it was only one standard of that strategy. We were  
24 involved at the same time in preparing a bid for another  
25 block which was adjacent to Block 18 and highly sought after

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1 in the industry.

2 And the exploration people in Shell Deep Water also  
3 had alerted us to there being high prospectivity in the ultra  
4 deep water here, so these were the building blocks of a  
5 potential future business in Angola.

6 The cornerstone of all this had to be success in  
7 Block 18. So if we couldn't underpin the business with a  
8 development in Block 18, the rest may fall away.

9 In addition to that, exiting Block 18 would have  
10 been very detrimental to Shell's aspirations -- future  
11 aspirations in Angola. It would have sent a very negative  
12 signal to the government about Shell's ambitions there, at a  
13 period when industry in general was hungry for ventures in  
14 Angola.

15 So it would compromise our position in getting  
16 future licenses. So it was clearly very important, you know,  
17 to demonstrate that we have a going venture in Block 18.

18 Q Couldn't that have been demonstrated in the  
19 following year?

20 A I agree with your statement, but we were under  
21 pressure to produce a result in 2000.

22 Q And I guess what I'm trying to get at is, I think I  
23 understand what you described, but it seems to me that the  
24 only thing that's directly tied to 2000 is some reserves  
25 issue.

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1 Is that fair to say, that that was the driver, that  
2 the reserves replacement issue was the driver from where you  
3 were seeing things?

4 A If we had not booked reserves in Block 18 in 2000,  
5 I don't think that would have jeopardized the Block 18  
6 venture.

7 Is that what you're getting at?

8 Q Well, that is the question. Is that true?

9 A It was clearly important to book reserves in 2000.  
10 There had been a clear interest from EP top management to do  
11 that. But if we hadn't have done it, for whatever reason, if  
12 the experts had said, "Look, we just cannot do it," I don't  
13 think that would have jeopardized future investment in Block  
14 18.

15 Because at that time, finding reserves or  
16 exploration success was difficult, and would you walk away  
17 from the promise of proven reserves, whether it's 2000 or  
18 2001. You're not going to walk away from that, because from  
19 a technical perspective, Block 18 looked very, very good.  
20 And we had many -- I had many unsolicited approaches from  
21 industry, "If Shell wanted to walk, give me a call."

22 So I think top management would not have sanctioned  
23 walking away based on the technical case. But clearly there  
24 was a need, because of the shortfall in Nigeria, to plug that  
25 hole. And Angola, because of its attractiveness, seemed a

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1 clear candidate, far clearer than the other candidate, which  
2 was Brazil, which was not quite of the same maturity  
3 Q And I think what I'm trying to do is strip away the  
4 other reasons that might be for making the booking, to  
5 demonstrate a commitment to Angola or to set the cornerstone  
6 for these other developments that may happen in the future.

7 If I'm understanding you correctly, if no reserves  
8 bookings were made, those things would still be possible. I  
9 mean it wouldn't have damaged those interests, is that  
10 correct?

11 A I don't believe so. I can't speak on behalf of --  
12 you know, I don't know what's in the minds of Watts and  
13 Rothermund, but I don't believe that because we couldn't book  
14 reserves in 2000, they would have altered their technical  
15 judgment of the prospectivity of Angola at that time.

16 Q From your perspective then, is the only reason for  
17 this sense of urgency to make a booking in 2000, which is  
18 what your e-mail says, "Booking reserves this year," because  
19 it had to do with the reserves replacement issue that you  
20 identified earlier as it pertains, for instance, to SPDC or  
21 Nigeria not meeting its figures?

22 A That is a fair statement.

23 Q In your e-mail, "the eyes of top management," who  
24 are you referring to?

25 A The excom led by Watts.

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1 Q And from where did you get that perspective or  
2 information that was important in their eyes?

3 A It all focuses back on that message that -- it all  
4 goes back to the message that Rob had shared with me. That  
5 was the catalyst.

6 Q Let me show you what we've previously marked  
7 Exhibit 478. Exhibit 478 is an e-mail being forwarded to you  
8 by Mr. Inglis involving Mr. Barentrek and a number of others.  
9 And the subject is a "Reserve Booking Note" that appears to  
10 have been prepared following the meeting in Houston.

(SEC Exhibit No. 478 was  
referred to.)

13 And my questions on this are really I think fairly  
14 general.

15 First of all, do you recognize the e-mails and the  
16 attachment?

17 A I do.

18 Q Mr. Inglis forwarded to you a marked-up version of  
19 this note and essentially suggested that you should accept it  
20 more or less as it is.

