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IN THE UNITED STATES DISTRICT COURT

3

DISTRICT OF NEW JERSEY

4

Civ. No. 04-3749 (JAP)

5

(Consolidated Cases)

6

Hon. Joel A. Pisano

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IN RE ROYAL DUTCH/SHELL |

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TRANSPORT SECURITIES |

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LITIGATION |

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14 Videotaped Deposition of Walter van de Vijver

15 Washington, D.C.

16 Wednesday, January 31st, 2007

17 9:39 a.m.

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23 Job No. 22-94056

24 Pages 1 - 217, Volume I

25 Reported by: Laurie Bangart-Smith

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2

Videotaped Deposition of

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WALTER VAN DE VIJVER

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6 Held at the offices of:

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19 Taken pursuant to the Federal Rules of
20 Civil Procedure, by notice, before Laurie
21 Bangart-Smith, Registered Professional Reporter
22 and Notary Public in and for the District of
23 Columbia.
24
25

0003

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Steve Peitler, Investigator

Cali Day, Videographer

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WALTER VAN DE VIJVER, January 31, 2007

P R O C E E D I N G S

THE VIDEOGRAPHER: Here begins Tape

Number 1 in the deposition of Walter van de Vijver, in the matter of Royal Dutch/Shell Transport Securities Litigation, in the United States District Court, District of New Jersey, Case Number 04-3749. Today's date is January 31st, 2007. The time is 9:39 a.m.

The video operator today is Cali Day of LegaLink New York. This deposition is taking place at Akin Gump, 1333 New Hampshire Avenue, Northwest, Washington, D.C.

Would counsel please identify themselves and state whom they represent.

MR. HABER: Jeffrey Haber from Bernstein, Liebhard & Lifshitz, on behalf of lead plaintiff, Peter M. Wood in the class. Also with me is my colleague, Allen Hobbs, also from Bernstein, Liebhard & Lifshitz.

MS. MACKINTOSH: Christine Mackintosh from Grant & Eisenhofer on behalf of the opt-out plaintiffs.

MR. GOLDSTEIN: Joseph Goldstein from

25 Mayer, Brown, Rowe & Maw on behalf of Sir Philip

0009

1 WALTER VAN DE VIJVER, January 31, 2007

2 Watts.

3 MS. MAZARAKIS: Akrivi Mazarakis, Mayer,

4 Brown, Rowe & Maw, on behalf of defendant Philip

5 Watts.

6 MR. MORSE: Adreian Morse, Mayer Brown,

7 for Sir Philip Watts.

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

9 MR. TUTTLE: John Tuttle, Debevoise &

10 Plimpton, LLP, on behalf of the Shell defendants.

11 MR. WARE: David Ware, Debevoise &

12 Plimpton, on behalf of the Shell defendants.

13 MR. KING: Jeffrey King from Akin Gump

14 on behalf of the witness, Mr. Van de Vijver.

15 MR. DOWD: John Dowd from Akin Gump on

16 behalf of Mr. Van de Vijver.

17 MR. HOTZ: Robert Hotz from Akin Gump

18 representing for Mr. van de Vijver.

19 MR. SCHULTEN: Christopher Schulten from

20 Akin Gump on behalf of Mr. Van de Vijver.

21 MR. ADLER: Derek Adler from Hughes,

22 Hubbard & Reed, for PricewaterhouseCoopers U.K.

23 MR. CORSON: Nicholas Corson, Hogan &

24 Hartson, for KPMG Accountants.

25 MS. WICKHEM: Rebecca Wickhem, Foley &

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Lardner, on behalf of Judith Boynton.

3 MS. SENNETT: Nancy Sennett of Foley &

4 Lardner, LLP, on behalf of the defendant Judith

5 Boynton.

6 MR. WEED: Ralph Ferrara, LeBoeuf, Lamb,

7 Green & MacRae, on behalf of Shell Transport and

8 Trading, Royal Dutch/Shell, and I might want to

9 remind my good friend Jeff Haber that there is no

10 class to represent yet, but we understand are his

11 clients.

12 THE VIDEOGRAPHER: The court reporter

13 today is Laurie Bangart-Smith of LegaLink New

14 York. Would the reporter please swear in the

15 witness.

16 WALTER VAN DE VIJVER,

17 having been duly sworn, testified as follows:

18 EXAMINATION BY COUNSEL FOR PLAINTIFFS

19 BY MR. HABER:

20 Q Mr. Van de Vijver, good morning.

21 Before we start, I just want to let
22 everyone know that I am told that there is food,
23 there's breakfast, and there will be lunch served
24 in the Georgetown Room, which is right behind us,
25 and everyone is welcome to partake in that.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Also, Ralph, I understand, but I'm
3 pretty confident we'll get there.

4 Also, Mr. Van de Vijver, this morning
5 and throughout the next couple of days, as you
6 know, we're going to be asking you a series of
7 questions, and what I'm looking for are your best
8 recollection, your knowledge of the events and
9 circumstances that I'll be asking you about. And
10 as you probably know from speaking with your
11 counsel, these issues relate to the
12 recategorization that Shell had announced in
13 multiple releases, beginning in January of 2004.

14 If I ask you a question and you don't
15 understand, would you let me know that?

16 A Sure.

17 Q And I will let you know that if you ask
18 me to rephrase a question or you don't understand
19 a question, I'll be happy to rephrase it so that
20 you do understand. This way we're always on the
21 same page.

22 If you don't hear a question, will you
23 tell me?

24 A Yes.

25 Q And again, if you don't hear it, I'll be

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1 WALTER VAN DE VIJVER, January 31, 2007

2 happy to repeat it.

3 Also, please recognize that even though
4 these proceedings are being videotaped, we still
5 have a court reporter, and your answers still need
6 to be verbal, so please articulate your answers

7 with a "yes" or a "no" and certainly any response
8 that you need. Head nods and "uh-huhs," they
9 don't get picked up by the court reporter. Is
10 that okay with you?

11 A Sure.

12 Q If you don't know the answer to a
13 question that I ask, would you let me know that.

14 A Yes.

15 Q Please, if you could, speak clearly and
16 audibly for the court reporter. Again, even
17 though this is being videotaped, the court
18 reporter needs to be able to hear and understand
19 everything that's being said.

20 A lot of times during these proceedings
21 what will happen -- and it's completely
22 unintentional -- is the examiner and the witness
23 tend to talk over each other. I will do the best
24 that I can to make sure that you finish all your
25 answers before I ask a question, and I would

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1 WALTER VAN DE VIJVER, January 31, 2007
2 appreciate it if you would do the same; wait for
3 me to finish my questions before you answer. Is
4 that okay?

5 A Sure.

6 Q Finally, if you need a break at any
7 time, please let me know, and I will do what I can
8 to accommodate you. The only time that I will not
9 accommodate the request is if the -- if there's a
10 question pending, in which case then I would ask
11 for a response, the only exception to that being
12 if there's an issue of privilege that your counsel
13 is asserting.

14 Is that acceptable?

15 A Yes.

16 Q Great. Okay. For the record, can you
17 tell us your name and address, current address.

18 A Walter van de Vijver. I'm living in the
19 Netherlands in Wassenaar. The street name is
20 Groot Haesebroenseweg, Number 1.

21 Q We can go off the record later and --

22 A I'm sorry. I can't make it any easier
23 than that.

24 Q That's okay.

25 And have you attended a college or

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1 WALTER VAN DE VIJVER, January 31, 2007

2 university?

3 A Yes.

4 Q And where did you go?

5 A It's called the University of Technology
6 in Delft in the Netherlands.

7 Q Did you graduate with a degree?

8 A Yes. I graduated with a master's degree
9 in civil engineering.

10 Q Did you continue with any higher
11 education after graduating from Delft University?

12 A No. Immediately after that degree, I
13 joined Shell.

14 Q Before we start with your CV, if you
15 will, just a couple of other unrelated questions
16 to Shell.

17 Do you have any professional licenses?

18 A Apart from a driver's license, no, I
19 don't think so.

20 Q Okay. Did you ever join the Society of
21 Petroleum Engineers?

22 A Yeah, as a member, but it doesn't really
23 mean a lot, right? Everyone who wants to become a
24 member can become a member.

25 Q Are you currently a member?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A No.

3 Q When did you begin your membership?

4 A Somewhere -- I don't know exactly.
5 Somewhere in the early, early eighties.

6 Q And how long did you maintain the
7 membership?

8 A I left somewhere, 2000, 2001 or so.

9 Q Did you ever attend any meetings of the
10 SPE?

11 A A couple but not, not many, and I did a
12 few -- I think I once also did a presentation at,
13 at one of the SPE meetings.

14 Q Do you recall when that presentation was

15 given?

16 A I think I may have given one -- I really
17 can't be sure. I think maybe somewhere -- it was
18 in Aberdeen, when I was based in Aberdeen looking
19 after the Brent field.

20 Q I know now I'm skipping into your CV a
21 little. When were you in Aberdeen?

22 A Aberdeen? I arrived in Aberdeen in end
23 of March '91.

24 Q And how long were you there?

25 A I was there for nearly six years. In

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1 WALTER VAN DE VIJVER, January 31, 2007
2 February, February '97, I moved over to London.

3 Q Going back to the presentation, do you
4 recall the subject matter of the presentation?

5 A It must have been about the Brent
6 fields. I was -- when I was in Brent I was
7 responsible for a major redevelopment of, uh, of
8 the Brent field.

9 Q And where is the Brent field?

10 A In the North Sea, in the northern North
11 Sea.

12 Q Is that a gas or oil --

13 A Gas and oil field.

14 Q It's both?

15 A Yeah.

16 Q What was your position while you were at
17 Aberdeen?

18 A I started off as the petroleum engineer
19 and manager for the Brent field, and then after a
20 couple of years I took over as the General Manager
21 for the Brent field.

22 Q And was General Manager the last
23 position you held while you were at Aberdeen?

24 A Yes.

25 Q Going back to the SPE, do you recall

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1 WALTER VAN DE VIJVER, January 31, 2007
2 attending any meetings of the SPE where reserves
3 reporting was discussed?

4 A No, never.

5 Q Do you recall -- do you know if the SPE

6 publishes any periodicals that it sends to its
7 members?

8 A Yes. I -- as part of being an SPE
9 member, I go to their -- I think it's JPT, Journal
10 of -- I don't know what, but I think theirs is
11 called JTP, a magazine that they published on I
12 think a monthly basis.

13 Q Do you recall reviewing the JPT when it
14 was distributed to you?

15 A Oh, like a little magazine saying -- I
16 must have read a few articles in it. No details.

17 Q Do you recall ever reading articles
18 about reserves reporting requirements?

19 A No.

20 Q And again I'm just referring to the JPT
21 right now.

22 A Yeah, yeah, I understand.

23 Q Other than the SPE, are you a member of
24 the Royal Institute of Engineers?

25 A No.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Can you think of any other industry
3 organizations that you either were or currently
4 are a member of?

5 A I'm currently not a member of, of
6 anything. I remember when I was in the United
7 States I was a member of the API.

8 Q And what is the API?

9 A American Petroleum Institute.

10 Q And how long were you a member of the
11 API?

12 A That was purely coincidental with my
13 assignment in the United States from '98 until
14 2001, early 2001.

15 Q Okay. Why don't we jump back to the CV
16 for a moment. You said that in February of '97
17 you moved to London?

18 A Yeah.

19 Q What position did you take when you
20 moved to London?

21 A I became the CEO of our gas, coal and
22 power business.

23 Q What is the gas, coal and power

24 business?

25 A Gas, coal and power business is a, is a

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1 WALTER VAN DE VIJVER, January 31, 2007

2 business that looked after the, the coal interest

3 that, that Shell had. Shell, not today anymore,

4 but at that time had an interest in a coal

5 business in Australia and in South Africa. It

6 looked after the, the interest in, in LNG

7 projects, and it looked after Shell's interest in

8 power. Back in '97 Shell entered the power

9 business, which I was involved in in a joint

10 venture with Bechtel called Intergen.

11 Q What was the purpose of the joint

12 venture?

13 A To get in the business of independent

14 power producers and see that there's a profitable

15 growth area for the Shell Group.

16 Q When you were at gas, coal and power,

17 what was your position? I'm sorry. Withdrawn.

18 You said you were CEO?

19 A Yeah, that was the title, yeah.

20 Q What were your duties and

21 responsibilities as CEO?

22 A To look after that part of, of the

23 business, and in that role I reported into one of

24 the Group Managing Directors.

25 Q Who did you report to?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Maarten van den Bergh.

3 Q And was Mr. van den Bergh a member of

4 the CNB at that time?

5 A Yeah, Group Managing Director means

6 being a member of the CMD.

7 Q For the record, what is the CMD?

8 A Committee of Managing Directors.

9 Q What's the function of the CMD?

10 A That's the top accountable body in the,

11 in the Shell Group below the, the boards, which

12 was called Conference.

13 Q When you say "the boards," was that --

14 are you referring to the boards of both Shell

15 Transport and Royal Dutch?

16 A If I talk Conference, that's the place
17 where the boards of both Royal Dutch and ST&T
18 would sit together.

19 Q And ST&T being Shell Transport and
20 Trading?

21 A Yes.

22 Q What was your relationship like with
23 Mr. van den Bergh when you reported to him?

24 A I think very well. It was my first
25 assignment outside the exploration and production

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1 WALTER VAN DE VIJVER, January 31, 2007
2 business, so I had before never really had
3 anything to do with him, and that was a, was a new
4 experience for me.

5 Q Did you find he was someone that you
6 could speak to openly and freely?

7 A Yes.

8 Q The gas and power business; is that
9 considered an upstream business?

10 A In the group it was put separate to give
11 it its own identity, because it was more about
12 the, the commercial side of the business.

13 Q And is that the functional equivalent of
14 upstream, something that is being produced and
15 commercialized?

16 A Well, it was a separate business.
17 Exploration and production is distinct from the
18 gas and power business, and I think that's still
19 the case today within Shell.

20 Q I guess what I'm just trying to
21 understand -- I've heard within this case
22 "upstream" and "downstream," and I understood gas
23 and power to be upstream and to be different from
24 exploration, which was downstream. Am I wrong?

25 A I think you're getting a little bit

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1 WALTER VAN DE VIJVER, January 31, 2007
2 confused. Gas and power was often called the
3 downstream gas. The E&P business, exploration and
4 production business, is often referred to as

5 upstream.

6 Q Okay, and can you explain to me why.

7 A Well, upstream is all about finding and
8 getting the hydrocarbons out of the ground, and
9 downstream, just like you have the oil products
10 business, is about marketing and ultimately the
11 distribution of those products.

12 Q Going back to the CV for a moment, you
13 were in London from around February of '97 until
14 sometime in -- until sometime into 1998, correct?

15 A Yes.

16 Q What did you do in London?

17 A That's what we just talked. That was
18 here, the gas and power business, '97, '98.

19 Q Okay, I'm sorry. I, I completely lost
20 it. I'm sorry.

21 In '98 to 2001 what did you do?

22 A That's when I went to the United States
23 and I became -- I think official title is
24 President and CEO of Shell Exploration and
25 Production. I think the acronym was SEPCo. That
0023

1 WALTER VAN DE VIJVER, January 31, 2007
2 was the U.S. arm of the exploration and production
3 business.

4 Q And as CEO of SEPCo, what were your
5 duties and responsibilities?

6 A I had to -- the responsibilities, they
7 are both for the upstream business, the
8 exploration and production business, but also for
9 the downstream gas and power business. Later that
10 was sort of split, but that's sort of how the
11 structure was when I arrived in the United States.

12 Q Who did you report to while you were at
13 SEPCo?

14 A That was one of these -- in the
15 transition I reported both to the CEO of Shell Oil
16 Company as well as into the Regional Director
17 within the E&P business for America and Europe,
18 which was Bob Sprague at that time.

19 Q So Bob Sprague was the Regional Business
20 Director for America and Europe at the time?

21 A Yes.

22 Q Did that reporting line subsequently
23 change, or did you report to him throughout your
24 tenure?

25 A No, that did not change.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Was Bob Sprague someone that you can
3 talk to openly and candidly?

4 A I think generally yes, yeah.

5 Q Who was the CEO of Shell Oil?

6 A When I arrived in the United States, I
7 took over from, from Jack Little, who had held my
8 position there for I think about 11 years. When I
9 arrived, he moved off up to become the CEO of
10 Shell Oil Company.

11 Q And did he remain the CEO of Shell Oil
12 Company during your tenure as CEO of SEPCo?

13 A No, because he retired about -- I don't
14 know exactly. It was about a year later.

15 Q And who succeeded him?

16 A Steve Miller.

17 Q Do you know where Steve Miller had come
18 from?

19 A He, he came in the U.S. from actually
20 the Committee of Managing Directors. Before that
21 he had been one of the members of the Committee of
22 Managing Directors.

23 Q Did he remain on the CMD during his
24 tenure as, as CEO of Shell Oil?

25 A No.

0025

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Do you have an understanding as to why?

3 A Well, I mean it was all as part of the,
4 the transition which is called the globalization
5 of, of the business where Shell Oil was brought
6 more closely to the rest of the group in terms of
7 reporting lines and decision-making. Until I
8 arrived in the United States, Shell Oil was very
9 much sort of in a separate identity with its own
10 boards and with a lot of the decision-making done
11 in the United States, whereby on the board of
12 Shell Oil there would always be two members of the

13 Committee of Managing Directors as board members
14 of Shell Oil Company, but it was thereby sort of
15 governed separately.

16 Q When did the globalization of the
17 business occur?

18 A In terms of the globalization, that
19 happened, if I recall correctly, on the sort of
20 first of April '99 at least with respect to my
21 business.

22 Q At the time of the globalization, around
23 April of 1999, was Shell Oil a separate reporting
24 company from the larger group?

25 A Yes. That's what I just explained, to
0026

1 WALTER VAN DE VIJVER, January 31, 2007
2 having its own, own board and, and the board would
3 govern Shell Oil directly. And as part of the
4 globalization, there was a gradual move to bring
5 the decision-making, investment decisions and
6 business planning in line with the, with the rest
7 of the group.

8 Q And so you're talking internally about
9 reporting, correct?

10 A Yeah, yeah.

11 Q I was actually referring to externally,
12 like the Securities and Exchange Commission.

13 A I don't know the details about -- I mean
14 Shell Oil, no, it's -- I think it was all reported
15 as one entity, because it was already back in -- I
16 think it's 1985. That was the time of my first
17 assignment to Shell Oil where the minority
18 shareholders and Shell Oil Company were bought
19 out, so it wasn't a hundred percent Shell Company.

20 Q So much earlier than April of '99 for
21 external reporting purposes, Shell was already --
22 Shell Oil was already part of the larger group?

23 A Yes.

24 Q In your function as CEO of SEPCo, did
25 you have any responsibilities for reporting of
0027

1 WALTER VAN DE VIJVER, January 31, 2007
2 proved reserves?

3 A Like every operating unit within the

4 company -- the term "operating unit"; every entity
5 within the country was called an operating unit.
6 Every operating unit on an annual basis would
7 report their best estimate of reserves, including
8 proved reserves, to, to the Center in, in The
9 Hague.

10 Q Did you have people who reported to you
11 who had that responsibility for gathering their
12 reserves information for reporting in to The
13 Hague?

14 A For the U.S., yes, certainly. I, I
15 recall that a few occasions during my regular
16 management or I call the Leadership Team of SEPCo,
17 there would be, on an annual basis, reports in on
18 the, on the status of our reserves.

19 Q Did, did Shell Oil participate in the
20 annual closeout of reserves which I understand is
21 called the ARPR?

22 A Yes.

23 Q And did you have any responsibility in
24 connection with the ARPR while you were head of
25 SEPCo?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Well, as sort of the CEO of that entity,
3 you have a responsibility, ultimately, for the
4 business, so including reserves. Obviously I
5 relied on the experts in my organization to make
6 sure that, that the right, right numbers were,
7 were prepared.

8 Q And in terms of the right numbers being
9 prepared, do you know against what those numbers
10 were, were measured by; that is, Shell's
11 guidelines or the SEC's rule governing reserves
12 reporting?

13 MR. TUTTLE: Object to form.

14 BY MR. HABER:

15 Q You can answer.

16 A Sorry. Can you repeat the question.

17 Q Sure. When -- you said in your prior
18 answer that, that the organization rolled up the
19 numbers, they collated the numbers, and you had
20 said that you relied on the experts to make sure

21 that the numbers were prepared, and what I want to
22 know is against what did they make sure that those
23 numbers were prepared properly.

24 MR. MORSE: Objection to form.

25 MR. TUTTLE: Objection.

0029

1 WALTER VAN DE VIJVER, January 31, 2007

2 THE WITNESS: Am I not allowed to
3 answer?

4 BY MR. HABER:

5 Q No, no. You can answer.

6 A Okay. So to the best of my
7 understanding, it was against the Shell guidelines
8 that would apply just in Shell Oil.

9 (Discussion was held off the record.)