21 And my question is, did you do that?

22 A After the meeting in Houston, after any such  
23 milestone meeting, it would be normal to present the results  
24 either in written form or verbal form to Heinz Rothermund.  
25 And, of course, he was keen to see the outcome of this,

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1 because this was the seminal moment.

2 I was very keen that whatever went to Rothermund  
3 had been reviewed and seen by all parties at that meeting,  
4 and in particular Remco and Anton, because they were the  
5 experts whose opinion we had to fall back on. So I was very  
6 keen that the note had been reviewed by all these people so  
7 that it was a consensus view that we were sending to Heinz.

8 Q Did you make further edits yourself to the note  
9 after you'd received it?

10 A Not that I recall. As a lot of the notes involved  
11 materials that were not my particular expertise, I just used  
12 the input of the experts. I might have made minor  
13 wordsmithing things, nothing substantial.

14 Q Did Mr. Rothermund know that -- again, before this  
15 note was sent to him -- that there had been this meeting in  
16 Houston?

17 A Yes, he did.

18 Q Did you give him any kind of verbal summary of the  
19 meeting before the note was sent?

20 A I don't recall exactly, but I'm sure I must have --  
21 I must have mentioned it to him.

22 Q Let me show you what we've previously marked as  
23 Exhibit 479. And this appears to be essentially the same  
24 document but without the comments being shown. And Mr.  
25 Inglis has written you on December 19, 2000, "Gordon, here's

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1 the version with consolidated comments from Anton, Remco and  
2 myself. I suggest we go with this."

(SEC Exhibit No. 479 was  
referred to.)

5 Q And I'm wondering, did you forward on this version  
6 of the note to Mr. Rothermund?

7 A Do you mind if I look back at the last exhibit?

8 Q Please.

9 A Any notes that I would have sent to Heinz would  
10 have been from me to him. So without actually citing the  
11 actual document, I can't -- I would not have sent this as it  
12 is.

13 But if you have a document that has my name from me  
14 to Rothermund, then -- I can't say for sure whether I would  
15 have sent this verbatim, in this form.

16 Q And there may very well be a document. I don't  
17 know that I have it with me today, but I do appreciate that.

18 Did you forward a --

19 A I would have done, yes, yes.

20 Q And one of the things I wanted to ask you, it  
21 appears that -- and I think you told us earlier and this note  
22 reflects -- that the conclusion of the meeting in Houston was  
23 that the volumes that would be bookable would be at a 60-to-  
24 70 million barrel range, is that correct?

25 A That's correct. A number of 74 is sticking in my

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1 mind.

2 Q And that may have been the ultimate booking at the  
3 end of the day, but at this point a range is being given, and  
4 this document says 60-to-70 million barrels now.

5 And I'm just saying, at this point in time, does  
6 the thinking come out of that meeting?

7 A My recollection is somewhere in the order of 70 to  
8 74.

9 Q Did Mr. Rothermund have any reaction to that  
10 figure?

11 A I don't remember precisely his reaction. He would  
12 have been pleased it was not zero.

13 MR. PEAVLER: Okay. Let's go off the record.

14 (A brief recess was taken.)

15 MR. PEAVLER: On the record.

16 BY MR. PEAVLER:

17 Q Mr. Parry, just a few more things.

18 I'm showing you what we previously marked as  
19 Exhibit 482.

20 (SEC Exhibit No. 482 was  
21 referred to.)

22 Q And this document doesn't seem to reference you,  
23 but it does reference a meeting in early February 2001 with  
24 Heinz Rothermund and SDS. And I assume that's in Houston.  
25 Did you participate in that meeting?

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1 A No.

2 Q Now, we had talked a little earlier I think, right  
3 when we started, what your tenure was where you would have  
4 responsibility with respect to Angola.

5 And I wanted to show you what we had previously  
6 marked as Exhibit 488. Exhibit 488 is an exchange of e-mails  
7 in early January of 2002.

8 (SEC Exhibit No. 488 was  
9 referred to.)

10 Q And you'll note, beginning on the first page, Chris  
11 Duhan's name starts appearing, and on the second page Rob  
12 Inglis is actually writing him some e-mails about the further  
13 booking or additional booking of Block 18.

14 And I'm wondering if you were still involved with  
15 this issue at the end of 2001, or the first page of 2002.  
16 Because I tell you, you know, I've scanned through these e-  
17 mails and not seen your name.

18 A Yeah. When Chris Duhan joined, he took over Angola  
19 and I had to carry on with other projects on other countries,  
20 so there was a period of a number of months, I can't remember  
21 exactly the dates -- I'd have to check in my diary again --  
22 but there was a number of months when both Chris and I were  
23 there, but I had relinquished my control on Angola to Chris.

24 Q Can you put a time frame on when that occurred?

25 A I'm really struggling with that, because I think it

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1 would be when -- I would say it was when you start to see his  
2 name on the e-mails, we're talking about a couple of weeks,  
3 plus or minus, of a handover.

4 Q Were you involved in any discussion about booking  
5 an additional 50 million or so barrels for Block 18 at the  
6 end of 2001?

7 A No.

8 Q And were you part of any discussions in that time  
9 frame or maybe the first months or so of 2002 about possibly  
10 de-booking the 75, 74, 75 million barrels that were already  
11 in place?

12 A No.

13 MR. PEAVLER: At this time the staff does not have  
14 any further questions.

15 If you or your counsel would like to say anything  
16 further or if you'd like to ask any clarifying questions,  
17 please take your time.

18 MR. SMITH: We don't have anything at this time.

19 MR. PEAVLER: And likewise, if there's any  
20 statement you'd like to make, feel free.

21 THE WITNESS: No, I haven't anything.

22 MR. PEAVLER: Very good. Thank you for your time.

23 And we're off the record.

24 (Whereupon, at 12:30 p.m. the examination was  
25 concluded.)

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target - 'ideal'

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**From:** Inglis, Robert RB SIEP-SDAN-AM  
**To:** Hines, Ian IM SIEP-EPT-DE  
**CC:**  
**BCC:**  
**Sent Date:** 2000-09-18 09:42:08.000  
**Received Date:** 2000-09-18 09:58:13.000  
**Subject:** FW: Cluster development Angola  
**Attachments:**

Ian,  
See attached to keep you in the picture.

Regards,

Rob

——Original Message——

**From:** ROTHERMUND, H.C.  
**Sent:** Monday, September 18, 2000 10:57 AM  
**To:** Inglis, Robert R.B.  
**Cc:** LOVELOCK, S. /SEPI /EPG; MINDERHOUD, M.; PARRY, G. /SIEP /EPG;  
Osborne, Peter L. /SDANG /GM; Simon, Grigore G. /SIEP /SDAN-AM  
**Subject:** Cluster development Angola

Robert,

Thanks for response, much appreciated. I have annotated your e-mail below (quicker than to refer annotations from e-mail text to the attachment), so please refer to it.

Regards  
Heinz

——Original Message——

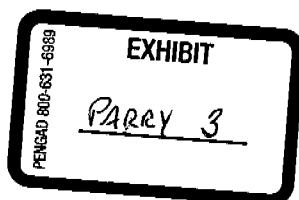
**From:** Inglis, Robert R.B.  
**Sent:** 18 September 2000 10:26  
**To:** ROTHERMUND, H.C.  
**Cc:** LOVELOCK, S. /SEPI /EPG; MINDERHOUD, M.; PARRY, G. /SIEP /EPG;  
Osborne, Peter L. /SDANG /GM; Simon, Grigore G. /SIEP /SDAN-AM  
**Subject:** RE: Cluster development Angola

Heinz,  
I felt I needed to comment on a few issues mentioned in you e-mail, as it gives the impression we are doing the wrong things or

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neglecting important issues.

-- Your push back much appreciated. I like people standing up to me.

1) Following the visit to Angola early in the year, we put reserves booking this year high on our list of priorities. Our plan was to steer BP to provide the necessary basis or undertake a small study ourselves to provide the technical basis to justify booking reserves. BP do not plan to book reserves this year - they say this is not a priority for them, and they want to see a bigger reserves base to for the development. They do want to show a 'sanctionable project' by year end which should help. Consequently, to be safe, we requested SDS to carry out a study to underpin booking of existing reserves by year end. This was already along the lines suggested by Martijn.

-- Accepted

2) I disagree with your comment regarding drilling appraisal wells earlier. The current sequence of 3/4 wells have both exploration & appraisal objectives. They need to probe new structures to build the economic reserves base but also are collecting data for development (e.g. extensive coring of Paladio) and the last well will probably be pure appraisal, given continued success. We need BOTH to go forward with an economic development and I think it would have been wrong to first appraise reservoirs that were sub-economic on their own.

-- Accepted. I will however continue to keep prompting to ensure absolutely every effort is done to book reserves early.

3) Regarding funding the wells, what I saw at the Capital Allocation Workshop was that exploration or appraisal wells Pre-FID are Expex and Post FID are Capex and any attempt to dress-up pre-FID wells up as Capex backfired.

-- Here I would not readily take NO for an answer. I do not see why we cannot push back on this one and discuss it again.

4) Regarding the Min-DVA, SDS keep saying this is not a gamechanger for Angola because it need existing infra-structure first, so is seen as an option for satellites, once you have a producing HUB.