10 BY MR. HABER:

11 Q In connection with Shell's guidelines,
12 did you review Shell's guidelines while you were
13 CEO of SEPCo?

14 A No.

15 Q Are you aware that the SEC had enacted a
16 rule governing the reporting of proved reserves?

17 A No.

18 Q Have you ever heard of a rule called
19 Rule 4-10?

20 A Not until end of 2003.

21 Q And why did you hear about Rule 4-10 in
22 the end of 2003?

23 A Because there was a, there was a lot of
24 debate, and of course, I'm stepping forward now,
25 all the way to, to Rockford when there was a lot

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1 WALTER VAN DE VIJVER, January 31, 2007

2 of discussion about whether the new numbers we
3 came up with, whether there was an effect from
4 what I recall these clarifications that were
5 issued by the SEC -- was it 2000 or 2001?

6 Q When you refer to "clarifications"
7 issued by the SEC, are you referring to the staff
8 interpretive guidance that the SEC staff had
9 issued?

10 A Yes. Is that something different than
11 this rule? I assumed that that was what you were

12 referring to.

13 Q No, I'm actually referring to the rule
14 itself, so --

15 A Maybe then I was confused. I was
16 talking about this clarification that happened in
17 2000 or 2001.

18 Q Going back again to the time of being
19 CEO of SEPCo, do you know if Shell's guidelines
20 made reference to Rule 4-10?

21 A No.

22 Q Do you know if Shell's guidelines quoted
23 from Rule 4-10?

24 A No.

25 Q As CEO of SEPCo, were you also

0031

1 WALTER VAN DE VIJVER, January 31, 2007
2 responsible for business planning for Shell Oil?

3 A Yes.

4 Q And let me be a little -- let me make a
5 distinction here, because I might have been too
6 broad. Let's take first SEPCo. Were you
7 responsible for business planning with regard to
8 SEPCo?

9 A Yes.

10 Q Now, is there a difference between
11 business planning for SEPCo and Shell Oil?

12 A Well, Shell Oil involves the totality of
13 business in the U.S., so that is downstream as
14 well as upstream, and I did not have any
15 responsibility, clearly, for other parts of the
16 business. I only had responsibility for my part
17 of the business.

18 Q So with regard to business planning for
19 SEPCo, that was your responsibility?

20 A Yeah.

21 Q Okay. Going back to when you first
22 started Shell, you say you started Shell when you
23 graduated from Delft University, right?

24 A Yes.

25 Q When did you graduate?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A October -- October or November. October

3 or November '79.

4 Q Okay. What was your first position at
5 Shell?

6 A My first position was a field
7 engineer/structural engineer.

8 Q What is that?

9 A I, I joined Shell for an international
10 career. That was why I joined Shell. I didn't
11 really know anything about Shell, so I ended up in
12 this job in London probably with the background
13 that, because I had known civil engineering and I
14 had finished my last study in harbor design, that
15 I knew something about water, and I ended up in a
16 structural engineering group which was involved in
17 the design of offshore structures in the North
18 Sea. So my first year I spent a lot of time
19 calculating strengths of offshore structures and
20 doing technical calculations and fatigue
21 calculations around platforms.

22 Q And how long were you in this position?

23 A Not that long. I think it was probably
24 about one and a half years, because while I was in
25 that position I got involved in a few project

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1 WALTER VAN DE VIJVER, January 31, 2007
2 teams, and I wanted to know why -- I had designed
3 a platform for six wells, so I wanted to know what
4 was happening subsurface, and why can't I know
5 more about subsurface. I want to know about what
6 I'm doing. It took a little bit of time for the
7 Shell system to accept that if I wanted to get
8 more exposed to the subsurface, I actually had to
9 sort of rejoin Shell, so I had to go for
10 re-interviews again in The Hague to apply to
11 become a petroleum engineer, and that's what I
12 did.

13 Q And that was sometime in 1981?

14 A Yes. I think it was '81, and after I
15 had my initial training, internal Shell classes, I
16 was transferred to Qatar in the Middle East.
17 That's a state, a country in the gulf state, state
18 of Qatar, and I was transferred there as a well
19 site petroleum engineer, which essentially meant

20 you would spend your time on the rig, learning
21 hands-on about what it all takes to drill a well
22 safely and successfully. And I did that again for
23 about one and a half years, and then I couldn't
24 find another position there, and then I moved back
25 to the Hague. I think it was -- I don't know
0034

1 WALTER VAN DE VIJVER, January 31, 2007
2 exactly. I think somewhere early '84 I moved back
3 to the Hague.

4 Q Before we get to that position, what --
5 sorry. Withdrawn. How long was the training
6 course that you attended?

7 A I think a total of about three months.

8 Q Did that course include lectures or
9 other materials on reserves reporting?

10 A No, nothing on reserve reporting but
11 general on all the different skills relating to
12 petroleum engineering and field planning, so from
13 being able to analyze a log to be able to --
14 electric log in a well, to what it would take to
15 do -- analyze a production well test to doing some
16 basic economics, I mean sort of the broad spectrum
17 of the, of the petroleum engineering business.

18 Q In 1984 you started a new position.
19 What did you -- where did you go?

20 A In 1984 I became, I became a reservoir
21 engineer in, in The Hague, in the section of the
22 Hague that was involved with Europe.

23 Q And what was your position there?

24 A Just a junior reservoir engineer doing
25 whatever work was thrown at me to do.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Up until this point you had not done any
3 reservoir engineering work; is that correct?

4 A That's correct, yeah.

5 Q And based upon what you've said about
6 your education, you're not -- you don't have a
7 degree in reservoir engineering?

8 A Probably not, no.

9 Q How long did you remain in this position
10 as a reservoir engineer?

11 A About two years, just under two years,
12 and then I moved to Shell Oil in California as a
13 reservoir engineer and later a team leader.

14 Q And what did you do at Shell Oil?

15 A Involved with heavy oil fields. That
16 was the, the part where -- in Bakersfield in
17 California. That's where Shell Oil had the
18 business unit, a couple of business units, but I
19 was in one of the business units called the San
20 Joaquin division that dealt with a variety of, of
21 heavy oil fields.

22 Q When you became a team leader, did your
23 responsibilities change?

24 A Not -- well, it was more a coordinating
25 role when I would work with facility engineers,
0036

1 WALTER VAN DE VIJVER, January 31, 2007
2 drilling engineers, to develop -- prepare
3 development plans for some of the assets I was
4 looking after. I spent about a year there on a,
5 on a project that involved developing a steam
6 injection project involved in cogeneration
7 facilities, so it was quite complex, and make sure
8 it all was properly set up.

9 Q While you were working in Bakersfield,
10 did you work with Roelof Platenkamp?

11 A No, not directly. He was in another
12 division, but we were sort of -- we were posted to
13 California at the same time. There was three,
14 three people that sort of at the same time got,
15 got posted to California, and at that time there
16 was a little bit high profile. Of course, we were
17 Dutch people coming from this very strange Royal
18 Dutch group that sort of were planted in the Shell
19 Oil organization. So the three of us, it was him,
20 Max Peters and Roelof Platenkamp, therefore saw
21 each other a lot socially, but we were -- Roelof
22 was working in a different division from where I
23 was, I was working.

24 Q And how long were you at Shell Oil?

25 A That was predetermined. Exactly two
0037

1 WALTER VAN DE VIJVER, January 31, 2007

2 years. It was one of these sort of one year the
3 Royal Dutch group would pay for it, another year
4 Shell Oil would pay for it, and that was the
5 package.

6 Q And during the two years that you were
7 at Bakersfield, was Mr. Platenkamp also in Shell
8 Oil for those two years?

9 A Yeah, yeah. I think we were sort of
10 roughly exactly the same period.

11 Q After Bakersfield in 1988, where did you
12 go?

13 A I went to -- we're in '87, huh? '85
14 is -- from '85 to '87 I went to Shell Oil. If I'm
15 correct, I think I moved -- I moved in '87. I
16 moved to Oman. I think I got it correct; yes?
17 Are you confused?

18 Q A little, but that's okay. I'm going to
19 be guided by you.

20 A No, it's '83-'85 was The Hague, and then
21 '85 to middle of '87 or so was Shell Oil, and
22 then, then I went to Oman.

23 Q And so in '87 you went to Oman?

24 A Yes.

25 Q Okay, and how long were you in Oman?

0038

1 WALTER VAN DE VIJVER, January 31, 2007

2 A For nearly four years.

3 Q Approximately when did that position
4 conclude?

5 A In -- I think I said earlier March '91
6 when I moved to Aberdeen to Shell ExPro.

7 Q What was your position when you were in
8 Oman?

9 A I started as a, as a reservoir engineer,
10 and then after a year I became Team Leader. It
11 was called Area Team Leader for the Marmul area.
12 That's a geographic area within Oman. I think I
13 did that for one and a half years or so, and then
14 I became Operations Manager in -- for North Oman.
15 Oman was sort of operationally split in two areas,
16 and I moved -- my last position was Operations
17 Manager for North Oman.

18 Q You ever heard of the Yibal field or the

19 Yibal field?

20 A Yibal field, yes. I remember it very
21 well, because when I was Operations Manager for
22 North Oman, I inaugurated, just for the fun of it,
23 Well 300 on the field, Well Number 300 which was,
24 for one field, quite a few wells, so -- that was
25 in North Oman, yes. It was one of the, the big,
0039

1 WALTER VAN DE VIJVER, January 31, 2007
2 big fields in Oman.

3 Q Were there any other big fields in Oman?

4 A Yeah. In total there were about six or
5 eight large fields in Oman. It was . . .

6 Q Do you recall the names of those fields?

7 A Now you're testing me. Lekhwair was
8 one. Yibal was one. Farut was one. Natih was
9 one. They were all in South Oman. South Oman had
10 a couple as well. One was Marmul I, which I
11 looked after. Another one was Nimr. I think
12 that's all of the -- how many have I got now?

13 Q A number. Six, seven.

14 A Yeah, I think that's it.

15 Q Okay. Now, with regard to --

16 A Oh, another one. Rima. That was also
17 South Oman.

18 Q Thank you.

19 Now, with regard to the restatement, do
20 you know if any of these fields had proved
21 reserves that were restated?

22 A A lot of them had proved reserves that
23 were restated, because there was a big number in
24 Oman. So I can't recollect the detail anymore,
25 but I assume, because the, the reserves, clearly
0040

1 WALTER VAN DE VIJVER, January 31, 2007
2 the vast majority was in these big fields. They
3 all to some extent must have been, been affected.

4 Q Do you recall, during the time that
5 preceded the announcements of the restatement,
6 reviewing proved reserves information concerning
7 the fields you just identified?

8 A No, no proved reserves, no. I did
9 expectation reserves. Expectation reserves I did,

10 because there was a, there was a disagreement with
11 the government.

12 Q Why don't we talk about that for a
13 moment. What, what is this disagreement with the
14 government that you're referring to?

15 A In Oman there was an agreement,
16 contractual agreement with the Omani government
17 that part of the fee and, therefore, the revenue
18 that Shell would earn in Oman was linked to a
19 reserves fee, both in terms of reserves found
20 under mature exploration, and then both through
21 maturation of reserves in existing fields.

22 Just for clarity, this has nothing to do
23 with proved reserves. The Omani government didn't
24 work with proved reserves. This is on --
25 exploration is a totally different categorization

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1 WALTER VAN DE VIJVER, January 31, 2007
2 during the reserves, and on the Estimated Ultimate
3 Recovery fee, I think it was called the EUR fee,
4 related to existing fields that was linked to
5 expectation reserves.

6 Q Is there a difference between
7 expectation reserves and proved reserves?

8 A Yes.

9 Q What is that difference?

10 A Well, I'm, I'm -- it all has to do with
11 the certainty around these reserves. All the, all
12 the business planning in terms of making a
13 business plan, doing your forecast, expenditure,
14 volumes, et cetera, is all done on expectation
15 basis and therefore also linked to expectation
16 reserves. Proved reserves is a separate
17 categorization that links to the definitions
18 around proved reserves and also comes back in your
19 financial calculations in terms of the
20 depreciation in terms of your investment activity.

21 Q So going back now to the disagreement --

22 A Oman does things -- just for clarity, in
23 Oman the government didn't use proved reserves,
24 they only used expectation reserves, and for a
25 depreciation there were fixed rules how

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1 WALTER VAN DE VIJVER, January 31, 2007

2 depreciation happened, so totally separate from
3 any consideration on proved reserves.

4 Q So what was the disagreement between
5 Shell and the Omani government?

6 A There had been some field development
7 activity that had been prepared and had been
8 signed off, which meant -- was related to
9 incremental recovery in the Marmul field. I think
10 it was the Haima formation, and related to
11 incremental development activity in the Yibal
12 field, or development plans were executed, but
13 when these development plans got executed, they
14 didn't live up to expectation.

15 And clearly, because these development
16 plans had been prepared and had been signed off by
17 the relative parties, Shell had earned a fee on,
18 on those activities, and as ultimately these
19 developments didn't pan out as was predicted, the
20 Omani government felt that that had been
21 unjustified having paid Shell these fees. And one
22 of the first things I did with, with the Minister
23 of Oil and Gas is to agree that whatever Shell had
24 received on those would be refunded. Well,
25 actually that happened after the visit to me in
0043

1 WALTER VAN DE VIJVER, January 31, 2007

2 Oman where I actually reviewed what had happened
3 on these particular fields.

4 Q Just so the record is clear --

5 A Yeah.

6 Q -- this disagreement that you just
7 testified about; when did this disagreement occur?

8 A I think that was already in 2001, around
9 September 2001.

10 Q And so the efforts that you just
11 described that you would undertake to go to Oman,
12 that occurred once you moved on to a different
13 position, because my questions were still with
14 regard to your time in Oman.

15 A Oh, sorry. We totally skipped fast
16 forward, right?

17 Q That's okay. So what position were you

18 in at the time you were having these discussions
19 with the Omani government?

20 A This is all 2001 we're talking about.

21 Q Right. Okay. So what position did you
22 have at the time?

23 A Oh, at that time I was CEO for the
24 exploration and production business.

25 Q Okay. How would you describe the
0044

1 WALTER VAN DE VIJVER, January 31, 2007
2 relationship between the Omani government and
3 Shell at the time you became CEO of exploration
4 and production?

5 A Very difficult.

6 Q And why is that?

7 A It's, it's -- maybe I can give you a
8 little bit of context to, to understand it. PDO,
9 which is a government-controlled company in Oman
10 and very dominant in Oman, because it produces
11 about 90 percent of the total oil in the country,
12 so it is -- for the Omani government, it is
13 extremely important how that entity performs.

14 That company had had a extremely
15 successful track record for many, many, many
16 years. It started -- I think it starts somewhere
17 in the early seventies and sort of was able to
18 sort of year by year to increase production and
19 find additional fields and expand their production
20 capacity. And the Omani government, through that
21 process in terms of their international economy,
22 was heavily dependent on the performance of PDO as
23 a country, and the track record had been
24 absolutely amazing in terms of year by year being
25 able to increase production and et cetera.

0045

1 WALTER VAN DE VIJVER, January 31, 2007

2 It's -- at the time, um, I think around
3 2000, PDO was producing 850,000 barrels a day, so
4 it was a very large operation. For Shell equity,
5 of course, the majority part was much smaller, but
6 as a single operation it is a very large
7 operation, producing 850,000 barrels a day. At
8 the time when I arrived, there were clearly --

9 there were some disagreements around the ability
10 to continue to maintain that production
11 performance for the decades to come.

12 And I had my first visit back in Oman I
13 think it was one of the first operating units I
14 visited, I think after Nigeria, I visited Oman in
15 the middle of June in 2001 to sort of reacquaint
16 myself with, with the company, and as part of that
17 process, I don't know whether it's that one or the
18 follow-up meeting exactly, I also met the Minister
19 of, of oil and gas.

20 Q So is it fair to say that among the
21 reasons the relationship between the Omani
22 government and Shell was tense had to do with
23 production that Shell -- or that PDO was no longer
24 able to do?

25 MR. TUTTLE: Object to form.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 BY MR. HABER:

3 Q You can answer.

4 A There were a variety of issues that
5 played at the time. Some related to the Oman LNG
6 project, some related to the, to the performance
7 of, of PDO as a company.

8 Q What's the Oman LNG project that you're
9 referring to?

10 A Oman LNG is again a project that's,
11 wherein Shell was the technical advisor and
12 partner in of, of developing the upstream gas
13 resource or reserves of Oman and exporting those
14 to, to Japan and Korea.

15 Q And why was the Omani government upset
16 over this?

17 A Like everything else, which I think I
18 tried to put you a little bit of the context of
19 the history of the company, when -- and of course,
20 things went very well in Oman, and there was a bit
21 of a tendency of the Omani government saying,
22 well, look how great we have done, and if things
23 would not go so well, the first to sort of point
24 the finger at was Shell, because Shell was so
25 dominant in the country, and there, there had been

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1 WALTER VAN DE VIJVER, January 31, 2007
2 some difficulties in the marketing of the Oman LNG
3 gas, that not all the volumes that were available
4 at that time were committed to the market, and
5 there were some issues around clearly the overall,
6 as I mentioned, performance of PDO.

7 Q Was this issue ever resolved?

8 A What issue?

9 Q The LNG.

10 A Yes.

11 Q And how?

12 A Because Shell was successful to
13 ultimately help Oman to market all the gas and
14 then later even added another train to the whole
15 project based on the Omani government initiative.

16 Q And when was Shell able to perform
17 those?

18 A I, I don't know the exact dates. It was
19 not my part of, of the business, so I can't tell
20 you exactly when it happened.

21 Q Whose part of the business?

22 A Well, that is the gas and power
23 business.

24 Q I see. Who was the head of gas and
25 power at the time?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A That was -- I think it was -- I'm not
3 sure. I think it was Linda Cook.

4 Q Who is Linda Cook at the time other than
5 being the head of gas and power?

6 A Linda Cook was someone that came out of
7 the Shell Oil organization, an American who moved
8 over. At the time that I moved to, to the U.S. to
9 take over as CEO of the exploration and production
10 business, she moved across to the what at that
11 time was called EP BusCom, EP Business Committee,
12 whatever they call it.

13 Q Do you know who she reported to in gas
14 and power?

15 A In gas and power? There were some
16 changes in the Committee of Managing Directors.

17 Up to early 2002, if I recall correctly, it was
18 Harry Roels, and thereafter it was Malcolm
19 Brinded.

20 Q Now, a moment ago --

21 A But there may have been an interim
22 period where I reported directly to Phil Watts,
23 because I think it was a bit of a gap between
24 Harry Roels leaving and Malcolm Brinded joining
25 CMD.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q How would you describe the relationship
3 between Linda Cook and Phil Watts?

4 MR. TUTTLE: Object to form.

5 BY MR. HABER:

6 Q You can answer.

7 A I think they, they got on very well with
8 each other.

9 Q Going back to your prior answer, you had
10 mentioned the LNG project as a source of I guess
11 being upset with Shell by the Omani government.
12 Another response you gave was the performance of
13 PDO. What are you referring to?

14 MR. MORSE: Objection to form.

15 BY MR. HABER:

16 Q You can answer.

17 A The Minister of Oil and Gas was not very
18 happy with the quality of work that was being done
19 by, by PDO.

20 Q And what did he say?

21 A He just -- he was -- his concern was
22 that some of the field development quality was not
23 there, that he felt that PDO did not have a real
24 good handle in terms of a future production
25 capacity, and he, he was just -- from his side, he

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1 WALTER VAN DE VIJVER, January 31, 2007
2 was not sure whether, whether Shell was basically
3 paying enough attention to what he saw as sort of
4 emerging problems in PDO.

5 Q Did he mention anything about the
6 achievability of producing 850,000 barrels a day?

7 A Well, over, over time, that clearly

8 became a very hot topic, because the production --

9 I don't know particularly at what point, but the
10 production slowly started to, to slide. And the
11 initial response from PDO to that, that
12 phenomenon, was something that they had done
13 successfully in the past, and it's to get some
14 additional drilling rigs and drill some more wells
15 to, to cover for that shortfall.

16 Q Had -- prior to your meeting with the
17 Minister of Oil and Gas, had someone from Shell
18 met with officials from the Omani government?

19 A Yeah, I learned that two weeks before I
20 made my first sort of fact-finding visit to Oman.
21 Mark Moody-Stuart and the Jeroen van der Veer had
22 gone and visited Oman and had met with, with the
23 Sultan of Oman and had, had portrayed to him that
24 they had confidence that, that PDO would be able
25 to maintain its production capacity, 850,000

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1 WALTER VAN DE VIJVER, January 31, 2007
2 barrels a day.

3 Q After your visit in two weeks later to
4 Oman, did you reach a conclusion of whether that
5 850,000-barrel-a-day representation was reachable?

6 A Well, I'm -- I may be very smart, but I
7 can't in a two-day visit establish whether I think
8 that's possible. The only thing, I think if you
9 look at my visit notes, which I think were always
10 comprehensive, I was clearly -- I was concerned
11 about PDO, not forgetting, of course, I did it
12 with the mindset of having worked there in the
13 past where it was an extremely successful company,
14 and sort of talking to people there that I knew
15 from the past and sort of going around, I, I, I
16 left Oman being, being concerned about the overall
17 strength of the organization and their ability to
18 deal with what they had to deal with.