-- I am not talking about "game changer", or worked out solutions, but about a solution that is sufficiently worked out and, in the (very unlikely) extreme, implementable. We need to separate actual development solutions for optimised field development from work we do for early value creation only.

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Regards,

Rob

-----Original Message-----

From: ROTHERMUND, H.C.

Sent: Monday, September 18, 2000 5:07 AM

To: PARRY, G.; Inglis, Robert R.B. /SIEP /SDAN-AM; HASAN, MAHDI S.M. /SIEP /EPT-DD /777124

Cc: LOVELOCK, S.; MINDERHOUD, M.; BICHSEL, MATTHIAS M. /SIEP /EPT-D

/777264

Subject: Cluster development Angola

Gentlemen,

Against the background of Martijn Minderhoud's e-mail, with which I fully agree, let me make a few supporting comments:

- One of the important elements in the EP scorecard is reserves replacement. It is essential that we should come up with imaginative ways of booking those reserves we have. Martijn's approach is such an imaginative approach. Let's now use it, and use it for what it is meant to be: Not a final scheme for (sub-optimal) field development, but a scheme for the early booking of value!

- I am getting quite disenchanted to notice that each time a new idea for reserves booking is coming up we spend determined time to shoot it down rather than to see how to progress it.

- It is a great shame that we did not manage to drill appraisal wells first, in Block 18. I would not be surprised that one of the reasons for this is that "ideal" field development was seen as more important than early booking of value.

Please be guided accordingly.

Regards

Heinz

-----Original Message-----

From: MINDERHOUD, M.

Sent: 13 September 2000 15:07

To: PARRY, G. /SIEP /EPG

Cc: ROTHERMUND, H.C. /SEPI /EPG; LOVELOCK, S. /SEPI /EPG

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Subject: FW: Cluster development Angola

Gordon,

sorry to keep on harping on this one. But the way I see it, is (i) to get reserves booked in 2000 one way or another and (ii) to then start drilling appraisal wells as Capex thereafter. I fully understand now that the full, most optimal development of Block 18 requires more than a 'simple Min DVA' concept. But I also quote from below note :

"The min-DVA concept may be of interest for selective sweet spot development of individual reservoir structures (e.g. for Plutonio) if this system proves cost effective for the predicted recoverable volumes."

If I understand it well, for reserves booking it is required that there exists a doable, economic development scheme ; I quote from your note sent separately:

"Proved reserves can be booked if it can be demonstrated that the development project of a discovered field is technically and commercially mature (and a market is expected to be available). Commercial maturity should be demonstrated over a sufficiently large range of possible scenario's (including all surface and subsurface uncertainties). A project is deemed commercial if the NPV7% @ PSV14 > 0. "

However NOBODY SAID THAT YOU ACTUALLY HAVE TO EXECUTE THAT SCHEME !!

As you state, you do not require to take FID. You can happily continue drilling to prove up a better scheme. The existence of such smaller, "dummy" scheme would probably not allow you to book more than the reserves you can actually produce with it, but it would be a start.

I think it would be worthwhile to pursue this idea -- if I am completely crazy, tell me where I got it wrong

Or maybe your other plans have sufficiently progressed - then shred this

cheers

martijn

-----Original Message-----  
From: Inglis, Robert R.B.

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Sent: 24 August 2000 09:04

To: MINDERHOUD, M.

Cc: PARRY, G. /SIEP /EPG; Osborne, Peter L. /SDANG /GM; LOHR, FRAN F.A. /SIEP /EPB /157182; HASAN, MAHDI S.M. /SIEP /EPT-DD /777124; KNIGHT, BARRY B.P. /SIEP /EPT-DE /777890; Hines, Ian I. /SIEP /EPT-DE /777319; SMITH, PATRICK P.L. /SIEP /EPT-DD /535313; Simon, Grigore G. /SIEP /SDAN-AM

Subject: RE: Cluster development Angola

Martijn,

See attached SDS info on applicability of Min-DVA concept for Block 18.

We are looking at these concepts in the work being done in SDS, but as I indicated earlier, they are not likely to offer a step change in economics for this development. BP are also working on minimum dry tree options, drawing on the joint industry work done as part of WADO (West Africa Deepwater Operators), where these type of concepts were worked extensively with a number of contractor groups about 5 years ago.

We will continue to ensure that all development options are explored, but the real enabler for B18 is to be able to place high productivity, high ultimate wells.

Regards,

Rob

-----Original Message-----

From: Hines, Ian I. /777319 On Behalf Of Hines, Ian I. /777319

Sent: Thursday, August 24, 2000 1:29 AM

To: Inglis, Robert R.B.; Smith, Patrick P.L. /535313

Subject: RE: Cluster development Angola

Rob,

As discussed, some discussion on the DVA concepts. The real issue here now is managing the potentially unrealistic expectations which may have been created by generalizing the existing min-DVA experience. Its on our radar screen but a second order effect compared to the subsurface uncertainty which we are facing right now.