19 Q And that Trip Report reflected those
20 concerns?

21 A Yes.

22 Q Did you distribute the Trip Report to
23 anyone?

24 A Yes. I'm sure it went to Jeroen van der

25 Veer and to Phil Watts.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Do you know if it went to anyone else?

3 A My organization, clearly. I mean the

4 first was to mostly distribute it to my

5 organization.

6 Q Do you recall distributing it to the

7 other members of the CMD?

8 A I'm not so sure in this case whether it

9 went beyond Phil Watts and Jeroen van der Veer.

10 We would have to look at documentation.

11 Q Who is Mark Moody-Stuart?

12 A Mark Moody-Stuart was the Chairman, and

13 Phil Watts took over Chairman from him on the

14 first of July, 2001.

15 Q And you mentioned Jeroen van der Veer.

16 Who was Mr. Van der Veer?

17 A Jeroen van der Veer was one of the Group

18 Managing Directors at that time, who, as part of

19 the structure we had at CMD, Group Managing

20 Directors would have, of course, their business

21 responsibilities, but they would also have a, a

22 regional responsibility.

23 Q Do you know what his regional

24 responsibility was at the time?

25 A At the time when -- I mean I don't know

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1 WALTER VAN DE VIJVER, January 31, 2007

2 the history. I only know at the time when, when I

3 arrived at that CMD, he had regional

4 responsibility for the Middle East and the former

5 CIS and East Asia, which includes India and

6 Pakistan.

7 Q And within the region, was Oman the

8 largest operating unit?

9 A From an upstream perspective, it clearly

10 was the largest operating unit.

11 Q Have you, have you heard of the term

12 "creaming" before?

13 A I've heard of the word "creaming." I

14 think the word "creaming" was used in a creaming

15 curve when we talk about exploration prospects or

16 when we talk about capital allocation.

17 Q Have you ever heard of a creaming
18 project in the context of exploration or
19 production?

20 A Well, not the way -- it doesn't ring a
21 bell the way you express it. Can you be more
22 clear.

23 Q Let me ask a different one. Have you
24 ever heard of a "sweet spot" project before?

25 A Sweet spot? No.

0054

1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. HABER: Okay. Why don't we take our
3 first break.

4 THE VIDEOGRAPHER: We are going off the
5 record. The time is 10:48 a.m.

6 (Whereupon, a short recess was taken.)

7 THE VIDEOGRAPHER: We are back on the
8 record. The time is 11:02 a.m.

9 BY MR. HABER:

10 Q Mr. Van de Vijver, why don't we --

11 A Why don't you just call me "Walter." It
12 sounds so formal.

13 Q It's on the record.

14 A Sorry.

15 Q I apologize for the formality of the
16 whole process.

17 We will come back to this trip a little
18 bit later, but I want to finish up, if we can,
19 where we sort of let off, and that was your time
20 in Oman when you were working in Oman, and I
21 think, if I have the time correct, you said you
22 were in Oman for nearly four years; is that
23 correct?

24 A Yes.

25 Q And that took you to March of '91?

0055

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q Now, what is the -- withdrawn. Is PDO
4 owned, wholly owned by Shell?

5 A No. The government has a majority stake
6 in it. Don't ask me to quote what the exact

7 number is, but I think Shell had a 32 percent
8 stake in PDO. And then there was Partex, a small
9 Portuguese entity, had a few percent, and Total I
10 think had five percent, but Shell was -- so Shell
11 was an, was an equity player in PDO, but it was
12 also a technical advisor to PDO.

13 Q Why, if you know, was there within Oman
14 a split between the north and the south?

15 A That was purely for operational
16 convenience. Oman is a very large-spread
17 operation. I think in total you talk about a
18 hundred fields production, and the split was sort
19 of halfway, but it also was a little bit of a
20 split, just purely an infrastructure, but most of
21 the heavier oil was in South Oman, and then North
22 Oman was the, was the lighter oil and the gas.

23 Q Did each half have its own manager that
24 reported to a single, say, you know, head or CEO
25 of Oman?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yeah, it all came together in one
3 organization, so, for instance, when I was Marmul
4 Area Team Leader, I reported in to whatever
5 manager in South Oman, but he would then
6 subsequently report in to overall petroleum
7 engineering manager, and when I was Operations
8 Manager North Oman, I was reporting to an
9 Operations Director who was responsible for the
10 totality of Oman, so it was purely a way to sort
11 of cut up the, the assets and the, and the
12 infrastructure.

13 Q And during your tenure in Oman did you
14 have any responsibility for the calculation of
15 proved reserves for Shell?

16 A Proved reserves, no.

17 Q Your only responsibility had to do with
18 expectation reserves?

19 A Yeah, yeah.

20 Q And with regard to reporting then, it
21 would only be with regard to reporting to the
22 Omani government?

23 A Yeah, internally within the, the

24 company, yeah.

25 Q Within the company; you mean PDO?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Within PDO. I was not involved with
3 even the reporting from PDO, for instance, into
4 The Hague. I was not involved in any of that.

5 Q So you had no involvement in the ARPR
6 process?

7 A Not, not directly, no.

8 Q Well, how about indirectly?

9 A Well, maybe because -- I mean clearly I
10 was involved when I was a senior reservoir
11 engineer, I was involved in sometimes making a --
12 reviewing some notes that had been written on
13 specific assets that would be sent in a Note For
14 File purely for internal PDO reporting, but I was
15 never involved in whatever happened in terms of
16 collating these numbers or in terms of reporting
17 them to the Hague or whatever.

18 Q I think you testified earlier that in
19 March of '91 you went to Aberdeen?

20 A Yes.

21 Q And what was the operating unit that you
22 went to?

23 A That was called the Brent field unit.

24 Q Was that part of Shell ExPro?

25 A Yes.

0058

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And you I believe testified that you
3 were there until February of '97?

4 A Yes. That was an extremely good
5 learning experience in terms of continuity where
6 you could actually -- what not actually happens in
7 a Shell career you can actually follow through
8 from being involved in the planning and also being
9 involved in the execution.

10 Q So you were involved in business
11 planning while you were at Shell ExPro?

12 A For the, for the Brent field, only for
13 the Brent field, yeah.

14 Q Is there a difference between field

15 development planning and business planning?

16 A Yeah, if you talk business planning,
17 it's around to the, the annual cycling of, cycle
18 of preparing your business plan and reviewing the
19 state of your business plan, reporting versus
20 targets, et cetera. When I talk field development
21 planning, it is the technical work that gets done
22 to actually plan the development of a particular
23 field.

24 Q Did you ever have any responsibility for
25 field development planning during any of your
0059

1 WALTER VAN DE VIJVER, January 31, 2007
2 stints at these Operating Units, such as say PDO?

3 A When I was team leader for the
4 Oman/Marmul area, as I mentioned to you earlier, I
5 was responsible for field development activities
6 in the Marmul area. I think actually during that,
7 that time, I was involved in preparing a couple of
8 field development plans.

9 Q What are some of the elements of a field
10 development plan?

11 A Elements of the field development plan
12 is, is trying to get a, a feel for the, for the
13 recovery and production potential of the field and
14 then linking it with activity in terms of what
15 type of facilities need to be drilled, how many
16 wells need to be drilled, and the economics around
17 all of that.

18 Q Is it your understanding that before a
19 field can start producing, field development plans
20 have to be in place?

21 A Yes.

22 Q Now, I believe you said after the time
23 at Shell ExPro, you then became CEO of Exploration
24 and Production, correct?

25 A No, no. That was where I had the gas,
0060

1 WALTER VAN DE VIJVER, January 31, 2007
2 coal and power business, in between.

3 Q That's right. That's right. So you --
4 in '98 through 2001, that was the gas --

5 A No, no.

6 Q Please forgive me.

7 A No, no. In February, I think it was
8 February '97, I moved over to gas and power in
9 London, and then in August 2001 I moved across to
10 the United States, to Houston.

11 Q And in August 2001 when you moved to
12 Houston, the position you held was --

13 A CEO and President of SEPCo.

14 Q All right. Okay. When did you --

15 A Is it all clear? Am I confused now?

16 Q No, I thought you had become CEO --

17 A Oh, August -- August of '98. Sorry. My
18 correction. August '98 I went to Houston as CEO
19 and President of SEPCo, and then in June 2001 I
20 went across to the Hague as CEO for the Global
21 Exploration and Production Unit.

22 Q And how long were you in a position as
23 CEO of EP?

24 A From June 2001 until my sudden exit the
25 3rd of March 2004, March 3rd, 2004.

0061

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q When you say "sudden exit," I take it
3 you weren't expecting to leave Shell at that time;
4 is that correct?

5 A It was the biggest shock in my life,
6 totally unexpected.

7 Q Why was it a big shock?

8 A I, I thought at that stage, having been
9 the driving force around this whole issue of
10 getting clarity around reserves, I thought I would
11 get a reward for it rather than getting something
12 happen to me like that.

13 Q Why don't you take us a little bit
14 through what had happened. How did you -- how was
15 it broken to you that you were being terminated
16 from Shell?

17 A I was -- I was just sitting in my office
18 on a Wednesday when we had a regular board
19 meeting, a conference. I was preparing my
20 material for that, for that meeting, which
21 included the close-out of the previous year, et
22 cetera, and suddenly two of the board members, Aad

23 Jacobs, who was the Chairman, Royal Dutch, and
24 Lord Oxburgh, entered my office and asked to talk
25 to me.

0062

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And was this on March 3rd?

3 A Yes.

4 Q Now, was this meeting with Lord Oxburgh
5 and Aad Jakob scheduled?

6 A No. Totally out of nowhere.

7 Q So what did they say to you when they
8 entered your office?

9 A They told me that they had lost
10 confidence in me and that they basically wanted me
11 to leave, resign.

12 Q Did they explain why they had lost
13 confidence in you?

14 A No.

15 Q What did you say in response?

16 A I was just totally -- I mean I just
17 broke down. I was just totally and utterly
18 shocked.

19 Q How long did the meeting last?

20 A Maybe two minutes.

21 Q So they just came in, said --

22 A Delivered the message, and they said
23 they would come back, because they, they wanted me
24 to sign a paper.

25 Q Did they say what paper they wanted you

0063

1 WALTER VAN DE VIJVER, January 31, 2007

2 to sign?

3 A Well, that I would resign, that I would
4 leave, because they wanted to issue a press
5 release that day at 11:00 or something like that.

6 Q Did they come back with a Letter of
7 Resignation?

8 A Yes. I mean when that happened, the
9 first I did was, uh, was call my wife, and she,
10 she immediately came to the office. I was in a
11 pretty bad state then. I was just so deeply
12 shocked. I, I then -- did I contact John
13 directly? Because I basically was just so

14 shocked, and, uh, and thereafter indeed some of
15 the other board members and people would come in
16 trying to basically get me to, to sign that note
17 and leave the office as quickly as possible. So
18 people like, like Ricciardi came in. I think John
19 Hofmeister came in. I think Jeroen van der Veer
20 came in. It was just all trying to put pressure
21 on me to, to sign the, the letter and to then pack
22 and leave.

23 Q Who is Mr. Ricciardi?

24 A He is one of the board members.

25 Q And who is John Hofmeister?

0064

1 WALTER VAN DE VIJVER, January 31, 2007

2 A The head of HR, Human Resources in
3 Shell.

4 Q And Jeroen van der Veer is the same
5 person you identified earlier?

6 A Yes.

7 Q How would you describe your relationship
8 with Mr. Hofmeister?

9 A Cool.

10 Q Why is that?

11 A It -- I always tried to keep him at a
12 distance. I did not have full confidence in him.

13 Q Why didn't you have full confidence in
14 him?

15 A I always felt when, when, when I was in
16 his surrounding, that he somehow was trying to, to
17 manipulate events and influence outcomes.

18 Q Are there any particular instances that
19 you can recall?

20 A Often it had to do with, with people. I
21 mean clearly, as HR person, he was trying to
22 influence my thinking about, judgment about people
23 or wanting to sort of help me scheming things I
24 had, and I always sort of wanted to have my own
25 judgment, and I never quite felt very comfortable

0065

1 WALTER VAN DE VIJVER, January 31, 2007
2 with --

3 Q And you're referring now with regard to
4 personnel within your organization, the EP

5 organization?

6 A Yeah.

7 Q When -- did the three gentlemen that you
8 identified -- Ricciardi, Hofmeister and van der
9 Veer -- did they come together to your office or
10 separately?

11 A Separately. They sort of had, I guess,
12 sort of an agreed process of every half hour to
13 check in to me to make sure that I was making
14 progress in, in signing the letter.

15 Q Did you sign the letter?

16 A Yes. You can imagine at that time I was
17 just so shocked and so deeply, deeply insulted,
18 that -- what can you do?

19 Q Were there people within Shell who you
20 believed should have been terminated?

21 A That's not for me to judge.

22 Q Well, with regard to the, the whole
23 reserves issue that we're here for today, at the
24 time did you feel that there were people who were
25 responsible who should have been terminated?

0066

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q Who?

4 A Phil Watts and Judy Boynton.

5 Q Why did you feel that way about
6 Mr. Watts?

7 A I, I had the feel that, that clearly
8 with, with a lot of things I was dealing with,
9 were things that were from the time that he was,
10 uh, was running E&P.

11 Q Can you be a little specific.

12 MR. FERRARA: Objection as to form.
13 It's very ambiguous and vague. We know that this
14 is an important area of the testimony. I think
15 these should be questions that are precise that
16 the witness can answer with respect to relating
17 facts into the record.

18 BY MR. HABER:

19 Q You said that you had a feel, you said,
20 with "a lot of things that I was dealing with."
21 What do you mean by that?

22 A I think we can -- as I mentioned, when I
23 took over E&P, there were a lot of things
24 operationally, organizationally, et cetera, that I
25 found in the business that I was not very happy
0067

1 WALTER VAN DE VIJVER, January 31, 2007
2 with.

3 Q What sort of things?

4 A I think -- I mean generally in terms of
5 how the organizational structure was operating,
6 how we had made some choices in the, in the
7 portfolio; how we -- how the technical quality of,
8 of the organization was, was performing around the
9 strategy in terms of where we wanted to go. A
10 whole variety of, of business things.

11 Q And were these issues issues that you
12 communicated to Mr. Watts prior to your
13 termination?

14 A I had been totally transparent in my
15 whole tenure in E&P about what issues -- the
16 answer is yes. I've been totally transparent
17 about the issues I was working and I was dealing
18 with over the tenure.

19 Q When you say "over the tenure," you're
20 talking beginning as early as June of 2001?

21 A Yes. There were things already that I,
22 very quickly after I arrived -- you mentioned
23 example in Oman on things that I was uncomfortable
24 with.

25 Q Now, you mentioned choices in portfolio.
0068

1 WALTER VAN DE VIJVER, January 31, 2007
2 What did you mean by choices in the portfolio?

3 A A choice in the portfolio, I mean some
4 of the, the acquisitions that were made, that
5 didn't turn out as was hoped that they would turn
6 out, some of the strategic focus about where we
7 wanted to grow the business.

8 Q Did any of these choices have to do also
9 with bookings of proved reserves?

10 A No, initially that was not the first
11 thing I, I came across. I mean I think I -- the
12 issue around concerns around reserves started

13 early 2002.

14 Q And generally what were the issues
15 surrounding your concerns around reserves?

16 A Those were issues that they came up
17 during the closeout report from Anton Barendregt
18 in 2001 which identified areas of, of exposure and
19 concern.

20 Q Do you recall what areas of exposure
21 were identified with Mr. Barendregt?

22 A Some related to, to specific projects.
23 Some related to Oman and Nigeria as a total
24 country.

25 Q And of course, with Oman you had already
0069

1 WALTER VAN DE VIJVER, January 31, 2007
2 identified problems in your Trip Report; is that
3 correct?

4 MR. TUTTLE: Objection to form;
5 characterization of the testimony.

6 MR. MORSE: Same objection.

7 MR. DOWD: Answer the question.

8 BY MR. HABER:

9 Q You can answer the question.

10 A Sorry. Can you repeat the question
11 again.

12 Q I said with Oman you had already
13 identified problems in your Trip Report; is that
14 correct?

15 MR. TUTTLE: Same objection.

16 THE WITNESS: That's correct, but that
17 was not relating to proved reserves, just to
18 clarify.

19 BY MR. HABER:

20 Q It was a broader issue --

21 A Broader issues around the state of the
22 business.

23 Q Performance?

24 A Yes.

25 Q Production?

0070

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Production, but just quality of the, of
3 the overall operation, quality of the team, how

4 the company felt in terms of being well organized
5 and functioning.

6 Q And the Trip Report you distributed to
7 Phil Watts, correct?

8 A Yes, and Jeroen van der Veer.

9 Q Going back to the reasons why you felt
10 Mr. Watts should have been terminated, what other
11 reasons did you have for believing that?

12 A I'd rather talk about myself than about
13 other people, if I may.

14 Q Well, if I could I'd like an answer.
15 I'd like to know what other reasons.

16 MR. DOWD: Answer the questions. You
17 don't have that liberty.

18 THE WITNESS: Okay.

19 MR. FERRARA: Could you repeat the
20 question.

21 MR. DOWD: Hang on a second.

22 (Discussion was held off the record.)

23 BY MR. HABER:

24 Q Going back to the reasons why you felt
25 Mr. Watts should have been terminated, what are
0071

1 WALTER VAN DE VIJVER, January 31, 2007
2 the reasons you had for believing that?

3 MR. FERRARA: Objection; ambiguous,
4 vague, calling for a narrative, not facts.

5 BY MR. HABER:

6 Q You can answer.

7 MR. DOWD: Answer the question.

8 THE WITNESS: I, I generally felt that
9 the company was not doing well under his
10 leadership.

11 BY MR. HABER:

12 Q And what reasons did you have for
13 feeling that?

14 A As I mentioned earlier, a lot of these
15 reasons related to how I felt the E&P business was
16 run before my time.

17 Q Were there other reasons than what you
18 mentioned a few moments ago?

19 A No. I always tried to keep a
20 professional relationship going.

21 Q You referred to the E&P business under
22 Mr. Watts' leadership. When was he running E&P?
23 A From mid-'97 until June 2001.
24 Q Did any of the reasons that --
25 withdrawn.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Did the fact that there were a number of
3 bookings of proved reserves before they had
4 reached FID factor into your reasoning for why
5 Phil Watts should have been fired?

6 A No.

7 MR. TUTTLE: Objection to form. Assumes
8 facts not in evidence.

9 MR. MORSE: Objection.

10 BY MR. HABER:

11 Q You can answer.

12 A I said no.

13 Q You mentioned Judy Boynton as someone
14 who you believe should have been terminated. What
15 reasons did you have for that feeling?

16 A I felt very uncomfortable during Project
17 Rockford.

18 Q And why is that?

19 A I didn't feel that the right questions
20 were being asked and that we were going through
21 the process as efficiently as we could have gone
22 through.

23 Q Can you elaborate a little bit more of
24 what questions did you believe should be asked or
25 should have been asked.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. TUTTLE: Mr. Haber, at this point as
3 we get into questions on Project Rockford, I'd
4 like to remind you and the witness that Shell has
5 not waived its attorney/client privilege with
6 respect to conversations that Mr. Van de Vijver
7 may have had with lawyers or seeking legal advice.
8 I would ask you and Mr. Van de Vijver both to make
9 sure that we stay away from those privileged areas
10 and that the company intends to assert its
11 privilege on this.

12 MR. HABER: Okay.

13 MS. SENNETT: Objection to the form of
14 the question, too, if you're going to proceed and
15 answer.

16 BY MR. HABER:

17 Q Can you answer the question without
18 involving any counsel, any of Shell's counsel at
19 the time?

20 A I think I -- one of the things that I
21 did after this whole shock event at Shell, I wrote
22 a letter to my former colleagues in March 2004
23 where I tried to provide some of the overall
24 context, and particularly during Project Rockford
25 where I was, I was very worried about conflict of

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1 WALTER VAN DE VIJVER, January 31, 2007
2 interest, I was very worried about this not going
3 quickly enough through the process of establishing
4 what the real -- getting out of this new knowledge
5 based on Oman and Nigeria, trying to get a full
6 understanding of, of the extent of our global
7 problem based on the findings, and getting to an
8 understanding about, given what we had about
9 addressing issues like restatement and revision
10 and doing that role as expediently as possible.

11 MR. DOWD: Let me make a statement for
12 the record on behalf of Mr. Van de Vijver with
13 respect to Mr. Tuttle's point. After Mr. Van de
14 Vijver was discharged, there were leaks out of the
15 Shell organization trying to defame him and
16 destroy him, and it had to do with Rockford, so I
17 think he's free to respond, and particularly the
18 March letter, if you could focus on that, but
19 there weren't any privilege with respect to the
20 leaks to defame him and make it appear that he had
21 done nothing to bring these matters to the
22 attention of the senior people in Shell, so I
23 object to the objection, and I think Mr. Van de
24 Vijver ought to be able to testify to these
25 matters.