Development of the Block 18 reserves combines the challenges of two other ongoing deepwater developments projects: i.e. Erha (with a series of complex stacked amalgamated channel turbidite reservoirs) and Nakika

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(with its multiple reservoir aerially distributed reserves). This combination presents a very significant and unique development challenge.

DVA systems are one of a number of development options being considered for Block 18, they are also being evaluated for Erha and Holstein. However, unlike these other developments the aerially distributed nature of the reserves and the variable reserves density within the separate structures in Block 18 require much larger numbers of wells and are such that a single DVA structure is not a viable development option for the entire Block. The min-DVA concept may be of interest for selective sweet spot development of individual reservoir structures (e.g. for Plutonio) if this system proves cost effective for the predicted recoverable volumes.

Development of the wider reserves base will require a large number of wells (current estimates range from 40 - 80wells), infield storage (e.g. an FPSO or an FSU) and either several DVA systems, significant numbers of subsea wells, or most probably a combination of these options given the aerial extent of the reserves in individual structures. The choice between subsea wells and dry trees (and hence the cost effectiveness of DVA systems) will depend upon the subsurface, flow assurance, well engineering and development system assessments which are part of ongoing concept screening exercises being conducted by both BP and Shell. The focus of current effort is to develop a good understanding of the range of subsurface uncertainties/key drivers in the complex multiple reservoir setting within Block 18. The number of separate structures results in a large number of potential development scenarios. However, the surface engineering screening work is not sufficiently mature to make a choice between the dry tree and wet tree options. It is expected that the DVA concept and the dry tree versus wet tree decision will almost certainly be carried forward into the concept selection stage (post VAR2) as was the case for Bonga/Nakika and is currently anticipated for Erha.

In summary, the cost benefit assessment of using DVA systems at Block 18 is more complex and less clear cut than for some other ongoing developments. However the ongoing evaluation is benefiting from the development work carried out in SDS in recent years in terms of capturing representative lower bound costs for potential minimum systems.

-----Original Message-----

From: MINDERHOUD, M.

Sent: 17 August 2000 16:33

To: Inglis, Robert R.B.

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Cc: PARRY, G. /SIEP /EPG; Osborne, Peter L. /SDANG /GM; LOHR, FRAN F.A.  
/SIEP /EPB /157182; HASAN, MAHDI S.M. /SIEP /EPT-DD /777124  
Subject: RE: Cluster development Angola

Rob,

what is the latest on this? with our new discovery, the light at the  
end of the tunnel is very near. Can we make a competitive proposal to  
BPA?

(By the way, this is the latest e-mail I could find on this, maybe  
there is later correspondence).

Martijn

-----Original Message-----  
From: Inglis, Robert R.B.  
Sent: 29 April 2000 11:49  
To: MINDERHOUD, M.  
Cc: PARRY, G. /SIEP /EPG  
Subject: RE: Cluster development Angola

Martijn,  
Sorry I have not responded to this request - all the focus on  
B34 has diverted attention.

I have had some material from SDS, but none of this indicates that Min  
DVA will do much for Block 18. I'll discuss further during my visit to  
Houston next week.

So do not hold your breath - Min DVA is a niche application which does  
not fit easily in Angola.

Regards,

Rob

-----Original Message-----  
From: MINDERHOUD, M.  
Sent: Monday, April 17, 2000 6:11 PM  
To: Inglis, Robert R.B. /SIEP /SDA-AM  
Cc: PARRY, G. /SIEP /EPG  
Subject: FW: Cluster development Angola

Rob,

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I have some months ago extended this challenge to SDS, to see whether their miniDVA concept could be the winner in Angola (at least Block 18). I am very curious to hear from you what the status of this is, as I was very intrigued by the idea.

Greetings

Martijn

-----Original Message-----

From: MINDERHOUD, M.  
Sent: 15 February 2000 08:46  
To: Hasan, Mahdi S.M. /777124  
Cc: PARRY, G.  
Subject: RE: Cluster development Angola

Mahdi,

Indeed you sold me that very idea, and this is why I contacted you.

I think that your exciting ideas on this mini development are or could be the competitive edge bringing us back great in Angola. I would love to prove that we Shell think that Block 18 is already economic, whilst BP-Amoco still think they need the fourth well. Having said that, I cannot judge whether the high level screening look is sufficient to start taking steps or whether more in-depth work is required. And what the budgetary consequences are. I think Gordon could comment here.

I look forward to hearing more on this topic

Martijn

-----Original Message-----

From: Hasan, Mahdi S.M. /777124  
Sent: 15 February 2000 00:43  
To: MINDERHOUD, M.  
Cc: PARRY, G.  
Subject: RE: Cluster development Angola

Martijn,

Sorry for the late reply - but your comment about us "actively looking..." caught me off guard. Rob Inglis has been asked to give a view on the BP cost estimates and he was planning to use some broad brushed comparisons to possible alternatives we might use and what they would cost. That is a long way from having work done on it even to

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establish whether the concept would be technically feasible for this application.

Having said that, this capability certainly exists in SDS - actually is the heart of what we provide. However, I caution that a high level, screening type look, should be mis-read as actively studying it to find a solution. However, if that is what you/Angola wish us to do, we shall be delighted to provide you a service - a service that you will not find anywhere in quality and reliability.

Mahdi

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From: Minderhoud, Martijn M SEPI-EPG  
Sent: Thursday, February 10, 2000 5:57 AM  
To: Hasan, Mahdi SM SIEP-EPT-DD  
Cc: Parry, Gordon G SIEP-EPG  
Subject: Cluster development Angola

Mahdi,

I understand from Gordon, that you guys are actively looking at applying your miniDVA satellite development approach to see whether Angola Block 18 could be made commercial already with the three developments there are (approx 600 mmbbls). Can you tell me what the current views on this are, and are you in a position to say anything concrete, in the context of portfolio management?  
Thanks

Martijn

Martijn Minderhoud  
Regional Vice-President SubSaharan Africa EPG  
office (31)-(70)-377-1402  
mobile (31)-(0)6-21573760  
e-mail m.minderhoud@sepi.shell.com

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## Email Content

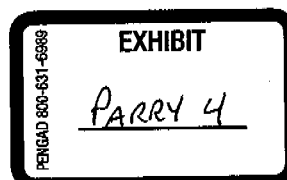
From: Rothermund, HC SEPI-EPG Sent: 2000-09-05 18:57:04.000  
Received: 2000-09-05 18:59:11.000  
To: Brass, Lorin LL SIEP-EPB; Cook, Linda LZ SI-GP; Dubnicki, Carol C SIEP-EP-HR; Gardy, Dominique D SIEP-EPF; Megat, Zaharuddin Z SEPI-EPM; Restucci, Raoul RM SEPI-EPA; Sprague, Robert RM SI-SEPI-EPN; Warren, Tim TN SIEP-EPT; Watts, Phil PB SI-MGDPW  
Cc:  
Bcc:  
Subject: Reserves

1. Angola-Brazil reserves note.doc (100210419)

All,

Attached is a note that explains EPG's position on reserves in Angola and Brazil, for your general information.

Regards  
Heinz



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NOTE

5<sup>th</sup> September 2000

From: G.R. Parry, EPG

To: H.C. Rothermund, EPG

Cc: S. Kakok, EPG

M. Wink, EPG

W.M. Kool EPG

R.D. Aalbers, EPB-P

G. Simon, Shell Dev. Angola (SDAN)

R. Inglis, Shell Dev. Angola (SDAN)

**Re: Proved Reserves Reporting Angola and Brazil**

This note addresses the reserves questions raised at the EPG Meeting on 14<sup>th</sup> August 2000, and follows a meeting between EPG and Shell Angola staff with EPB-P on 22<sup>nd</sup> August 2000.

Proved reserves can be booked if it can be demonstrated that the development project of a discovered field is technically and commercially mature (and a market is expected to be available). Commercial maturity should be demonstrated over a sufficiently large range of possible scenario's (including all surface and subsurface uncertainties). A project is deemed commercial if the NPV7% @ PSV14 > 0.

Booking of proven reserves is not necessarily tied to FID or to economic cut-off (VIR>0.35). Successful completion of a VAR, provided sufficient sub-surface knowledge was included, could support booking of proved reserves. Additional information should be acquired to reduce uncertainties and ensure likely economic development. In the case of Angola Block 18, a VAR 2 is planned for Q4 2000 and could assist with booking 300 MMbbls proven oil reserves in Angola by year end.

In marginal cases, especially in new areas where resource volumes are very close to commercial cut-off, reserves should not be booked.

The LE (Shell PSC entitlement) of proven reserves for the Greater Plutonio hub in Block 18 is 293 MMbbls (P85). This excludes the result of the latest well Paladio-1, which came in on prognosis (140 MMbbls expectation, 100%). SDAN will provide an updated proved reserves estimate for 3Q reporting.