0075

1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. HABER: Certainly from the

3 plaintiffs' point of view, if the information was
4 leaked, then I would concur that there is no
5 privilege, because then that privilege would have
6 been waived.

7 MR. DOWD: Well, frankly, I don't know
8 what is privileged or is not privileged. I have
9 never been so advised, nor has Mr. Van de Vijver.
10 All I know is he was on the receiving end of false
11 and defamatory information from this company,
12 essentially destroyed the only asset he had, and
13 that's why he wrote the letter in March. So
14 perhaps we could focus on the March letter which
15 is not privileged and contains the information I
16 think you have.

17 MR. HABER: We need to take a two-minute
18 break.

19 THE VIDEOGRAPHER: This marks the end of
20 Tape 1 in the deposition of Mr. Van de Vijver. We
21 are going off the record. The time is 11:35 a.m.

22 (Exhibit No. 1 was marked for
23 identification and attached to the deposition
24 transcript.)

25 THE VIDEOGRAPHER: This marks the
0076

1 WALTER VAN DE VIJVER, January 31, 2007
2 beginning of Tape 2. We are back on the record.
3 The time is 11:42 a.m.

4 BY MR. HABER:

5 Q We have marked and handed to the witness
6 van de Vijver Exhibit 1. It's a letter from
7 Mr. Van de Vijver to his colleagues. It's dated
8 March 22, 2004. Its Bates number is LON01850017
9 through LON01850022.

10 Mr. Van de Vijver, have you seen this
11 letter before today?

12 A Yes.

13 Q Did you write this letter?

14 A Yes, with help from my, from my -- how
15 do you call it? Counsel. Attorney.

16 Q And what reasons did you have for
17 writing this letter?

18 A I was still very upset about what had
19 happened to me, which I considered totally unjust,

20 and I, I felt -- particularly with all the things
21 that were in the news on this issue, I felt that I
22 had to explain to the, to the board and my former
23 colleagues at CMD what I thought was the
24 reflection of the facts.

25 Q Now, earlier I had asked you questions
0077

1 WALTER VAN DE VIJVER, January 31, 2007
2 about why you believe Ms. Boynton should have been
3 terminated, and you identified one reason:
4 Because she wasn't asking the right questions. Is
5 there something in this letter where you discuss
6 that issue? And please take a moment to look at
7 the letter.

8 A Yeah. Now, what I tried to, to explain
9 here, first of all, is the sequence of events that
10 ultimately led to the realization in November 2003
11 that we had a big issue, and obviously that took
12 time, and I at all times shared with, with my
13 colleagues the progress in dealing with the
14 issues, the exposures and the general health of
15 the business. So I clearly felt that through my
16 frequent communication, both in terms of e-mails
17 as well as the formal notes to the CMD, that, that
18 my colleagues had been kept fully up-to-date on
19 the state of, of the issues. Clearly, in my role
20 I was not, not involved with, uh, with the group
21 or that committee, so that's -- I just shared
22 everything with, with the CMD.

23 Now, the reality was that in
24 November 2003 when I received unsatisfactory audit
25 reports on Oman and Nigeria, I was deeply
0078

1 WALTER VAN DE VIJVER, January 31, 2007
2 concerned that we now had a, a real disclosure
3 issue, and I got my staff to work on that whole
4 disclosure. I, I submitted a note to the CMD to
5 that effect on, on the 8th of December, 2003. I
6 was advised, as soon as I had submitted that Note
7 For Distribution to the CMD, that, that the note
8 needed to be looked at and, uh, and was then
9 redistributed the day thereafter to CMD, and some
10 changes were made.

11 At the same time when all of this was

12 ongoing, there was a lot of work ongoing trying to
13 get to the full understanding about not only what
14 the real numbers should be on Oman and Nigeria,
15 but also doing a patrol to the rest of our
16 portfolio, very carefully with the limited number
17 of experts we had, to try to get to the full
18 understanding. At that, at that first CMD
19 meeting, I think it was December 9th, the process
20 was, was being taken over by, uh, by the Group
21 Chairman and the CFO, and I felt that that whole
22 process was, was very, very difficult, very tense,
23 and it, it led to, to ultimately the disclosure as
24 it was on the 9th of January. I felt the whole
25 process was a very tedious process.

0079

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And when you say "the Group Chairman,"
3 who are you referring to?

4 A Phil Watts.

5 Q And the CFO?

6 A Judy Boynton.

7 Q Now, if you look at Page 3, and I'm
8 looking at the paragraph that begins "Throughout
9 this entire process." Do you see that? It's on
10 the -- it's the fourth -- it's the third paragraph
11 from the bottom. The first sentence reads,
12 "Throughout this entire process, my attempts to
13 bring the reserves issues to management's
14 attention were met with resistance."

15 How were your attempts resisted?

16 A You have to see the sentence in the
17 context of, of the whole period that, that started
18 in, when we had the real understanding in
19 November 2003.

20 Q Okay, so in that context, in that
21 context --

22 A In that context I, I charged -- in
23 November I charged Coopman to prepare the staff
24 work to take the issue at that stage I think my
25 target to Conference on the 3rd of December, and

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1 WALTER VAN DE VIJVER, January 31, 2007

2 as you know, it, it took a long time to actually
3 get there. I mentioned earlier that, that the
4 process that happened on the 8th of December were
5 actually when I had the meeting with all my staff
6 on the 3rd of December to work this and get all
7 the necessary work done. Part of that work was,
8 uh, was taken away from E&P and was taken by Judy
9 Boynton, and therefore I had the original -- I had
10 the work scope for E&P reduced, and thereafter, as
11 you know, the process was, was totally taken over
12 by the Chairman and the CFO, and I -- that was the
13 start of, of Rockford.

14 Q Now, when you say that, that the work
15 scope was taken away from E&P, what did you mean?
16 What do you mean by that?

17 A There were, there were two issues to
18 work. First, there was the technical work, doing
19 the detailed review based on the SEC rules, what
20 the real numbers needed to be, but there was other
21 issue that related to how are we going to
22 externally disclose the numbers, and what are we
23 going to communicate and what are we not going to
24 communicate in that disclosure externally. And
25 the note to the Group Audit Committee was also
0081

1 WALTER VAN DE VIJVER, January 31, 2007
2 largely outside my hands.

3 Q Do you have an understanding as to why
4 Ms. Boynton had reduced the scope of work at EP?

5 A I think she, she felt uncomfortable with
6 the work done by Frank Coopman and wanted to have
7 a closer control on the end product.

8 Q And what is your understanding as to why
9 she had felt uncomfortable with the work done by
10 Mr. Coopman?

11 MS. WICKHEM: Object to form and
12 foundation.

13 BY MR. HABER:

14 Q You can answer.

15 A Her, her relationship with Coopman was a
16 difficult one.

17 Q Did someone tell you that?

18 A Yes.

19 Q Who?

20 A Judy Boynton told me that in many
21 instances.

22 Q Did Frank Coopman ever tell you he had a
23 difficult relationship with Ms. Boynton?

24 A Yes.

25 Q On how many occasions?

0082

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Quite a few.

3 Q Who took over the work that was
4 earmarked or targeted toward E&P?

5 MR. MORSE: Objection to form.

6 MR. TUTTLE: Same objection.

7 BY MR. HABER:

8 Q You can answer.

9 A There was Tim Morrison, the controller
10 group working for Judy Boynton.

11 Q Now, who is Tim Morrison?

12 A The Group Controller.

13 Q And who did Tim Morrison report to?

14 A Judy Boynton.

15 Q Have you heard of a "dotted line
16 reporting" within Shell?

17 A Yes.

18 Q And what is your understanding of a
19 dotted line reporting?

20 A In this particular case it means that
21 the CFO of E&P has a dotted line reporting
22 relationship to the Group CFO.

23 Q And the opposite or I guess the other
24 type of reporting is a straight line reporting?

25 A Yes, straight line reporting to me of

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1 WALTER VAN DE VIJVER, January 31, 2007
2 Frank Coopman.

3 Q How did you react when Ms. Boynton had
4 reduced the scope of work that EP was supposed to
5 be doing?

6 MS. WICKHEM: Object to form and
7 foundation.

8 THE WITNESS: Well, I know we had a
9 discussion about it at that time, and in the end

10 of the day she is the Group CFO, so she has the
11 right to do that, and for us it was important to
12 make sure that we were getting the right numbers,
13 so in the end of the day you work within the
14 organization that is there.

15 BY MR. HABER:

16 Q And you said you had a, a discussion
17 with her. Was this a face-to-face meeting?

18 A Yes.

19 Q Do you recall when this meeting took
20 place?

21 A I think it was either the 4th or 5th of
22 December.

23 Q And where was the meeting held?

24 A In London.

25 Q And why was it held in London?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A She is based in London, and it was part
3 of the CMD system. We had offices on both sides,
4 so I also had an office in London, and I would be
5 there on a regular basis.

6 Q Was anyone else present during this
7 meeting?

8 A No. I think it was just between Judy
9 and myself, whereafter a note was issued to
10 clarify who was going to do what work.

11 Q Other than the reduction in the scope of
12 work to EP, are there any other instances where
13 you believe you met with resistance with regard to
14 Ms. Boynton?

15 A Well, there was a lot of argument at the
16 time as well about whether this was going to be a
17 revision or a restatement. We in E&P believed it
18 was pretty clear-cut that this needed to be a
19 restatement.

20 Q And why did you believe it needed to be
21 a restatement?

22 A Because it affected things that -- in
23 the strict adherence with the knowledge we now had
24 at the time of SEC rules, it was not related to
25 new learning in that particular year, but it was

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1 WALTER VAN DE VIJVER, January 31, 2007

2 something that in the past, based on using the
3 Shell guidelines, has been done incorrectly.

4 Q What was Ms. Boynton's position?

5 A She very much believed it to be a
6 revision.

7 Q Did she ever express to you why she
8 thought it should be a revision?

9 A A revision is an easier route, because
10 you don't have to readjust all your prior year
11 results as part of that process.

12 Q Did she say anything else?

13 A No, not that I recall.

14 Q Now, you understand that in January the
15 first announcement that Shell made referred to a
16 recategorization of proved reserves; do you recall
17 that?

18 A Yes.

19 Q Do you recall any discussion over
20 calling the restatement a recategorization?

21 MR. TUTTLE: Object to form and
22 foundation.

23 THE WITNESS: I recall that in early
24 January, John Darley and myself prepared a note
25 that tried to, to provide the rationale that this

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1 WALTER VAN DE VIJVER, January 31, 2007

2 was, was a restatement in our, in our position,
3 but ultimately it was decided in London that it
4 was going to be a recategorization. Sorry. I
5 have difficulty pronouncing the word.

6 BY MR. HABER:

7 Q Don't worry. It doesn't flow off my
8 tongue either.

9 Do you recall when this was decided in
10 London?

11 A A couple of days before the press
12 announcement.

13 Q A couple of days before the first
14 announcement in January of 2004?

15 A Yes.

16 Q Were you in attendance during this
17 meeting?

18 MR. TUTTLE: Object to form.

19 THE WITNESS: Not that I recall.

20 BY MR. HABER:

21 Q Did someone report to you what had been
22 decided?

23 A Yes.

24 Q Who?

25 A I think I remember receiving that from
0087

1 WALTER VAN DE VIJVER, January 31, 2007
2 Mary Jo Jacobi.

3 Q And who is Mary Jo Jacobi?

4 A She was the head of our External Affairs
5 or Public Affairs, one of the two departments.

6 Q Did she say she was in attendance at a
7 meeting where this decision was made?

8 A Not that I recall. I think this was an
9 e-mail that I saw.

10 MR. HABER: Let's mark as Exhibit 2 an
11 e-mail string, and while you take a look at it,
12 I'll identify it for the record.

13 (Exhibit No. 2 was marked for
14 identification and attached to the deposition
15 transcript.)

16 BY MR. HABER:

17 Q I've just marked as van de Vijver
18 Exhibit 2 an e-mail string, the last of which is
19 from Mr. Van de Vijver to John Darley and Frank
20 Coopman. It's dated December 29, 2003. The Bates
21 number is V00010584 through V00010587.

22 Mr. Van de Vijver, have you seen this
23 document before today?

24 A Yes.

25 Q Before I ask you the question about this
0088

1 WALTER VAN DE VIJVER, January 31, 2007
2 document, I just wanted to go back to your
3 understanding of the use of the word
4 "recategorization." Did you have an understanding
5 after learning from Ms. Jacobi why the term
6 "recategorization" was chosen?

7 A My understanding, it meant that
8 therefore it could not be interpreted just as

9 either a revision or a restatement. It was

10 something --

11 THE REPORTER: As either a what or a
12 restatement?

13 THE WITNESS: A revision or a
14 restatement.

15 BY MR. HABER:

16 Q Did Ms. Jacobi say anything about the
17 impact on the market that the term
18 "recategorization" would have?

19 A No.

20 MR. TUTTLE: Objection to form.

21 THE WITNESS: No.

22 BY MR. HABER:

23 Q Did Ms. Jacobi say anything to the
24 effect that a recategorization would be received
25 by the market better than a restatement?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. TUTTLE: Objection to form;
3 foundation.

4 THE WITNESS: No.

5 BY MR. HABER:

6 Q Now, looking at this document, you --
7 the last e-mail is from you to John Darley and
8 Frank Coopman. Who is John Darley?

9 A John Darley is -- was reporting to me.
10 He was the head of Technology, and he was my
11 Designated Focal Point in Project Rockford.

12 Q And when you say your "Designated Focal
13 Point," is that for EP?

14 A Yes.

15 Q And was there more than EP involved in
16 Project Rockford?

17 A Well, there was -- an organizational
18 structure was set up for Rockford, which clarified
19 who were the focal points for the various
20 organizations whilst we were working through this
21 process, and I felt strongly that John Darley was
22 the best candidate from the E&P side.

23 Curtis Frazier was my, my, was my legal
24 counsel for E&P; was also closely involved, on the
25 technical side, John Darley was leading the effort

0090

1 WALTER VAN DE VIJVER, January 31, 2007

2 and coordinating the activity.

3 THE VIDEOGRAPHER: If you could just
4 adjust your microphone really quick. It's about
5 to fall off your tie.

6 THE WITNESS: All right.

7 THE VIDEOGRAPHER: Thanks.

8 BY MR. HABER:

9 Q What other organizations were part of
10 Project Rockford?

11 A Public Affairs, IR, Legal, the finance
12 organization from, from Judy Boynton, obviously.
13 There was an organizational structure defined in
14 that time.

15 Q Who was the Focal Point for Investor
16 Relations?

17 A Simon Henry.

18 Q And who was Simon Henry?

19 A He was head of Investor Relations and
20 reported in to Judy Boynton.

21 Q And who is the Focal Point for Public
22 Affairs?

23 A That was Mary Jo Jacobi.

24 Q Okay, and in the organization, all of
25 these little separate organizations, did they

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1 WALTER VAN DE VIJVER, January 31, 2007

2 report to one person or persons at the top?

3 A Yes. Ultimately they all reported in to
4 Phil Watts.

5 Q Do you know at the time that, at the
6 time that Rockford was started, if anyone was
7 urging an independent review of the reserves
8 issues?

9 A So you mean independent outside the
10 company, or --

11 Q Well, let's take within the company.

12 A Within the company?

13 Q Other than being headed by Phil Watts.

14 MR. TUTTLE: Objection to form;
15 foundation, characterization.

16 THE WITNESS: Project Rockford was

17 launched by Phil Watts on that first CMD meeting
18 the 9th of December.

19 BY MR. HABER:

20 Q Okay. Now, let's take externally. Did
21 anyone advocate an independent review of the
22 reserves?

23 A Yeah, but I was not involved in those
24 discussions. They took place separately with the
25 Group, Group Audit Committee and the Group
0092

1 WALTER VAN DE VIJVER, January 31, 2007
2 Conference.

3 Q Going back, if we can look at Exhibit 2
4 for a moment, do you recall why you sent this
5 e-mail to Mr. Darley and Mr. Coopman?

6 A Well, this was part of our internal
7 debate, and I think there are a couple of more
8 e-mails at the time where I -- and I mean I
9 clearly was not an expert in this issue. I was
10 trying to get an understanding based on the rules
11 as they were, and that's why I asked originally
12 Judy Boynton the question about how this is worked
13 and got this feedback from Tim Morrison. And
14 ultimately from my interpretation of his notes, I
15 concluded it had to be a restatement.

16 Q And that's reflected in the note that
17 you wrote to them that says, "Looks that we are
18 more in hindsight mode number 2"?

19 A Yeah, but there were some separate other
20 notes as well to that effect.

21 Q Right, okay. Just so you know,
22 throughout these proceedings, we'll be coming back
23 and forth to this letter, so --

24 A Okay.

25 Q -- I just want to let you know to keep
0093

1 WALTER VAN DE VIJVER, January 31, 2007
2 it handy.

3 Other than Ms. Boynton and Mr. Watts,
4 was there anyone else you felt should have been
5 terminated as a result of their role in the
6 reserves recategorization?

7 MR. MORSE: Objection to form;

8 mischaracterizes prior testimony.

9 BY MR. HABER:

10 Q You can answer.

11 A No.

12 Q I'd like to -- just so you know where
13 we're going to go, I'm going to take you now to
14 when you first started as head of EP, CEO of EP.

15 When did you first learn that you were
16 appointed or selected to become the head of EP?

17 A I think that there was a two-step
18 process. I was -- in December 2000 I was asked to
19 become a member of the Committee of Managing
20 Directors, but it was not until February 2001
21 somewhere -- I don't know the exact date -- where
22 I was advised what my role would be.

23 Q Let's take the December 2000. Who asked
24 you to become a member of the Committee of
25 Managing Directors?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Mark Moody-Stuart.

3 Q And did he explain to you why you were
4 being invited to join the CMD?

5 A I, I don't exactly recall the, the
6 conversation. My head was spinning a little bit
7 at that time. I had not expected it to happen at
8 that time.

9 Q And at this time you were still at
10 SEPCo, correct?

11 A Yes.

12 Q I got it right this time.

13 A It was after -- it was after a, a --
14 what do you call it? In a regular meeting, I
15 think, of the, of Conference where I had been
16 presenting a project.

17 Q So you were advised during a
18 presentation?

19 A No, after, after, after the meeting.

20 Q I apologize.

21 Did Mr. Moody-Stuart say anything to you
22 about becoming a candidate for the position of
23 head of EP?

24 A No. I think at that time he merely said

25 that the normal process would be that somewhere

0095

1 WALTER VAN DE VIJVER, January 31, 2007

2 early in the year there would be discussions about

3 how the portfolio would be distributed.

4 Q Did you request to be considered as a

5 candidate for the position as head of EP?

6 A At that time?

7 Q Yes.

8 A No.

9 Q So if you didn't request, someone

10 nominated you?

11 MR. TUTTLE: Objection to form.

12 BY MR. HABER:

13 Q Do you know if someone nominated you?

14 A I'm -- I don't know how that process

15 ultimately works. I was not privileged to it. I

16 think I'm -- I may have made the remark somewhere

17 early in 2001 to Mark Moody-Stuart that I would be

18 very interested in the E&P business.

19 Q But at that time did you mention that

20 what you meant was to be the head of the business?

21 A Yeah, yeah. No. Clearly. Sure, but I

22 don't --

23 Q I'm sorry.

24 A He didn't give me any indication one way

25 or another.

0096

1 WALTER VAN DE VIJVER, January 31, 2007

2 (Discussion was held off the record.)

3 BY MR. HABER:

4 Q Do you recall having discussions with

5 anyone other than Mr. Moody-Stuart about an

6 interest you had in becoming the head of EP?

7 A No, I do not recall.

8 Q Do you recall having any discussions

9 with Phil Watts about becoming, you know, becoming

10 the head of EP?

11 MR. TUTTLE: Same time period?

12 MR. HABER: Yes.

13 THE WITNESS: I do not recall.

14 BY MR. HABER:

15 Q Now, you said that it was not until

16 February of 2001 or so where you were advised of
17 what your role would be. What did you mean by
18 that?

19 A In the CMD the various portfolios in
20 terms of the businesses -- gas and power,
21 chemicals, exploration and production and oil
22 products -- are distributed amongst the various
23 members of the Committee of Managing Directors,
24 plus allocation of some of the staff functions,
25 plus some of the regional responsibilities. And
0097

1 WALTER VAN DE VIJVER, January 31, 2007
2 when there is a change in the committee, then
3 there is a change in the allocation of roles.

4 Q And what role were you assigned?

5 A I was given the role of CEO of the
6 exploration and production business, and I was
7 given the regional role for Latin America and
8 Africa.

9 Q And within that region, Latin America
10 and Africa, did you have any responsibilities for
11 monitoring the activities of the operating units
12 within that region -- those regions?

13 A Yeah, but very much on a light touch
14 basis. I mean the businesses are directly
15 responsible for running the business, ensuring the
16 performance of the business. As Regional Managing
17 Director, you care more about the reputation of
18 the business, relationships with key
19 stakeholders -- for instance, the government --
20 and relationships with the country chairpersons in
21 that country, to make sure that they feel able to
22 do their job and have the right sort of check and
23 balances in place.

24 Q What is a country chairperson?

25 A A country chairperson is the most --
0098

1 WALTER VAN DE VIJVER, January 31, 2007
2 appointed most senior Shell person in a particular
3 country.

4 Q And was there a chairperson for Nigeria?

5 A Yes.

6 Q Who was the chairperson at the time that

7 we're talking about, February of 2001?

8 A Ron van den Bergh.

9 Q Did Mr. van den Bergh remain the country
10 chair throughout your tenure as head of EP?

11 A No. He moved -- somewhere during my
12 tenure he actually moved to become one of my
13 Regional Business Directors on the EP ExCom,
14 somewhere around the summer 2003, if I recollect,
15 when he took over from Din Megat, who then
16 retired.

17 Q And who succeeded Mr. van den Bergh as
18 chairperson for Nigeria?

19 A That was Chris Finlayson.

20 Q Do you know where Mr. Finlayson had come
21 from prior to succeeding Mr. van den Bergh?

22 A Yes. He was the Managing Director for
23 Shell in Brunei and also country chair.

24 Q Now, is there a difference between a
25 Managing Director and a Regional Business
0099

1 WALTER VAN DE VIJVER, January 31, 2007
2 Director?

3 A A Regional Business Director has
4 responsibility for -- are you talking about now my
5 EP ExCom, or are you talking about a Group
6 Regional Director?

7 Q I was referring to the Regional Business
8 Director that is a member of the ExCom.

9 A Okay. So the Regional -- the Regional
10 Business Director has responsibility for a
11 particular region, and someone sitting in a
12 country only has responsibility for the country
13 where he is located. And job titles, yeah, were
14 not always totally consistent, some clerical,
15 sometimes chief executive, some managing
16 directors, whatever was sort of the, sort of local
17 custom.

18 Q So a managing director in some operating
19 units could be the Regional Business Director?

20 A No. Well, that's, that's, that's
21 what -- that was one of the changes I made at the,
22 at the end of 2003, and we had the transition in
23 2003 when we actually created an organization

24 where we wanted to get more hands-on to the
25 operation, and some of the Regional Business
0100

1 WALTER VAN DE VIJVER, January 31, 2007

2 Directors would actually physically sit in a
3 location. So my Regional Business Director then
4 for Africa actually sat in Nigeria, for instance,
5 for the Middle East ended up sitting in Dubai.

6 Q So prior to this change in the
7 organization, the Regional Business Directors sat
8 where?

9 A Regional Business Directors sat in The
10 Hague.

11 Q In the Center?

12 A In the Center.

13 Q Do you know if there was anyone else who
14 was a candidate for the position of head of EP?

15 A No. I, I don't know, but I can guess
16 there were others, and when it comes to the, to
17 the Committee of Managing Directors, another
18 choice with respect to a history and experience
19 would have been Harry Roels, who also came from --
20 most of his career was spent in the E&P business.

21 Q And at the time you joined the CMD, who
22 was the chairman of the CMD?

23 A Phil Watts.

24 Q Do you know if Mr. Watts had any input
25 into your appointment?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A I don't personally I don't know,
3 but . . .

4 Q Did anyone ever tell you that he did?

5 A No.

6 Q Was Mr. Watts scheduled to retire at
7 some point, if you know?

8 A Well, when I was still within Shell,
9 there was a mandatory retirement age of 60, so I
10 think on that basis -- I can't be sure. I think
11 Phil Watts would retire in the middle of 2005.

12 Q Did Shell have a succession planned for
13 Mr. Watts?

14 A I'm not the one to be able to answer

15 that.

16 Q Were you interested in succeeding
17 Mr. Watts as chair of the CMD?

18 A Yes.

19 Q Do you have an understanding that being
20 head of EP was a footstone for becoming chair of
21 the CMD?

22 A I well understood that my two
23 predecessors had gone through the same route, so
24 yes.

25 Q Do you know who a Mr. Loudon is?

0102

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q And who is that?

4 A He is one of the board members of Royal
5 Dutch/Shell, so he sat at Conference.

6 Q Do you recall having any discussions
7 with Mr. Loudon about becoming the head of EP?

8 A Becoming the head of EP? No.

9 MR. HABER: This is a good time to
10 break.

11 MR. DOWD: Good.

12 THE VIDEOGRAPHER: We are going off the
13 record. The time is 12:26 p.m.

14 (Whereupon, the lunch recess was taken.)

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

17 BY MR. HABER:

18 Q Good afternoon, Mr. Van de Vijver. I'd
19 like to talk to you now about what had happened
20 when you became the head of EP, so my first
21 question to you is: Was there a transition period
22 between you and Mr. Watts?

23 A There was no real transition period. I
24 had a, a couple of, of meetings with him, and the
25 sort of formal handover happened at a group

0103

1 WALTER VAN DE VIJVER, January 31, 2007
2 leadership meeting in Houston in the end of May in
3 2001, and then I became the CEO of E&P in The
4 Hague in June. Somewhere in early June I moved my
5 family to come across with us.

6 Q Why is it the handover, the formal
7 handover occurred in Houston?

8 MR. FERRARA: Objection as to form;
9 foundation, calling for lay opinion.

10 THE WITNESS: That was pure --

11 BY MR. HABER:

12 Q You can answer.

13 A -- coincidence, because there was an
14 annual group leadership meeting taking place in
15 Houston which incorporated a meeting with all the
16 senior E&P people as well.

17 Q Was the handover planned for this group
18 leadership meeting?

19 A It was intentioned that that was the
20 last meeting for the E&P leadership forum where
21 Phil would have the forum and that I would take it
22 on from there onwards.

23 Q Did Mr. Watts make an announcement that
24 you were succeeding him at the meeting?

25 A Yes, and he handed over part of the

0104

1 WALTER VAN DE VIJVER, January 31, 2007
2 agenda to me.

3 Q What is a group leadership meeting?

4 A A group leadership meeting is an event
5 that started many, many years before my time,
6 where the senior persons in the group would get
7 together twice a year to basically discuss the
8 state of the group and whatever group initiatives
9 were, were happening at that stage. So that could
10 vary from the top 700 to the top 500 of the
11 company.

12 Q Do you know if any external participants
13 are invited to these group leadership meetings?

14 A Generally no, but sometimes some
15 external parties would be invited to make a
16 presentation.

17 Q What type of external party would be
18 invited?

19 A I remember at one occasion there was a
20 presentation from someone from an investment bank
21 that would make a presentation about sort of their
22 perception of Shell, and I think we also sometimes

23 had a CEO of another company to make a
24 presentation.

25 Q Do you recall at the group leadership
0105

1 WALTER VAN DE VIJVER, January 31, 2007
2 meeting where the formal handover occurred, if
3 there were any external participants?

4 A No.

5 Q Do you have an understanding as to why
6 the meeting was held in Houston?

7 A I, I think it sort of has grown
8 historically. I mean I think the most important
9 part was that there was an extremely good facility
10 there, a very large facility there in Woodland, I
11 think it is called, in Houston that was used when
12 Shell Oil for many, many years for training, and
13 it has a very large accommodation to it, so just a
14 convenient area. And it also -- as part of the
15 whole globalization effort, it is also part of
16 saying rather than people, the senior people,
17 which are many in the U.S., always traveling to
18 the other part of the world, once a year we would
19 have it in Houston. The other meeting would
20 always be somewhere else.

21 Q When you say "the other meeting" --

22 A These meetings occurred twice per year,
23 so one would be held in Houston, another one would
24 be held in Maastricht or in Paris or in London or
25 the Netherlands.

0106

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Just to be clear, I think you referred
3 to the facility as "Woodland." Is it Woodcreek?

4 A No. Woodcreek is the name of an office.
5 No, Woodland is sort of out of town. I think it
6 is called the Woodlands, yeah.

7 Q Okay.

8 A Not an office.

9 Q Okay.

10 A It is a pure training and convention
11 center type of facility.

12 Q Earlier you mentioned that there was an
13 investment banker that attended one of these

14 meetings?

15 A Yeah.

16 Q Do you recall which meeting that was?

17 A No, I cannot, not be sure. I know who
18 it was, but I would not be able to recall
19 whether -- what location it was.

20 Q And who do you recall the investment
21 banker was?

22 A It was Chang Su Yun. He was from
23 Goldman Sachs.

24 Q And do you know where he was based?

25 A In New York.

0107

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And you don't recall the date of this
3 meeting?

4 A No. As I said, I've been to so many of
5 these meetings, I really -- I cannot be sure.

6 Q Do you recall if this meeting where the
7 investment banker attended occurred during your
8 tenure as head of EP?

9 A No. I think it was before then.

10 Q You think it was while you were head of
11 SEPCo?

12 A Yeah, or even earlier, when I was CEO of
13 Gas and Power. I'm sorry. I can't really
14 recollect that one.

15 MR. DOWD: That's all right.

16 BY MR. HABER:

17 Q Now, going back to the handover period,
18 did you have any meetings with Mr. Watts about
19 what you could expect as head of EP?

20 A I had -- I think, as I said, I recall
21 two meetings with Watts where he would sort of do
22 a tour of the globe and give me a general
23 impression of what activity was ongoing, very much
24 focused around new business development
25 activities.

0108

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q During these meetings did he mention any
3 past bookings?

4 A No.

5 Q Did he mention any operating units that
6 may have issues that you should draw your
7 attention to?

8 A No, but I do think he, he thought it
9 would be a good idea if I would, sort of early on,
10 would visit Nigeria, because that was clearly an
11 area that he had worked in the past, and he
12 considered very important, and I personally had
13 never worked there, so . . .

14 Q Did he give any other explanation as to
15 why he thought you ought to consider visiting
16 Nigeria?

17 A No, just a general familiarization with
18 the business.

19 Q And in discussing Nigeria, did he
20 identify a particular operating unit within
21 Nigeria that you should visit?

22 A No. It was more in a general sense,
23 knowing there were two operating units there, SPDC
24 and SNEPCO.

25 Q But he didn't say which one you should
0109

1 WALTER VAN DE VIJVER, January 31, 2007
2 visit?

3 A (Shakes head.)

4 THE REPORTER: Was that a no?

5 THE WITNESS: That was a no. Sorry.

6 BY MR. HABER:

7 Q Did he mention Gorgon at all?

8 A No.

9 Q At that -- prior to that time had you
10 ever heard of Gorgon?

11 A Yes.

12 Q And how is it that you heard about
13 Gorgon?

14 A I heard about Gorgon for the first time
15 when I was CEO of Gas and Power.

16 Q And when did you -- when is this first
17 time that you have this recollection?

18 A Well, I don't know the exact time, but
19 as part of my handover for my job as CEO of Gas
20 and Power, I visited Australia fairly early on
21 when I was in, in that new job, because there were

22 two important parts. Australia also had the vast
23 majority of the coal business of Shell, so I
24 remember spending a whole week in, in Australia
25 visiting every single Shell mine that Shell had,
0110

1 WALTER VAN DE VIJVER, January 31, 2007
2 and probably also visited the Northwest Shelf
3 facilities.

4 Q And where is the Gorgon reserve located?

5 A Offshore, the Northwest Shelf. I don't
6 know what exact -- is it called Western Australia?
7 I guess it's Western Australia, yeah.

8 Q Well, during your visit to the Northwest
9 Shelf, do you recall visiting the Gorgon field?

10 A No, no. I didn't go offshore at all. I
11 visited the LNG facilities of the Northwest Shelf.

12 Q And where --

13 A Karata, I think it's called.

14 Q Did you visit with anyone at SDA, which
15 is Shell's operating unit in Australia?

16 A I can't recollect. I mean we're talking
17 ten years ago. I recollect spending a week with
18 Roland Williams, who was then the CEO and Chairman
19 of Shell Australia, but I can't quite recollect
20 who I all met or not met during that, that time.

21 Q Do you recall having any discussions
22 about the Gorgon fields at all?

23 A I'm sure it was, was mentioned during
24 that time, but I, I don't have any direct
25 recollection of what type of discussions.

0111

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Do you recall any discussions about the
3 market for the gas that Shell intended to sell at
4 that time?

5 A No, I don't have direct recollection of,
6 of those discussions.

7 Q Do you recall any discussion about the
8 Asian market collapse during your visit?

9 A No. That would have not have occurred
10 in, uh, in '97, because that collapse, I don't
11 know exactly when it was. I think it was later.

12 Q So you recall this being around 1997?

13 A Well, that's when I became CEO of Gas
14 and Power, and I know, because of my portfolio,
15 that Australia must have been one of the first --
16 together with Japan, must have been one of my
17 first visits that I, I did.

18 Q You mentioned that you had two meetings
19 with Mr. Watts. Do you recall over the time
20 period in which these meetings occurred?

21 A I think I had one dinner with him
22 somewhere early in May, and then the actual
23 breakfast meeting in, in Houston during this group
24 leadership meeting.

25 Q And again when was this group leadership
0112

1 WALTER VAN DE VIJVER, January 31, 2007
2 meeting?

3 A Somewhere in the second half of
4 May 2001.

5 Q Other than these two meetings, can you
6 think of any other communications that you had
7 with Mr. Watts concerning the transition into the
8 CEO position of EP?

9 A No, but he would -- as we got closer to
10 the date, he would copy me on, on some trip
11 reports that he had, and he would -- he sent me
12 the, the staff reports, I call it, the staff
13 appraisals of his people at EP ExCom.

14 Q Do you recall what trip reports he had
15 copied you on?

16 A If you can find something, then I'm
17 happy, but I wouldn't be able to recollect that.

18 Q Okay.

19 A But it's -- I did not get any beyond
20 what I mentioned on some of these e-mails and on,
21 uh, on the staff appraisals as part of the
22 closeout. I did not receive any other handover
23 documents.

24 Q Did you request any documents from
25 Mr. Watts?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A No.

3 Q Did you review any files during this

4 transition period?

5 A No, I -- when I came to the Hague, I
6 arrived in an empty office, and I spent time with
7 the people around me to give me a briefing and get
8 me up to date on the state of the business.

9 (Exhibit No. 3 was marked for
10 identification and attached to the deposition
11 transcript.)

12 BY MR. HABER:

13 Q We've marked as van de Vijver Exhibit 3
14 an e-mail from John Darley to Lorin Brass, among
15 other people. It's dated August 5, 2001, unless
16 you can correct me, if it's the other way, May 8,
17 2001. There's no Bates number on this. This was
18 produced in the native drive. It has a document
19 identification number in the upper left-hand
20 corner that says number "100214396: First meeting
21 with Walter."

22 Have you seen this document before
23 today?

24 A No.

25 Q Now, I recognize that your name is not
0114

1 WALTER VAN DE VIJVER, January 31, 2007
2 on this e-mail, but I asked, because perhaps you
3 might have seen it during your tenure.

4 A No.

5 Q The reference in this document is a
6 first meeting with you --

7 A Uh-huh.

8 Q -- with it looks like a number of
9 people, including Lorin Brass, John Bell, Fons
10 Claessen, Aidan McKay, Serge Leijten and Mark
11 Leonard.

12 Do you recall meeting with these people?

13 A I recall having a few meetings early on,
14 sort of the central strategy and planning people
15 in Lorin Brass' organization to get a feel for,
16 for the overall business.

17 Q Who is Lorin Brass?

18 A Lorin Brass was my director, responsible
19 for new business development strategy and
20 planning.

21 Q How would you describe the relationship
22 you had with Mr. Brass?

23 A Very good.

24 Q And just so the record is clear, the
25 date -- is this May 8, 2001, or is this August 5,
0115

1 WALTER VAN DE VIJVER, January 31, 2007
2 2001? Don't know?

3 A Well, I can't be sure, but if I think
4 it's the first meeting, then it probably must have
5 been in May, because if it was the first, I have
6 to assume it is May.

7 Q Well, I'd like you to -- I'd like you
8 to -- also, before we do that, who is John Bell?

9 A John Bell reported directly to Lorin
10 Brass and was the head of Planning and Strategy.

11 Q Now, I'd like you to take a look at --
12 I'm going to call them bullet points. They're
13 actually dashes, but if you take a look at the
14 third bullet point, the one that reads, "he picked
15 up on the aggressive targets for production in
16 BP00, commenting particularly about the
17 significant early contribution from strategic
18 options." Do you see that?

19 A Uh-huh.

20 Q Do you recall the discussion that
21 surrounded this statement?

22 A No, not directly, but if I, if I read
23 the terminology, "strategic options" must be
24 related to production linked to new business
25 development.

0116

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q What are strategic options?

3 A These are -- it's a combination of, of
4 activities that staff would be working to create
5 new business, from opening a business in a new
6 country or bringing an additional project into the
7 portfolio.

8 Q And with regard to the earlier part of
9 the statement about "aggressive targets for
10 production," do you recall any discussion about
11 that?

12 A This is a team that sort of came back
13 when we started building the business plan for the
14 following year, and here I guess they were giving,
15 giving me, giving me an overall update in terms of
16 the business, to get me up to speed.

17 Q And do you remember any discussion about
18 production targets?

19 A Well, if they showed me the business
20 plan, they must have talked about production
21 targets.

22 Q Are production targets included in the
23 business plan?

24 A Yes.

25 Q And do you recall any discussion about
0117

1 WALTER VAN DE VIJVER, January 31, 2007
2 those targets being aggressive?

3 MR. FERRARA: Asked and answered.
4 BY MR. HABER:

5 Q You can answer.

6 A Not particular recollection from this
7 particular meeting, but I remember having many
8 follow-up discussions as we prepared the business
9 plan for the next year.

10 Q And in those follow-up discussions do
11 you recall any discussions concerning production
12 targets being aggressive?

13 A Yes, and that ultimately led to whether
14 the process we went up with all the learning we
15 had later in the year to lower our production
16 growth target.

17 Q And what was the production growth
18 target that was reduced?

19 A I don't, I don't recall the exact
20 definition, but there was a growth production
21 target, there was a sort of window around it of
22 five percent, and I, I reduced that production
23 growth target -- based on all the learning we had
24 over the following months, as part of my due
25 diligence I reduced the growth target to three
0118

1 WALTER VAN DE VIJVER, January 31, 2007
2 percent.

3 Q We'll cover the events that relate to
4 that in a few moments.

5 The -- if you jump down to the bullet
6 point that says, "He showed concern at the trends
7 around reserves replacement," do you recall a
8 discussion around Shell's Reserves Replacement
9 Ratio?

10 MR. TUTTLE: Objection; characterization
11 of the document.

12 THE WITNESS: I do not directly recall
13 this particular discussion, but I assume that they
14 showed me some graph to show reserve replacement
15 over, over the years.

16 BY MR. HABER:

17 Q And what do you understand "reserve
18 replacement" to mean?

19 A Normally when we talk about reserve
20 replacement, we talk about the proved reserves
21 replacement or the percentage of reserve you
22 replace relative to the annual production in that
23 year.

24 Q And is that reflected in a percentage
25 that's referred to as the "RRR" or "Reserves

0119

1 WALTER VAN DE VIJVER, January 31, 2007
2 Replacement Ratio"?

3 A Yes.

4 Q And periodically throughout these
5 proceedings I may refer to it as "RRR."

6 Now, if you go down to the next bullet
7 point, it says, "He showed some concerns at our
8 lack of focus." Do you recall any discussions on
9 this issue?

10 A No. I don't have any direct
11 recollection of this discussion. I want to help,
12 so . . .

13 Q It's okay.

14 If you turn the page, the next sentence
15 says, "My feeling was that he recognizes a need to
16 prepare for 'spinning the problem away' at the
17 right moment (December analyst briefing?) and
18 would be prepared for a '3-month hit' on our
19 reputation/stock price (a la BP and their climb

20 down on production targets)."

21 Do you recall any discussion on the
22 issue I just read into the record?

23 A No, but I think the general part of --
24 this is my first sort of due diligence visit on
25 E&P, and I like to professionally deal with the
0120

1 WALTER VAN DE VIJVER, January 31, 2007
2 facts, whatever the facts tell me.

3 Q During meetings with your staff, did you
4 require your staff members to take notes?

5 A I didn't, no.

6 Q When you started meeting with your
7 staff, do you recall if any members of your staff
8 were taking notes of the meetings?

9 A No, no.

10 Q Did you take notes of meetings that you
11 attended?

12 A Yes, often I did, because, as you can
13 see later, that's what I had, and for Visit
14 Reports and so on, used to write those notes.

15 Q If you look at the last paragraph, the
16 one that begins "overall," and look to the second
17 sentence, which says, "My biggest takeaway was his
18 view (almost the first thing he said) of the "lack
19 of) realism in the current plan."