The target in 2000 is to exceed the cut-off target of 750 MMbbls (100%) for the Greater Plutonio hub. The remaining two wells to be drilled in 2000 should achieve this, but in the case that one of the wells does not fulfil expectations, the operator and SDAN should investigate alternative economic development schemes with lower cut-off (around 600 MMbbls) to ensure that reserves can be booked 2000 year-end based on the currently discovered volumes.

The target for proven reserves for Angola on the EPG scorecard for 2000 is zero, the 2000LE of 293 MMbbls offsets the zero 2000LE for Nigeria SPDC where proved reserves have been frozen at ARPR 1.1.2000 numbers.

SDAN will also be requested to investigate whether discovered SFR volumes for the 'Manganese' prospect in Block 18 (based on 3D seismic over the southerly extension of the

Girassol/Dalia discovery in Block 17) can be booked in 2000 (approx. 50 MMbbls MSV 100%). SDS will be requested to build a technical case to request BP (who are also a partner in Block 17) to open unitisation negotiations with TFE, since Girassol, currently under development, is scheduled to commence production in 2001.

Classification of wells as expex or capex is related to booking of proved reserves. Wells drilled outside the proven area, or to an unproven depth within the proven area, are classified as expex. Only wells drilled inside the proven area (area to which proved reserves have specifically been attributed), to a proven depth, are classified as capex.

In the case of Angola, most of the wells being drilled in 2000 are testing new structures (Paladio and Cromio) so, although they have a high POS due to the high degree of confidence from the seismic calibration, they are still classified as exploration wells, as no proven reserves have been booked. In the case of the Plutonio Salt Flank prospect, however, there may be a (strong) case to re-classify this well as 'appraisal', as a prominent flat seismic event suggests the same OWC as penetrated in the nearby Plutonio-1 discovery well. The new prospect is testing a different channel feature (probably connected) over the same general structure and would prove up the high field reserves case. Although there are no plans to use the exploration well in the field development scheme, there might be sufficient technical justification (to be provided by SDS) to re-classify the funding of the well cost from expex to capex, if proved reserves are booked for the Greater Plutonio hub prior to spudding of the salt flank appraisal well.

SDAN also needs to investigate any complications versus PSC commitments if the Plutonio Salt Flank well is classified as 'appraisal' rather than 'exploration'. The well is due to spud in December 2000. Re-classification will reduce 2000 expex by \$10 MM and increase 2000 capex by \$10 MM, impact in 2001 is that the expex will be reduced by \$3 MM and the capex will be increased by the same amount.

In the case of Brazil, no funds, either expex or capex, have been allocated for appraisal drilling in 2000/2001, although in the case of exploration success, the need for further appraisal has been flagged. Logically, without appraisal funds no proven reserves can be booked, no FID can be taken and therefore no IBV addition will be achieved. On the EPG scorecard for 2000, proven reserves addition of zero is the mid point target for Brazil, but 100 MMbbls is an upside case subject to a major discovery in BC-10. With the delayed drilling in Brazil and lack of appraisal possibility in 2000 booking of proved reserves for Brazil in 2000 is highly unlikely.

In summary, therefore, it is likely that proven reserves in the order of 300 MMbbls will be booked for Angola by end 2000, offsetting the zero additions for Nigeria-SPDC. The possibility to reclassify the Plutonio Salt Flank well on the 2000 drilling sequence as appraisal and fund under CAPEX will be pursued by SDAN. In Brazil, no proven reserves will be booked for 2000. In the case of success in BC-10 and other blocks, however, booking of proved reserves in 2001 will require the allocation of funds for appraisal drilling in 2001.

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## NOTE

From: G.R. Parry, EPG

5<sup>th</sup> September 2000

To: H.C. Rothermund, EPG  
 Cc: S. Kakok, EPG  
 M. Wink, EPG  
 W.M. Kool EPG  
 R.D. Aalbers, EPB-P  
 G. Simon, Shell Dev. Angola (SDAN)  
 R. Inglis, Shell Dev. Angola (SDAN)

**Re: Proved Reserves Reporting Angola and Brazil**

This note addresses the reserves questions raised at the EPG Meeting on 14<sup>th</sup> August 2000, following a meeting between EPG and Shell Angola staff with EPB-P on 22<sup>nd</sup> August 2000.

There appears to be a lack of communication (and alignment) from the asset to SDS. This is the first that we have heard about the meeting on Aug 22<sup>nd</sup>. The importance of booking reserves this year has only become apparent very recently. This objective was first emphasised to SDS during Gordon Parry's last visit in July. I believe that this message provided a key stimulus for the creation of the dedicated B18 team

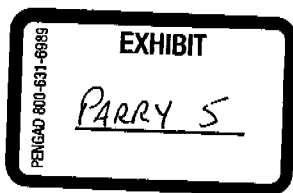
Proved reserves can be booked if it can be demonstrated that the development project of a discovered field is technically and commercially mature (and a market is expected to be available). Commercial maturity should be demonstrated over a sufficiently large range of possible scenario's (including all surface and subsurface uncertainties). A project is deemed commercial if the NPV7% @ PSV14 > 0.