20 Do you recall any discussion about that?

21 A Well, no, I don't recall it, but I'm
22 referring to the earlier statement that was in
23 Matthias note. When it talks about "strategic
24 options," you have to make clear that the options
25 are happening if you put them in your production
0121

1 WALTER VAN DE VIJVER, January 31, 2007
2 forecast.

3 Q And did you find that these options were
4 being put in the forecast when they were not
5 happening?

6 MR. TUTTLE: Objection to form;
7 characterization.

8 THE WITNESS: No. I think -- I mean I
9 remember discussions later in July and August when
10 we really went deeply into that whole production

11 forecasting, that I noted that there had been
12 optimistic assumptions on when some of these
13 strategic options would occur.

14 BY MR. HABER:

15 Q And who did you have these discussions
16 with in July and August?

17 A A lot of those discussions are with
18 Lorin Brass and John, John Bell and others that
19 are part of the annual planning process.

20 Q And were these discussions a part of the
21 discussions that related to the production of the
22 production growth target you mentioned a few
23 moments ago?

24 A Yes.

25 Q Now, earlier you testified that you had

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1 WALTER VAN DE VIJVER, January 31, 2007
2 visited Oman in June of 2001, correct?

3 A Yes.

4 MR. HABER: I'm going to show you a
5 document which I believe is your Trip Report, but
6 I'd like you to identify it.

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

10 BY MR. HABER:

11 Q We've marked -- and Mr. van de Vijver,
12 if you could just review it while I'm identifying
13 the document for the record.

14 We've marked as van de Vijver Exhibit 4
15 an e-mail string, the last of which is from Jeroen
16 van der Veer, dated June 25, 2001, to Mr. Van de
17 Vijver, with a CC to Phil Watts. The subject line
18 reads "Visit to PDO." There are two Bates ranges.
19 The first one is V00230057 through V00230059. The
20 other one is Vijver 0057 through Vijver 0059.

21 Now, Mr. Van de Vijver, have you seen
22 these e-mails before today?

23 A Yes.

24 Q And is this -- "this" being the e-mail
25 from you, dated June 21, 2001, to Zaharuddin

0123

1 WALTER VAN DE VIJVER, January 31, 2007

2 Megat, with a CC to a number of people which I'll
3 ask you about in a few moments.

4 A Yes.

5 Q Since we're on the CC, who are the
6 members -- withdrawn. The people identified as
7 being copied on your e-mail of June 21, are
8 these -- are all of these people at the time
9 members of the EP ExCom?

10 A Yes.

11 Q And I think we talked about the ExCom
12 without identifying it earlier. Can you identify
13 what is the EP ExCom.

14 A That's the Senior Executive Team of the
15 E&P business.

16 Q Now, earlier you identified Bob Sprague.
17 Who is Tim Warren?

18 A Tim -- Tim Warren at that time had
19 regional responsibility for the Far East. That's
20 the EPA reference.

21 Q And Carol Dubnicki?

22 A The HR, Human Resource Director.

23 Q And she was on the ExCom?

24 A Yeah.

25 Q Okay. Lorin Brass you've identified.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 John Darley?

3 A He was head of the technology
4 organization.

5 Q Now, is John Darley someone you had a
6 good relationship with?

7 A Yes.

8 Q Is he someone you could talk to openly
9 and candidly?

10 A Yes. I still do.

11 Q How about with regard to Lorin Brass;
12 was he someone you could talk to openly and
13 candidly?

14 A Yes.

15 Q Heinz Rothermund; who is Mr. Rothermund?

16 A Heinz Rothermund was responsible for the
17 Africa region. I'm sorry. Africa and Latin
18 America.

19 Q And that would be the reference

20 indicator "EPG"?

21 A Yes.

22 Q And the next person, Dominique Gardy?

23 A He was my Finance Director.

24 Q And the final person, Linda Cook?

25 A Linda Cook was the CEO of Gas and Power,

0125

1 WALTER VAN DE VIJVER, January 31, 2007

2 and there was sort of an overall sort of

3 arrangement in place that she would be copied on

4 relevant information, including all the material

5 that went to the EP ExCom.

6 Q So Ms. Cook was not a member of the

7 ExCom?

8 A She was not a formal member of the

9 ExCom. She had her own Gas and Power ExCom.

10 Q Did she attend the EP ExCom meetings?

11 A Sometimes. She was invited. Sort of an

12 open invitation to attend.

13 Q So did she need a formal invitation to

14 attend, or she could just show up?

15 A She could just show up if it fit with

16 her schedule.

17 Q And the minutes of the -- withdrawn.

18 Were there minutes taken of the ExCom meetings?

19 A Yes, yes.

20 Q So the minutes of the ExCom meeting

21 would reflect who was in attendance?

22 A Yes.

23 Q Now, did you have a practice with regard

24 to recording your trips or memorializing what you

25 had seen or observed during your trips? As you

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1 WALTER VAN DE VIJVER, January 31, 2007

2 say, did you "make reports"?

3 A I did make reports.

4 Q Was that your practice to make reports

5 of your trips that you had taken?

6 A Yes.

7 Q And is Exhibit 4 reflective of that

8 practice?

9 A Yes.

10 Q Did you have a distribution -- a --
11 withdrawn. Were there certain people who you
12 always included in the distribution of your trip
13 reports?

14 MR. TUTTLE: Objection to form.

15 THE WITNESS: I tried as a general
16 practice to, on my visit reports, to at least copy
17 relevant CMD members, but most importantly the
18 relevant staff in my own organization.

19 BY MR. HABER:

20 Q How would you decide with regard to
21 relevant CMD members who to distribute a trip
22 report to?

23 A It depended on what their role was in
24 terms of regional responsibility or business
25 responsibility.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q So this particular trip report you
3 distributed to Mr. Van der Veer and Mr. Watts?

4 A Yes.

5 Q Is there anyone else that's not listed
6 here who you recall you may have distributed
7 Exhibit 4 to?

8 A I don't know.

9 Q If you look at your e-mail of the
10 June 22, which is the second one on Page 1, to
11 Mr. Watts and Mr. Van der Veer, you wrote, "FYI,
12 the overall health of the company was below my
13 expectation."

14 Did you get any feedback other than an
15 e-mail that was sent in response three days later
16 from Mr. Van der Veer?

17 A Not that I recall.

18 Q Do you recall having any verbal
19 communications with Mr. Van der Veer about your
20 trip to Oman?

21 A Not that I recall.

22 Q With regard to Mr. Watts, did you
23 receive any response to your trip report from
24 Mr. Watts?

25 A Not that I recall.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Now, if you look down at the e-mail
3 dated June 21, 2001, which is the third one on the
4 first page, I want to direct your attention to the
5 paragraph that comes under Number 1, "Company
6 Health." Feel free to read that whole paragraph
7 that begins, "Overall, Shell's financial take from
8 Oman." I'm interested in the sentence that
9 begins, "Not meeting the production target," so if
10 you could just take a look at that for a moment.

11 If you -- I want you to take a look at
12 the sentence that begins "Not meeting the
13 production target from 1997-2000 and being behind
14 the 850,000 b/d target year to date." Do you see
15 that?

16 A Yes.

17 Q Who set the 850,000-barrel-per-day
18 target?

19 A I don't know.

20 Q Do you know if that was a representation
21 that was made by Mr. Moody-Stuart and van der Veer
22 when they visited Oman a couple of weeks before
23 you?

24 MR. TUTTLE: Objection to form;
25 characterization of the testimony.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 THE WITNESS: Yeah, I understood that
3 during that visit, the achievability of
4 850,000 barrels a day was confirmed to the Sultan.

5 BY MR. HABER:

6 Q And this report reflects that PDO Oman
7 was behind achieving that target, correct?

8 A Yes.

9 Q The rest of the sentence says, "is an
10 extremely sensitive issue for Shell's and MOG's
11 reputation in the country." What does "MOG" stand
12 for?

13 A Ministry of Oil and Gas.

14 Q What did you understand that this was a
15 sensitive issue for Shell and the Ministry of Oil
16 and Gas?

17 A As I explained to you earlier, the total

18 country is usually dependent on the revenue coming
19 from the oil production in PDO, and their whole
20 budget, their country budget is based on, to a
21 large extent, by the revenue being generated by
22 this business.

23 Q Now, if you turn to the next page,
24 under -- it's the very top of the second page. It
25 says, "worrying issues." You see that? And then
0130

1 WALTER VAN DE VIJVER, January 31, 2007
2 there's four dashes.

3 A Yes.

4 Q What does "Omanisation progress at
5 senior levels" refer to?

6 A "Omanisation" is a term that was used
7 for getting local staff to climb up in the
8 organization, the hierarchy of the company, and
9 the whole process of getting more local staff to
10 look after the business and reduce the level of
11 dependence on expatriate staff. That was called
12 "Omanisation."

13 Q And was Omanisation something that the
14 Minister of Oil and Gas was interested in?

15 A The whole -- not only the Minister of
16 Oil and Gas, but the whole country, when it comes
17 to local employment of their staff and development
18 of their staff, consider Omanisation a very
19 important issue for the country.

20 Q And at the time is it fair to say that,
21 that there was not a lot of progress of
22 Omanisation at senior levels?

23 A Yeah. My perspective was to say that
24 the people I saw at senior level in the company,
25 as Omanis, were the same people I'm remembering
0131

1 WALTER VAN DE VIJVER, January 31, 2007
2 from seeing there, in my first assignment there
3 in '87-'91.

4 Q So you didn't see any new blood?

5 A I didn't see the sort of new blood and
6 progression I was hoping to see.

7 Q If you look at the next one underneath
8 it, it says, "Core business performance," and then

9 in parenthesis, "production, drilling, unit costs,
10 unit costs, new opportunities."

11 We touched upon it about production a
12 little bit, but if you could be a little more
13 specific, what concerned you about production
14 other than not meeting this 850,000-barrel-per-day
15 target?

16 MR. TUTTLE: Objection.

17 THE WITNESS: It was the general feel
18 that I had. I mean this is just a couple of days
19 visit when I sort of talked to people in the
20 organization, that I felt that the company overall
21 was not really at grips with the overall
22 performance of the business, as I explained a
23 little bit lower with some of the clarification
24 you see lower down in the e-mail.

25 BY MR. HABER:

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And who did you talk with?

3 A In Oman?

4 Q Yeah.

5 A With the management team and with a
6 variety of people in the organization, sort of
7 generally, sort of going through the office and
8 meeting with, with people.

9 Q Are there any people who come to mind
10 now that you recall meeting with?

11 A Well, the management, the management
12 team of, of the company.

13 Q Well, who would that be? I'm sorry.

14 A Well, the boss at that stage was Steve
15 Ollerearnshaw, Managing Director. Other members
16 of the team at that stage included Abdulla Lamki.
17 He was the Deputy Managing Director. There was a
18 Linda Armstrong. She was the Exploration
19 Director. I really have to rack my brains to try
20 to remember all those, all those names. There was
21 Jeroen Peters. He was one of the regional bosses.
22 And there was a Saif in Oman, but I don't know his
23 surname. S-A-I-F.

24 Q Okay. You also identify in the
25 parenthetical under "worrying issues" drilling.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 What was it about drilling that worried you?

3 A My worry about drilling is that the
4 company was still overly focused on drilling
5 additional wells and making sure the rigs were
6 busy drilling additional wells, because that would
7 generate additional production, but I, I didn't
8 get the confidence that people actually were
9 really, in detail, working field development
10 planning that should go before deciding where to
11 drill your wells.

12 Q And the next item in that parenthetical
13 under "worrying issues" is "unit costs." What is
14 it about unit costs that worried you?

15 A The Unit Technical Cost in Oman was
16 gradually increasing, so Unit Technical Cost is a
17 ratio of, of cost per additional volume that is
18 being generated, so the overall cost of producing
19 incremental barrels was on the increase.

20 Q So if I understand that correctly, the,
21 the unit cost is how much it costs to produce
22 volume --

23 A Incremental, sort of how the, very much
24 how to -- how the economics of individual project
25 activities were presented and how successful they

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1 WALTER VAN DE VIJVER, January 31, 2007
2 were as a project on a Unit Technical Cost basis.

3 Q And the next and last in that
4 parenthetical of worrying issues is "new
5 opportunities." What is it about new
6 opportunities that worried you?

7 A That some of the new business
8 opportunities that were out there were very
9 complex, and therefore they needed a lot of
10 technical work in order to, to mature
11 successfully.

12 Q At the time that you had visited Oman,
13 had you observed, through either your own viewing
14 or discussions with people at PDO, issues
15 concerning mature fields and not being able to
16 produce out of these mature fields?

17 A I think -- didn't I read in here that
18 there were some -- let me go back and read this
19 note.

20 I see a reference in the, in the note to
21 Yibal as one of the fields becoming "old and
22 tired," the very last sentence.

23 Q And I'm sorry. Where are you pointing
24 to?

25 A The very last sentence of my note.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q That's on Page 3?

3 A Yes.

4 Q Okay. Now, other than the people who
5 are identified on Exhibit 4, who within your
6 organization did you provide your trip report to?

7 A I cannot recollect anyone beyond this
8 distribution.

9 Q But do you recall having any discussions
10 with Lorin Brass? And I recognize he's listed on
11 here. I just want to know if you had any
12 conversations with Lorin Brass.

13 A I don't recall.

14 Q Do you recall having any discussions
15 with John Darley about your trip report?

16 A No.

17 Q How about with John Bell?

18 A No.

19 Q Okay.

20 A I think most of the sort of follow-up
21 discussions were with Din Megat, because it was
22 his -- it was in his region.

23 Q Okay. Did you talk to Din Megat about
24 what you had observed?

25 A Yes.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And when do you recall having that
3 discussion?

4 A On a very frequent basis, because, you
5 know, there's a lot of follow-up activity on, on
6 Oman, because what came out of here was the, a
7 strong desire from my side to strengthen the

8 organization in Oman and to provide more support
9 for activity within Oman.

10 Q During your discussion with Mr. Megat
11 did he indicate that he was aware of these
12 problems that you identified in your trip report?

13 MR. TUTTLE: Objection to form;
14 characterization of the document.

15 THE WITNESS: He recognized that there
16 were problems.

17 BY MR. HABER:

18 Q In particular, did he recognize any of
19 the worrying issues that you identified as
20 problems?

21 A Yes, and he shared with me during this
22 month a sort of other review that had taken place
23 on the overall health of Oman.

24 Q What did he say about this review?

25 A That it was -- that it indeed was

0137

1 WALTER VAN DE VIJVER, January 31, 2007
2 recognized that Oman was going to need a lot of
3 support to improve its performance.

4 Q When do you recall having this
5 discussion with him?

6 A In between here and, and September when
7 I had my next visit to, to Oman.

8 Q Do you -- did he say when this review
9 took place?

10 A If I recollect correctly, it's somewhere
11 in the June/July time frame.

12 Q So the review occurred after your trip?

13 A Well, or it was already started. I'm,
14 I'm not so sure.

15 Q Do you know if the ExCom was aware of
16 this review?

17 A I cannot be sure. I don't know.

18 Q Do you know if that would be reflected
19 in minutes of the ExCom?

20 A I, I cannot be sure. One thing that was
21 common practice, that with every ExCom meeting,
22 people from the various regions and departments
23 would include, in the pre-reading material,
24 highlights of their particular regions.

25 Q Did reviews such as the one you just

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1 WALTER VAN DE VIJVER, January 31, 2007
2 testified about, did they have to be approved by
3 the ExCom before they were conducted?

4 A No.

5 Q So such a review would be at the
6 discretion of the Regional Business Director?

7 A Yeah, but I think also at the discretion
8 of the board of PDO. If it would involve
9 shareholder activity, the board of PDO also needed
10 to approve that.

11 Q So other than you, do you know if
12 Mister -- if Mr. Megat had said he shared the fact
13 that this review, if it was being conducted with
14 anyone else on the ExCom?

15 A I can't recollect.

16 Q Okay. Did he ever say he shared the
17 fact that this review was being conducted with
18 anyone on the CMD, again other than you?

19 A I don't know.

20 Q Now, also -- you can put this document
21 aside.

22 Also, when we were earlier talking about
23 the disagreement with the Omani government, you
24 talked about a fee; am I correct?

25 A Yes.

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2 MR. HABER: I'm going to mark as van de
3 Vijver Exhibit 5 a document which I believe
4 discusses this disagreement that you had
5 mentioned, but again I'll ask you to identify it.

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

9 BY MR. HABER:

10 Q Actually, you know what, before we get
11 to this document, I just want to ask one follow-up
12 question about Exhibit 4. I'm sorry. With regard
13 to the issues that you identified as "worrying,"
14 did you take any steps to try to address those
15 issues that you identified?

16 A Oh, tremendously. I mean Oman became
17 one of the priority areas for me early on in my
18 tenure, to do as much as possible to support the,
19 the company to get back to its former glory.

20 I think one of the first people I
21 actually personally assigned to the organization
22 was a guy called Steve Ollerearnshaw, who I
23 considered the best petroleum engineer in the
24 company, and asked him to please go to Oman and
25 help to get grips on what I considered the key

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1 WALTER VAN DE VIJVER, January 31, 2007
2 core of the organization, to, to get the petroleum
3 engineer in the department up in quality. It
4 became a priority for our resourcing people.

5 Over the next year or so, I moved in
6 more than a hundred people into the organization.
7 We created study teams in many locations to do
8 field development activity. We started up an
9 actual study, a study center in Oman as well,
10 which had good local contact and credibility of
11 creating a center of action there, so changing the
12 people, I didn't like the management team,
13 ultimately moved out of MD, so a whole variety of
14 things that we, that we worked to get a better
15 grips on the overall quality of the organization
16 and address the concerns that I had about, about
17 what I found.

18 Q You said that -- one of the things you
19 said is you created study teams?

20 A Yeah.

21 Q Did any of these teams come out of a
22 service organization called SepTAR?

23 A Yes.

24 Q And do you recall if any of the teams
25 from SepTAR were located in the United States?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A They were. I mean the SepTAR
3 organization was, was a global organization which
4 had staff working in Houston as well as in
5 Rijswijk and The Hague and later also in Aberdeen,
6 and they were all the technical professionals that

7 would provide support to things that needed to be
8 done in Oman. Some of them were very complex, and
9 the local skills were not available on the
10 location, particularly not initially, to deal with
11 the complexity of a lot of these studies that
12 needed to be done.

13 Q Now, I just showed you what's been
14 marked as van de Vijver Exhibit 5. Can you
15 identify what this document is.

16 A This is a letter from the Minister of
17 Oil and Gas in Oman to myself.

18 Q And do you have an understanding as to
19 why the Minister of Oil and Gas had written this
20 letter to you?

21 A Well, it's a follow-up to a letter that
22 I wrote to him, so that's the first thing I see.

23 Q Okay.

24 A And this was -- I think this -- my
25 letter was related to the, to the reserves fee.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. HABER: We're going to mark the next
3 exhibit, but while we mark it, why don't we take a
4 break?

5 THE VIDEOGRAPHER: This marks the end of
6 Tape 2 in the deposition of Mr. van de Vijver. We
7 are going off the record. The time is 2:21 p.m.

8 (Whereupon, a short recess was taken.)

9 THE VIDEOGRAPHER: This marks the
10 beginning of Tape 3 in the deposition of Mr. Van
11 de Vijver. We are back on the record. The time
12 is 2:43 p.m.

13 (Exhibit No. 6 was marked for
14 identification and attached to the deposition
15 transcript.)

16 BY MR. HABER:

17 Q Mr. Van de Vijver, right before the
18 break I handed you a document that we marked as
19 van de Vijver Exhibit 6. It's a three-page letter
20 on Shell letterhead from you to two people, and
21 I'm not going to try to pronounce their names, but
22 it's the Minister of Finance and National Economy,
23 from the Sultanate of Oman, and to the Minister of

24 Oil and Gas, also from the Sultanate of Oman. The
25 letter is dated October 1, 2001, and the Bates
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1 WALTER VAN DE VIJVER, January 31, 2007
2 number is HAG00010179 through HAG00010181.

3 Do you recall drafting this letter?

4 A Yes, with support from my staff.

5 Q And in your prior answer you said that
6 Exhibit 5 was in response to a letter that you had
7 written dated October 1st. Is this that letter?

8 A Yes.

9 Q Now, who assisted you from your staff in
10 this letter, in drafting this letter?

11 A That would have mainly been John
12 Crocker, who was the Shell representative in Oman
13 at that time, and that's the senior Shell person,
14 the Shell representative office, and he had quite
15 a good personal relationship with the Minister.

16 Q Did Mr. Crocker accompany you when you
17 had visited Oman?

18 A Yes.

19 Q Generally speaking, do you recall why
20 you wrote this letter?

21 A This was as a follow-up to, to the
22 second visit I had to Oman I believe somewhere in
23 the end of September, where I also met with, with
24 these ministers.

25 Q Did you make a trip report of that

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1 WALTER VAN DE VIJVER, January 31, 2007
2 second visit to Oman?

3 A Well, I cannot recollect it, but mostly
4 I did, so . . .

5 Q Had you -- do you recall if the issues
6 that you termed "worrying issues" had improved
7 between June and September of '01?

8 A I think at that stage not a lot had
9 improved. I clearly had put a lot of --
10 personally put a lot of action in motion to get
11 improvements done, but these things take time.

12 Q Now, do you recall what you had
13 discussed with the two ministers during your visit
14 in September?

15 A It was about overall performance of PDO
16 and what PDO and Shell should be doing about it,
17 and as you see in the letter, there was also the
18 discussion on repayment of, of that, that bonus.

19 Q And that discussion, does that appear on
20 Page 3 of the letter?

21 A Yes.

22 Q And that's the top paragraph?

23 A Yes.

24 Q If you look at that paragraph, the first
25 sentence says, "The conclusion I draw from what I
0145

1 WALTER VAN DE VIJVER, January 31, 2007
2 saw is that the original reserves bookings were
3 reasonable on the basis of the best information
4 available at the time, but that it is now clear
5 there will be some de-booking at the conclusion of
6 the present studies."

7 What studies were you referring to?

8 A Petroleum engineering studies.

9 Q Were those the studies that you just
10 testified about that Mr. Megat had initiated?

11 A I'm talking about -- no, no. I referred
12 to Megat in terms of overall review of the
13 company.

14 Q I see.

15 A I'm talking here about specific field
16 studies on Yibal and on Marmul Haima.

17 Q And what kind of field studies were
18 being conducted?

19 A Petroleum engineering reviews of the
20 performance of original plans that were made on
21 those particular reservoirs.

22 Q Have you heard of a STOIP review?

23 A Yes.

24 Q What is a STOIP review?

25 A A STOIP review is Stock Tank Oil
0146

1 WALTER VAN DE VIJVER, January 31, 2007
2 Initially In Place. As occurred later, as you
3 know, at the end of 2002, we concluded that we
4 wanted to do a bottoms-up review of all the assets
5 involved in STOIP and ultimate recovery during

6 2003 for Oman, to get a bottoms-up understanding
7 of all the assets.

8 Q So these petroleum engineering reviews
9 were not a STOIIP review?

10 A Those particular studies, no. They were
11 performance reviews.

12 Q Who was conducting those performance
13 reviews?

14 A These particular ones were done in PDO.

15 Q By whom?

16 A By PDO staff.

17 Q Okay. Do you know if there were any hit
18 teams that were assembled to do reviews in PDO?

19 MR. TUTTLE: Objection; foundation.

20 BY MR. HABER:

21 Q Do you know what a hit team is?

22 A Yes. I know what a hit team is or a hit
23 squad. That's -- that started when I put in the
24 Technical & Operations Excellence group in The
25 Hague, created that somewhere around

0147

1 WALTER VAN DE VIJVER, January 31, 2007
2 September/October 2001 to recreate the Technical
3 Core of Excellence in E&P, and staff from that
4 organization would go out to specific locations
5 and assist people understanding their, their asset
6 base.

7 Q So is it fair to say that there were no
8 hit teams or hit squads assembled for the purpose
9 of performing these petroleum engineering reviews
10 that you just talked about?

11 A Not for these particular cases relating
12 to the \$30 million repayment of the fee; was
13 linked to work that PDO themselves had done,
14 because actually when I visited -- I don't recall
15 whether it was the first or the second visit of
16 Oman. I actually sat with the staff in the
17 organization to tell me about these, these reviews
18 and the status of these things, to get myself a
19 hands-on feel for what actually had happened and
20 what needed to be done.

21 Q Now, if you look at the sentence I just
22 read, there's a reference in there about -- it

23 says, "It is now clear there will be some
24 de-booking at the conclusion of the present
25 studies." What, what basis did you have for
0148

1 WALTER VAN DE VIJVER, January 31, 2007
2 saying that?

3 A In the Haima -- I recollect that the
4 Haima development plan was actually stopped
5 halfway. As, when they started drilling
6 development wells, they performed below
7 expectation, further development was actually
8 halted, indicating clearly that they were not
9 performing up to expectation.

10 Q And so if I understand this letter
11 correctly, you were making a connection between
12 the probable de-booking and the payment of the
13 \$30 million; is that correct?

14 A Yes.

15 Q Why is there that connection?

16 A That's because of the system that's in
17 place in Oman where part of the compensation for
18 Shell is in the form of, a of a fee that relates
19 to two elements. One is in success in finding --
20 with exploration -- new reserves, and the other
21 one is related to maturing reserves on existing
22 fields. All of these are related. When I talk
23 about a fee related to, uh, to existing fields, it
24 is linked to expectation reserves.

25 Q I see. Now, in your experience, was a
0149

1 WALTER VAN DE VIJVER, January 31, 2007
2 payment back to a government, such as in Oman, a
3 practice that had occurred in Shell prior to your
4 tenure?

5 A I don't know.

6 Q I'm sorry?

7 A I don't know.

8 Q Did you discuss the payment with anyone
9 prior to making the representation in the letter?

10 A Other than with my staff around me, no.

11 Q Did you discuss it with Phil Watts?

12 A Not that I recall.

13 Q Do you recall discussing it with any

14 member of the ExCom?

15 A Definitely with Din Megat as the
16 Regional Director.

17 Q Did you need approval from the CMD to
18 make the payment?

19 A No. That would be within my own
20 authority.

21 Q Was there a certain dollar threshold
22 within your authority that you could make payments
23 such as this one?

24 A My authority was to up to \$60 million.

25 Q And was that included in the business

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1 WALTER VAN DE VIJVER, January 31, 2007
2 budget of Shell, like a discretionary amount of
3 money you could spend?

4 A I'm not sure.

5 Q I just want to go back to the first
6 part, the first page of the letter for a moment.
7 I'm looking at the middle paragraph and the
8 sentence that begins, "The company's world-leading
9 reputation was earned." Do you see that?

10 A Yeah.

11 Q It goes on to say, "I hate to see it" --
12 referring to the reputation -- "called into
13 question by recurrent failures to deliver and by
14 unexpected shortfalls."

15 What were you referring to with regard
16 to recurrent failures?

17 A That we hadn't met our production
18 performance, and the forecast, and that there were
19 clearly problems in the organization.

20 Q When you had met with them, did either
21 Minister convey frustration to you about Shell's
22 performance?

23 A Oh, very clearly, yes.

24 Q And what did they say?

25 A They were both very unhappy with, with

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1 WALTER VAN DE VIJVER, January 31, 2007
2 the performance of Shell in the country.

3 Q Did they communicate to you that they
4 were upset with anyone in particular at Shell?

5 A No.

6 Q Did they communicate to you the --
7 withdrawn. Did they say to you that they had
8 communicated their unhappiness that Mark
9 Moody-Stuart and Jeroen van der Veer when they had
10 visited Oman?

11 A Not that I know.

12 Q If you turn to the second page for a
13 moment and look at the third full paragraph, you
14 see in the letter there's a reference to
15 815,000 barrels per day "on a capex budget of
16 \$975 million." Do you see that?

17 A Yes.

18 Q Do you recall discussions about that
19 production target, or if you read the next
20 sentence, the one about a previously stated target
21 of 830,000 barrels per day? Do you recall
22 discussions with the Ministers on that issue?

23 A Yes.

24 Q And what do you recall?

25 A From the Oman perspective, they, they

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1 WALTER VAN DE VIJVER, January 31, 2007
2 clearly were still hoping that as quickly as
3 possible we would return to the 850,000 barrels a
4 day, because that was the formal story that had
5 gone through to the Sultan. And I had at that
6 stage, seeing what I was seeing at that stage,
7 thought it was a difficult-to-achieve target, but
8 at the same time I had just gotten in there trying
9 to get an understanding of what was happening, so
10 a lot of work needed to, to happen to get a better
11 comfort and understanding about where production
12 would really end up.

13 Q And so the reference here to the "best
14 estimate" for the 2002 production was
15 815,000 barrels, correct?

16 A Yeah.

17 Q Now, it says that you are not willing
18 to, at that point, to give up on a target of
19 830,000 barrels. Was that 830,000 barrels per day
20 communicated during your trip in June of 2001?

21 A I think that's -- the 830,000 was the

22 formal business plan from PDO at that point in
23 time.

24 Q So that was already less than what had
25 been previously represented by Moody-Stuart and
0153

1 WALTER VAN DE VIJVER, January 31, 2007
2 van der Veer, correct?

3 A Yeah, but there may have been -- I don't
4 recollect the details. There may have been sort
5 of an incline up again to 850,000 maybe a year
6 later.

7 Q But in terms of what their
8 representation was and where you were at now, it
9 was different than what had been represented,
10 correct?

11 MR. TUTTLE: Objection to form; calls
12 for speculation.

13 MR. MORSE: Objection.

14 THE WITNESS: I don't know the specific
15 year. It was working towards a trend, long-term
16 trend of 850, but there may have been specific
17 years where that was not achievable.

18 BY MR. HABER:

19 Q Do you know when, looking at this
20 letter, the current best estimate for 2002 became
21 815,000 barrels per day?

22 A No, I don't.

23 Q By the way, in the upper right-hand
24 corner there is some handwriting. Is that your --
25 do you recognize that as your handwriting?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q I'm looking at still Exhibit 6, your
4 October 1st letter.

5 A The "Copy Megat, Mann"?

6 Q Yeah.

7 A No, that is my secretary.

8 Q And who is your secretary?

9 A Marian van der Laan. We can do the
10 spelling later.

11 Q And the Mann; is that Paul Mann?

12 A Paul Mann, yes.

13 Q Who is Paul Mann?

14 A He was the Regional Business Advisor for
15 Oman, reporting in to Din Megat.

16 Q Now, looking at Exhibit 5, do you
17 recognize the handwriting on this document?

18 A Yes.

19 Q And whose handwriting is that?

20 A Paul -- on top that's my secretary
21 again, and on the bottom is my handwriting.

22 Q On the bottom you're talking about --

23 A Copy John Crocker, Din Megat, Paul Mann.

24 "It is a pity," that's my handwriting.

25 Q And what does that say?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A "It is a pity that he wrote this letter.
3 Please recommend the appropriate response."

4 Q And what did you mean by that?

5 A Well, I was hoping at this stage,
6 particularly after my visit and our letter, that
7 he, he was convinced that I was doing everything
8 possible and starting so many initiatives to get,
9 get hold of the business and do all the right
10 things, that I hadn't expected that I would get a
11 letter back at that stage.

12 Q If you look at the middle of the first
13 page, the paragraph that begins "there were a
14 number of issues," towards the bottom of the
15 paragraph -- I believe this is Dr. Al Rumhy?

16 A Yes.

17 Q -- writes, "Many of us strongly believe
18 that the following factors are either responsible
19 or contributed to the production 'crisis,'" and
20 then he identifies five factors.

21 I want to address your attention to
22 Number 2, "Reserve Booking Methodology." Do you
23 have an understanding of what Dr. Al Rumhy was
24 referring to?

25 A Yeah, he referred to a, to a discussion

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1 WALTER VAN DE VIJVER, January 31, 2007
2 we had during the previous visit, that he believed
3 that, that reserve bookings which ultimately

4 linked up to expectation reserves for the company
5 had to be based on completed field development
6 plans on particular fields, where at in the past
7 it had been the custom that it was based on the
8 note for files that petroleum engineers prepared
9 that reflected their latest perspective on a
10 particular field rather than being a total
11 separate complete bottoms-up field development
12 plan that sometimes can take years to, to, to
13 prepare.

14 Q So Dr. Al Rumhy was advocating the field
15 development plan as opposed to these notes for
16 file?

17 A Yes.

18 Q What was Shell's practice with regard to
19 booking of proved reserves? Were field
20 development plans required?

21 MR. TUTTLE: Objection; foundation.

22 THE WITNESS: This had nothing to do
23 with proved reserves.

24 BY MR. HABER:

25 Q I understand.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 THE REPORTER: I'm sorry. I didn't get
3 the answer.

4 MR. HABER: He said it had nothing to do
5 with proved reserves.

6 BY MR. HABER:

7 Q I'm just asking separately if Shell
8 required field development plans to be in place
9 before reserves could be booked as proved?

10 A I would not be able to, to know yes or
11 no on that, that question.

12 Q Okay. Going back again to Exhibit 5,
13 the third item that he -- that Dr. Al Rumhy
14 identifies as "scorecard," do you recall a
15 discussion on scorecard?

16 A No, I don't.

17 Q Do you have an understanding of what
18 he's referring to?

19 A Yes. The board of PDO had a scorecard
20 to evaluate the performance of PDO as a company.

21 Q And was this scorecard a Shell

22 scorecard?

23 A No. It was a PDO scorecard, but Shell
24 introduced the system of scorecards to PDO. As
25 you know, PDO is a joint venture company, so they
0158

1 WALTER VAN DE VIJVER, January 31, 2007
2 have their own board.

3 Q So did you understand that Dr. Al Rumhy
4 was indicating that scorecard was a factor that
5 contributed to, as he puts it, the production
6 "crisis"?

7 A Yes.

8 Q Do you have an understanding if Shell
9 had anything to do with the PDO scorecard?

10 A Through the board of PDO where there
11 would be Shell representatives, the decision would
12 be made on the content of the scorecards.

13 Q And do you know in particular what it
14 was in the scorecard that Dr. Al Rumhy was
15 referring to?

16 A No, but maybe I need to read the letter.
17 One of the items on the scorecard was production.

18 Q Okay. Now, when you made the
19 \$30 million payment to the Omani government, did
20 you report the payment to the ExCom in a Note For
21 Information or a Note For Discussion?

22 A I do not know.

23 Q Do you recall if you advised the CMD of
24 the payment through a Note For Information or a
25 Note For Discussion?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A I do not recollect.

3 Q You could put this aside.

4 I'd like you to go back to Exhibit 1 for
5 a moment, your letter of March 22, 2004, if you
6 could just take a look at it, and in particular
7 under the heading "Efforts to Examine the Reserves
8 Issue," it's on Page 1. You wrote, "Soon after
9 coming to office as head of E&P in June 2001, I
10 observed that the health of the E&P business was
11 not as robust as the Company-determined

12 performance targets set under the former E&P CEO."

13 What did you mean by that?

14 A What I meant earlier, explained earlier,
15 that I found a lot of things in E&P that, that
16 concerned me, and one of those areas that
17 concerned me was the production growth target that
18 was out there, and after studying that in detail
19 and reviewing it, we went out to the markets I
20 think in August 2001 and lowered our production
21 target.

22 Q And I think I asked you earlier: What
23 was the externally communicated production target?

24 A Five percent growth.

25 Q Do you know how long that five percent

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1 WALTER VAN DE VIJVER, January 31, 2007
2 growth had been the external promise?

3 MR. TUTTLE: Objection to form;
4 characterization.

5 THE WITNESS: I don't know.

6 BY MR. HABER:

7 Q Over what time frame does that growth,
8 that five percent, cover?

9 A Typically it is a planning period of
10 four to five years.

11 Q Is there a reason why four or five years
12 is used as a planning period?

13 A Normally within the Shell Company the
14 basic horizon for making business plans is five
15 years out.

16 Q Okay. Did there come a time when you
17 determined that this five percent target was no
18 longer achievable?

19 A Yes, that was during the planning stage
20 for next year's business plan, which starts in
21 June and it's all the way in December. During
22 that process of looking at a draft business plan
23 for the following year, I discovered that there
24 was a problem with the five percent.

25 Q What were some of the factors that

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1 WALTER VAN DE VIJVER, January 31, 2007
2 caused you to conclude there was a problem with

3 the five percent target?

4 A It was a reflection of, of places like
5 the United Kingdom, Oman, and some of the timing
6 of new projects that would get on stream.

7 Q What new projects are you referring to?

8 A New business-related activity around
9 when some of the, the new fields would get on
10 stream, or there was also, I recall, an
11 expectation that very early on in the process,
12 based on assumptions at the time, that we would
13 commence major gas activities in Saudi Arabia,
14 which didn't materialize in the end.

15 Q Were there any other opportunities other
16 than the gas activities in Saudi Arabia?

17 A I mentioned the United Kingdom. The
18 production forecast turned out to have been too
19 optimistic. There was the situation of Oman. I
20 don't know at that stage what the situation of
21 Nigeria is. We have to look at information.

22 Q Had you visited Nigeria at the time that
23 you reached the conclusion that the five percent
24 target was no longer achievable?

25 A Yeah. Yes, I visited Nigeria. It was
0162

1 WALTER VAN DE VIJVER, January 31, 2007
2 the first visit I did in May 2001.

3 Q So you went to Nigeria before you were
4 formally in the position as head of EP?

5 A Yes, I took the opportunity to find
6 space to, as I recollect Phil Watts saying Nigeria
7 is one of the first countries you need to visit,
8 that I went already in May to visit Nigeria.

9 Q When did Phil Watts say to you that
10 Nigeria is one of the places you ought to visit?

11 A That was during the first handover
12 meeting we had.

13 Q Did he communicate any concerns about
14 Nigeria that you should address your attention to?

15 MR. TUTTLE: Objection; asked and
16 answered.

17 BY MR. HABER:

18 Q You can answer.

19 A No, only in the general sense that

20 Nigeria was very important, and given the fact
21 that I never worked there, it would be good to
22 familiarize myself with Nigeria.

23 Q Did he say why Nigeria was very
24 important?

25 A Nigeria was very important for the
0163

1 WALTER VAN DE VIJVER, January 31, 2007
2 group. It is one of our larger operations in the
3 group.

4 Q Now, when you say "larger operations,"
5 are you referring to people? Are you talking
6 about production? What do you mean?

7 A Basically all of that. I think there
8 were -- overall there were 6,000 staff in Nigeria.
9 It was one of the, the big producing areas for the
10 country, one of the areas with big reserves, and a
11 lot of expenditure because of the, the LNG
12 projects and everything that needed to be done to
13 get gas on stream and get deep water on stream.

14 Q When you went to Nigeria, did anyone
15 accompany you?

16 A Yes. I went together with Frits
17 Eulderink, someone I later sent to Oman to be
18 Technical Director. He was the Regional Business
19 Advisor for Nigeria.

20 Q Did anyone else accompany you?

21 A Not that I recollect.

22 Q Do you recall -- do you recall what,
23 what you had observed with regard to the
24 operations in Nigeria?

25 A No, not in detail. I was quite
0164

1 WALTER VAN DE VIJVER, January 31, 2007
2 overwhelmed by the scale of operations. I
3 actually visited the camps and I visited some of
4 the actual fields in the interior, so that was my
5 first ever time I went there.

6 Q Whether you say "the fields in the
7 interior," is that in SPDC?

8 A Yes, that's in the swamps in the delta.

9 Q I'm sorry. Did you visit SNEPCO?

10 A Yes, I also visited SNEPCO offices.

11 Q Were the SPDC and SNEPCO offices
12 geographically separate?

13 A Yes.

14 Q And where was SPDC's offices?

15 A SPDC had an office in Lagos, it had an
16 office in Abuja, it had an office in Port
17 Harcourt, and it had an office in Warri. And
18 SNEPCO had an office in Lagos.

19 Q Did SPDC and SNEPCO share offices in
20 Lagos?

21 A No. I think they were separate, because
22 one was a joint venture structure and the other is
23 a hundred percent Shell entity.

24 Q Well, you testified that there were a
25 number of things that you learned when you first
0165

1 WALTER VAN DE VIJVER, January 31, 2007
2 got into your position that contributed to your
3 conclusion that the five percent growth production
4 target wasn't achievable. What was it about
5 Nigeria that contributed to that conclusion?

6 MR. TUTTLE: Objection; characterization
7 of testimony.

8 BY MR. HABER:

9 Q You can answer.

10 A I do not recollect whether the change
11 from five percent to three percent was also
12 directly linked to, to Nigeria.

13 Q Okay. When you, when you were in
14 Nigeria, did you look at Nigeria at both --
15 withdrawn. Let me break it down.

16 When you were in SPDC did you look at
17 SPDC's business plan?

18 A Well, as far as I recollect, I must have
19 had a presentation on their business plan.

20 Q Do you recall such a presentation
21 occurring?

22 A I recall I was getting presentations. I
23 don't remember the details.

24 Q Do you recall who made the
25 presentations?
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1 WALTER VAN DE VIJVER, January 31, 2007

2 A A large part of the presentations were
3 done by Steve Ratcliffe.

4 Q And who was Mr. Ratcliffe?

5 A He was one of the members in the
6 management team of Ron van den Berg.

7 Q Do you recall the substance of the
8 presentation?

9 A Excuse me?

10 Q Do you recall the substance of the
11 presentation?

12 A No.

13 Q Do you recall forming any opinions about
14 SPDC's business plan while you were visiting them?

15 A No, not in any detail. I think I, I
16 left -- I mean I left with a bit overwhelmed about
17 the enormity of the company and the complexity of
18 what they had to deal with in a very difficult
19 operating environment.

20 Q Do you recall looking at any historical
21 documents -- withdrawn. Do you recall looking at
22 any historical data concerning SPDC's production
23 performance?