Currently, neither BP nor Shell are in a position to fulfill the criteria that "Commercial maturity should be demonstrated over a sufficiently large range of possible scenario's (including all surface and subsurface uncertainties)." At the current time neither of the companies have working static or dynamic models representative of the individual reservoirs or the more complex cluster hub required for Block 18. We currently only have a single well in each of the candidate structures and the range of subsurface uncertainty being considered by BP is far too narrow. Independent work within SDS to assess this has commenced recently. Hence the technical basis to under pin surface and subsurface uncertainties is immature. We also have concerns that the economic evaluations carried out by SDAN (not yet verified by SDS) may be based upon optimistic assumptions of reservoir performance – particularly the assumptions for well ultimate recovery which are a fundamental project driver – and a potential lack of robustness to downside.

Booking of proven reserves is not necessarily tied to FID or to economic cut-off ( $VIR > 0.35$ ). Successful completion of a VAR, provided sufficient sub-surface knowledge was included, could support booking of proved reserves. Additional information should be acquired to reduce uncertainties and ensure likely economic development. In the case of Angola Block 18, a VAR 2 is planned for Q4 2000 and could assist with booking of some 300 MMbbls proven oil reserves in Angola by year end.

Currently, the Shell view is that it is unlikely that BP will pass the VAR2 gate which is now planned for October. The VAR timing is a response to schedule pressure from BP to proceed

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through their internal CVP2 gate, in order to commence expensive, but in our view premature, concept selection studies. Hence, it is unlikely that reserves can be booked on the above basis.

In marginal cases, especially in new areas where resource volumes are very close to commercial cut-off, reserves should not be booked.

This appears to be the key statement: both BP and SDS appear to have concerns that the economics, for development of the Oligocene reserves in the Greater Plutonio area, will be marginal. Work on the wider block portfolio is also immature. Booking reserves on this basis runs a risk of the need to reverse this at a later stage – see also Chandler's remarks on finger pointing.

The LE (Shell PSC entitlement) of proven reserves for the Greater Plutonio hub in Block 18 is 293 MMbbls (P85). This excludes the result of the latest well Paladio-1, which came in on prognosis (140 MMbbls expectation, 100%). SDAN will provide an updated proved reserves estimate for 3Q reporting.

The reserve volumes quoted by EPG appear to be considerably higher than what BP and SDS are currently carrying. The "proven reserves for the Greater Plutonio hub" as per the current BP Level 0 subsurface model are 418 MMbbls (Exp). Including the Paladio-1 results of ~150 MMbbls the Scope For Recovery would increase to 568 MMbbls (Exp). Hence the Shell share would be 284 MMbbls.

Platina reserves may have been included within the EPG numbers. However, Platina could not be booked in 2000 as we currently have no development concept for including these reserves in the Greater Plutonio hub, which has been the focus of the current development planning efforts.

The target in 2000 is to exceed the cut-off target of 750 MMbbls (100%) for the Greater Plutonio hub. The remaining two wells to be drilled in 2000 should achieve this, but in the case that one of the wells does not fulfill expectations, the operator and SDAN should investigate alternative economic development schemes with lower cut-off (around 600 MMbbls) to ensure that reserves can be booked 2000 year-end based on the currently discovered volumes.

To achieve 750 MMbbls both the Cromio and the Plutonio Salt Flank wells must be successful. The initial results from the Plutonio Salt Flank well (assuming Cromio success) will only be available mid December, hence probably too late for a 2000 reserves booking. Furthermore, the required economic volume threshold (previously assumed by SDAN and BP to be around 750 MMbbls) has still to be verified by the ongoing development work.

The target for proven reserves for Angola on the EPG scorecard for 2000 is zero, the 2000LE of 293 MMbbls offsets the zero 2000LE for Nigeria SPDC where proved reserves have been frozen at ARPR 1.1.2000 numbers.

SDAN will also be requested to investigate whether discovered SFR volumes for the 'Manganese' prospect in Block 18 (based on 3D seismic over the southerly extension of the Girassol/Dalia discovery in Block 17) can be booked in 2000 (approx. 50 MMbbls MSV 100%). SDS will be requested to construct A technical case will be constructed to request BP (who are also a partner in Block 17) to open unitisation negotiations with TFE, as production from the Girassol field, currently under development is scheduled to commence in 2001.

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