24 A No.

25 Q When you had concluded that the five
0167

1 WALTER VAN DE VIJVER, January 31, 2007
2 percent target was no longer achievable, did you
3 question how that figure was calculated?

4 A Yes, I recall going through many
5 sessions, wanting to understand what had changed.

6 Q And who did you have those sessions
7 with?

8 A A lot with the same people we mentioned
9 before, Lorin Brass and John Bell, the sort of
10 central planning and strategy group.

11 Q And what did you learn from these
12 various sessions?

13 A That things had clearly changed.

14 Q Do you recall what had changed?

15 A That some of the, the outlooks in terms
16 of production were not realistic anymore.

17 Q And do you recall the reasons why they
18 were no longer realistic?

19 A Because the data we now had on updated
20 production forecast and updated phasing of
21 activities was different from those a year
22 earlier.

23 Q And where were you getting this data
24 from?

25 A From the Central Group in The Hague of
0168

1 WALTER VAN DE VIJVER, January 31, 2007
2 Planning and Strategy that collected their
3 information from, from operating units.

4 Q And did that include information
5 obtained from the operating units in connection
6 with the ARPR?

7 A No. This is part of the planning
8 process, the business planning process --

9 Q Okay.

10 A -- which starts somewhere in May every
11 year.

12 Q And that occurs right after the ARPR
13 process concludes?

14 A Well, I mean it's sort of an ongoing
15 cycle. The business plan for the next year, given
16 the complexity of our organization, takes all the
17 way from May until ultimately December when it
18 gets approved at, at Conference, the business
19 plan.

20 Q Do you know when the five percent
21 production growth target was first externally
22 made?

23 A Sorry. Can you repeat.

24 Q Sure. Do you know when the five percent
25 production growth target was first externally
0169

1 WALTER VAN DE VIJVER, January 31, 2007
2 made?

3 A No.

4 Q Do you recall having any discussions
5 with Mr. Watts concerning the five percent
6 production growth rate and your conclusion that
7 that rate was no longer achievable?

8 A Several.

9 Q And when do you recall the first time

10 you had this communication with Mr. Watts?

11 A In the month of July.

12 MR. FERRARA: And the year?

13 MR. HABER: 2001.

14 BY MR. HABER:

15 Q Did you approach him?

16 A Yes. There were a variety of, of
17 discussions at that time, because this was a
18 sensitive subject if we would go out to the market
19 to, to lower our production growth target based on
20 the, the early information we had, but I felt very
21 strongly that based on the information we had,
22 that the five percent was not, not achievable
23 anymore.

24 Q Now, you said in your answer that "this
25 was a sensitive subject if we would go out to the
0170

1 WALTER VAN DE VIJVER, January 31, 2007
2 market." Why was this a sensitive issue for the
3 market?

4 A A five percent growth target was amongst
5 the external messages that were given by the
6 company to the market about expected production
7 growth, production performance.

8 Q And is it your understanding that the
9 market would react negatively to a reduction in
10 that growth target?

11 A Yes.

12 Q Now, in this conversation with
13 Mr. Watts, do you recall what he had said to you
14 in response?

15 A He was surprised about the reduction,
16 and he asked many questions to justify the
17 reduction in the, in the growth percentage.

18 Q Do you recall the questions that he
19 asked?

20 A He wanted to see many comparisons with
21 what it was now versus in the previous business
22 plan for him to fully understand what had changed
23 and thereby be able to come to a conclusion.

24 Q When you approached him with your
25 conclusion, how did he react?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A I mean all of us would like to have the
3 answer that the production growth number was still
4 valid, and having to go to your boss and say I
5 don't see that production growth as realistic
6 anymore, that raises a lot of questions. And we
7 went through several cycles and also not only went
8 to CMD but also went to, to the Conference to get
9 to the final conclusion, and then the external
10 message was, was given, coinciding with the
11 announcement of our second quarter results in
12 early August 2001.

13 Q Now, you said that this was the first
14 discussion you had with him. Was this a
15 face-to-face meeting?

16 A We had a few face-to-face meetings on
17 that as well, yeah.

18 Q And so the one that you just testified
19 to, was that a face-to-face meeting, the very
20 first time that you approached Mr. Watts?

21 A I recall that we -- on the production
22 growth target, I remember having a face-to-face
23 meeting with Watts in London on that subject.

24 Q Was Mr. Watts' office in London?

25 A Yes.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Was this a scheduled meeting?

3 A No. It was specifically on the subject
4 of production growth.

5 Q Now, subsequent to that meeting, did you
6 have further conversations with Mr. Watts about
7 the production growth target?

8 A I, I do not recollect the detail, but it
9 did come up, as you said, several times at CMD and
10 ultimately at Conference as well.

11 Q Now, when you say it came up several
12 times in the CMD, can you be a little more
13 specific what you're referring to.

14 A To the production growth targets about
15 what we had found and where the updated
16 perspective was.

17 Q Was this a discussion at the CMD?

18 A Yes.

19 Q Do you recall any particular meeting
20 where the production target was discussed?

21 A That must have been in the July time
22 frame, right before the announcement of our, of
23 our second quarter results in early August.

24 Q And again so July time frame, you're
25 referring to July 2001?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q When you first raised the production
4 target issue with Mr. Watts, did you recommend
5 reducing the target?

6 A Yes.

7 Q And what percentage did you initially
8 recommend?

9 A I do not recollect. Maybe two to three
10 percent.

11 Q Was Mr. Watts, throughout the
12 discussions, an advocate of keeping the five
13 percent target?

14 A Initially, but thereafter he, he
15 accepted the new facts.

16 (Exhibit No. 7 was marked for
17 identification and attached to the deposition
18 transcript.)

19 BY MR. HABER:

20 Q For the record, I've just handed the
21 witness a document that we've just marked as van
22 de Vijver Exhibit 7. It's a string of e-mails,
23 the last of which is from Pauline Ewart on behalf
24 of Phil Watts. It's dated August 22, 2001. It's
25 to Mr. Van de Vijver. The subject reads

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1 WALTER VAN DE VIJVER, January 31, 2007
2 "Production." The Bates number -- and there's two
3 of them -- is V00020050 through V00020051, and the
4 other one is DB00815 to DB00816.

5 Mr. Van de Vijver, have you seen this
6 e-mail correspondence before today?

7 A Yes, and I think I have to make a little
8 recollection in terms of my memory, because I did

9 now remember that on the 2nd of August, when Shell
10 went out to the market, we said that we were
11 having difficulty with our production growth
12 target, that we didn't actually communicate to the
13 outside market yet what the new number was going
14 to be. That was going to happen in an analyst
15 presentation in September '01, so the debate on
16 the number was still ongoing beyond July, and
17 that's, that's where this e-mail, now in terms of
18 refreshing my exact time, it was not July, but
19 August.

20 Q What was the -- if you have an
21 understanding of the reason why you went to the
22 market on August 2nd with the information that the
23 target would be reduced without giving the number.

24 A Because that there was the, the judgment
25 made at that time that we clearly had to flag to
0175

1 WALTER VAN DE VIJVER, January 31, 2007
2 the market that the five percent was not
3 achievable anymore, but work was ongoing to land
4 on what the new number should be, and that
5 opportunity would then be taken in, in September
6 when there was a planned analyst presentation.

7 Q Now, if you --

8 A Because I remember, because it's -- I
9 think in here in the e-mail it refers to "numbers
10 that I shared on Monday," so I must have had a
11 meeting with them just before this e-mail.

12 Q If you look at the e-mail from -- the
13 top e-mail from Mr. Watts to you, dated August 22,
14 2001, he writes, "You will have to put your Group
15 hat on and ask whether the hard two percent is
16 better than saying two to three percent (which
17 includes two) for the sake of not having to
18 precipitate a change that could be very damaging
19 for the Group."

20 What did you understand Mr. Watts to
21 mean by this statement?

22 A He would rather have the number to be
23 two to three percent than two percent.

24 Q Well, what did you understand him to
25 mean by "putting your Group hat on"?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Looking at it from the perspective of a
3 Group Managing Director rather than the CEO of the
4 E&P business.

5 Q Did you feel that he was trying to steer
6 your decision in that particular way?

7 A Yes.

8 Q Did you respond to this e-mail?

9 A I do not recall.

10 Q And the latter part of the sentence that
11 says that "a change that could be very damaging
12 for the Group," do you see that portion of the
13 sentence?

14 A Uh-huh.

15 Q Do you have an understanding of what he
16 meant there?

17 A Damaging for the Group's reputation.

18 Q Do you think he was also referring to
19 the price of the company stock?

20 A Yes.

21 MR. FERRARA: Objection as to form,
22 foundation, calling for a lay opinion.

23 MR. HABER: He answered.

24 BY MR. HABER:

25 Q Now I'd like to direct your attention to

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1 WALTER VAN DE VIJVER, January 31, 2007

2 your e-mail to Mr. Watts, which comes right
3 underneath it, and that's dated also August 22,
4 2001, and I'd like you to focus on the bottom
5 middle of the paragraph, the sentence that begins
6 "we can obviously," and then in quotes,
7 "over-engineer."

8 A Uh-huh.

9 Q The sentence goes on to say "all of
10 this, and we need to find the external story that
11 cannot be translated into technical incompetence,
12 (e.g., environment related and capital discipline
13 related)." What did you mean by "over-engineer"?

14 A We had by that time gone into cycles and
15 recycles, discussing what the best expectations
16 were on, on some of the production forecast, some

17 of these new projects which would come to a
18 maturation and on stream.

19 MR. TUTTLE: I think, Jeff, in reading
20 the text from the document, although it speaks for
21 itself, you left out the word "business" before
22 "environment."

23 MR. HABER: I apologize. Thank you.

24 BY MR. HABER:

25 Q Why did you need -- why did you need to

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1 WALTER VAN DE VIJVER, January 31, 2007
2 find an "external story"?

3 A Well, in the end of the day, if we could
4 go out with the story that our production growth
5 target would be reduced, based on the
6 understanding we had at that point in time, we
7 obviously would have to give an explanation why
8 the production growth target was being reduced.

9 Q Was there someone that you would have to
10 work with in order to formulate that story?

11 A That's the IR Department under -- at
12 that time reporting to Steve Hodge.

13 Q And who was Steve Hodge?

14 A He was the Group CFO at that time.

15 Q Now, if you go to the next sentence,
16 hopefully I don't leave anything out -- it says,
17 "Interesting to note is also that I believe that
18 we are experiencing 'pay-back time' for our past
19 successes."

20 What did you mean by that?

21 A Well, that it is -- apologies for
22 getting a little bit technical, but it has to do
23 with, with our advance in technologies and
24 capabilities on mature fields. New technologies
25 were being implemented, and I named a few that I

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1 WALTER VAN DE VIJVER, January 31, 2007
2 recall: Drill The Limit, Realize The Limit,
3 different completions under Valencia, Nubia. All
4 of these things were very successful, but what
5 they often may have actually led to, and rather
6 than sort of increase the ultimate recovery for a
7 field, they sometimes may merely just increase

8 production and then are rapidly thereafter

9 accelerate a decline.

10 So economically they are extremely
11 valuable, because you will get your revenue
12 earlier, but it may mean in terms of -- you may
13 get a false impression if you don't study it
14 carefully, that it's all leading to incremental
15 recovery where sometimes it may just be
16 accelerated recovery.

17 Q Were you -- other than what you
18 testified to, had you been learning about whether
19 production had been accelerated in prior years to
20 reach growth targets?

21 A No, I think generally the whole
22 organization for many years went through a whole
23 variety of initiatives, was doing everything
24 possible to what we call "sweat the assets," to
25 develop your assets in the most economic manner,
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1 WALTER VAN DE VIJVER, January 31, 2007
2 and what we were, were learning in places like the
3 North Sea, which is one of our mature areas, for
4 instance, that yes, that led to early successes,
5 but later we learned it also led to more
6 accelerated declines.

7 Q And then therefore that was having a
8 negative impact on production growth?

9 A Yeah, yeah.

10 Q Now, if you go down and look at the next
11 e-mail, there is correspondence between Phil Watts
12 and you, also dated on the 22nd, and there is a
13 reference to a discussion that Phil Watts had with
14 Steve Hodge. Did Mr. Watts ever tell you what he
15 and Mr. Hodge had discussed?

16 A Well, I don't know more than what's in
17 the e-mail.

18 Q Did you have any discussions with Steve
19 Hodge about your conclusion that the production
20 target ought to be reduced?

21 A I remember during that time there were
22 lots of discussions about this issue. I also
23 remember that during that time I also received a
24 phone call from Steve Hodge during the weekend,

25 because it was all very -- quite a tense period of

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1 WALTER VAN DE VIJVER, January 31, 2007

2 activity.

3 Q Do you recall what the sum and substance
4 of that phone discussion was?

5 A It was at that time still hoping that
6 the answer was, was going to be a minimal
7 reduction in our production growth target.

8 Q Do you recall Mr. Hodge saying to you
9 during that conversation that "heads will roll"
10 when the growth production target hits the market?

11 MR. TUTTLE: Objection; foundation.

12 THE WITNESS: I vaguely recall something
13 like that, but not exactly. Maybe . . .

14 BY MR. HABER:

15 Q Does your recollection -- withdrawn. Do
16 you recall that during that telephone conversation
17 or at another time?

18 A I wouldn't know exactly anymore.

19 Q But you have a vague recollection
20 that there was such a discussion?

21 A In that period somewhere there.

22 Q And just so --

23 A There was a lot of tension, yeah, a lot
24 of pressure.

25 Q Do you believe Mr. Hodge was putting

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1 WALTER VAN DE VIJVER, January 31, 2007

2 pressure on you to reach a certain production
3 targeted figure?

4 A I believe that, uh, that Hodge was, was
5 hoping that the reduction could be minimized.

6 Q Did you believe that he was trying to
7 steer you to a particular figure?

8 A Yes, to as high as possible figure.

9 Q But not the two to three percent that
10 you were talking about; is that correct?

11 A I, I think we had a lot of discussion
12 around whether it was going to two or three
13 percent or three percent in that whole period.

14 Q What did you conclude the number should
15 be?

16 A I think the final conclusion was three
17 percent over a certain time window.

18 Q I'm asking what, what number you
19 believed, with all the data that you had reviewed,
20 was the correct number?

21 A It was a -- at that time the judgment
22 call -- because I did a little bit of judgment
23 because of uncertainty around numbers. I think at
24 that time we were -- the judgment was very much in
25 the two to three percent range.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q But it wasn't at three percent?

3 A Well, two to three percent. Then you
4 have to go to the final discussion at CMD and
5 Conference on the subject.

6 Q I'm just trying to get an understanding
7 of what you -- what your judgment was based upon
8 the data that you were provided by your staff.

9 A At this time it was still, still in
10 that, in that range, two to three percent,
11 so . . .

12 Q Was the three percent figure a
13 compromise figure for you?

14 MR. TUTTLE: Objection; foundation.

15 THE WITNESS: Yes.

16 BY MR. HABER:

17 Q Now, if you look at Exhibit 7 for a
18 moment, there's a reference in the e-mail from
19 Mr. Watts to you -- and it's at the bottom -- to a
20 CMD meeting on August 28, 2001. Do you recall
21 attending the meeting in August, August 28, 2001,
22 where the production growth target was discussed?

23 A Not directly, but as it was a CMD
24 meeting, I would be there.

25 Q Do you recall at that point, by the end

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1 WALTER VAN DE VIJVER, January 31, 2007
2 of August, if the three percent number had been
3 the number that was presented for external
4 promise?

5 A No, no. Not yet. I said my
6 presentation to analysts was somewhere around the

7 middle of September 2001, so a little bit later.

8 Q I think earlier you said that the
9 Conference had to approve the reduction; is that
10 correct?

11 A Yeah.

12 Q Did you make a presentation to the
13 Conference concerning the reduction?

14 A Yes, yes.

15 Q And when, when was this meeting held?

16 A Somewhere in the period between the 28th
17 of August and 17th of September when I did the,
18 did the presentation.

19 Q Was there any reaction to the
20 presentation that you made?

21 A Yes, yes, there was a discussion at
22 Conference about ultimately what, what the
23 external promise would be.

24 Q And what do you recall about that
25 discussion?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A I did the presentation around that,
3 moving away from the five percent and shared where
4 we were and our best possible projections around
5 production growth and the way that was normally
6 presented to the market, and as the outcome of
7 that debate, that Conference, the conclusion was
8 to externally portray three percent.

9 Q Was there any resistance to the
10 reduction by any member of the Conference?

11 A Resistance to the reduction in growth?

12 Q Yeah, in effect, did anyone oppose it?

13 A No, but there was a healthy debate on
14 what the number should be.

15 Q Do you recall anyone in particular who
16 was most vocal?

17 A No.

18 Q Did Mr. Watts attend that meeting?

19 A He chaired the meeting.

20 Q Do you recall if Mr. Watts had anything
21 to say after your presentation?

22 A I, I do not know.

23 Q Let me take it during the discussion.

24 When was this discussion occurring in the meeting
25 where you made the presentation?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Well, as part of the normal agenda --
3 sorry.

4 Q I'm sorry. Let me ask -- I'm sorry. I
5 asked a bad question. I'm sorry. Let me rephrase
6 it.

7 Was there a discussion during the
8 presentation or after the presentation?

9 A After the presentation.

10 Q And you say Mr. Watts chaired the
11 meeting?

12 A That he chaired every meeting of
13 Conference.

14 MR. HOTZ: Mr. Haber, when you get to a
15 convenient point, if you wouldn't mind, could we
16 take a break? We're just getting toward 4:00.

17 MR. HABER: Absolutely.

18 MR. HOTZ: Great. Thank you.

19 MR. HABER: You're welcome.

20 BY MR. HABER:

21 Q Do you recall what Mr. Watts' position
22 was at the time of this Conference meeting?

23 A No.

24 Q You under -- do you understand that he
25 was supporting three percent at that point?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes, he supported three percent.

3 Q And when you made the presentation that
4 you made, did you include a discussion of some of
5 the production issues that we talked about in
6 Oman, for instance?

7 A Yes, I would have given, had the reasons
8 for why it was not anymore five percent, so I will
9 have given, as part of the presentation, some
10 insights in what had changed.

11 Q And some of those insights included a
12 discussion about Oman?

13 A Oman was one of the countries where
14 production had reduced.

15 Q Were there any countries that you
16 remember discussing?

17 A The United Kingdom, because it was quite
18 a big one. The United Kingdom was a hundred
19 thousand barrels a day in gross production, so
20 that was quite a big number in that, in that
21 overall number.

22 Q Were there any other countries?

23 A Not that I can recollect.

24 MR. HABER: This is probably a good time
25 to break.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 THE VIDEOGRAPHER: We are going off the
3 record. The time is 3:55 p.m.

4 (Whereupon, a short recess was taken.)

5 THE VIDEOGRAPHER: We are back on the
6 record. The time is 4:12 p.m.

7 BY MR. HABER:

8 Q Mr. Van de Vijver, I'm going to put you
9 back into that meeting at the Conference where you
10 made the presentation about the three percent or
11 the reduction of the five percent target. Did you
12 prepare any materials for distribution to the
13 Conference in connection with your presentation?

14 A I do not recollect, no.

15 Q When you went to the Conference to make
16 the presentation, did you -- withdrawn. Were you
17 concerned, at the time you made the presentation
18 to the Conference, that the Conference would not
19 support the reduction in growth target, the
20 production growth target?

21 A No.

22 Q Did anyone else make a presentation to
23 the Conference with regard to reducing the
24 production growth target?

25 A I do not recollect, no.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Did anyone accompany you?

3 A I do not recollect. It should be
4 visible in the minutes of the Conference.

5 Q Do you recall if all the members of the

6 Conference were present at the time you gave this
7 presentation?

8 A Yes.

9 Q Was Jeroen van de Veer a member of the
10 Conference?

11 A Yes.

12 Q Was Malcolm Brinded a member of the
13 Conference?

14 A Yes. He was there in his role as head
15 of Group Planning, not as a CMD member, because he
16 joined the CMD formally in the middle of 2002 if
17 I'm correct, if I can remember correctly.

18 Q Was Maarten van den Bergh a member of
19 the Conference?

20 A Yes.

21 Q Was Aad Jakob a member of the
22 Conference?

23 A Yes.

24 Q And again just so we're clear, at the
25 time you made the presentation.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q Was a gentleman by the name of Henny de
4 Ruiter a member of the Conference?

5 A Yes.

6 Q Who is Henny de Ruiter?

7 A Henny de Ruiter is a former Group
8 Managing Director, and after he retired as Group
9 Managing Director he became a member of the
10 Supervisory Board of Royal Dutch/Shell.

11 Q In August of 2001 did you feel that you
12 had external promises that you had to meet because
13 of the actions of your predecessors?

14 A Production growth was clearly one of
15 those things, yes.

16 Q Are there any others?

17 A There was ROACE -- well, the typical
18 parameters of, of the business that were in the
19 business plan, where it was related to cost,
20 capital investment, ROACE, production and reserve
21 replacement.

22 Q What is ROACE?

23 A Return On Average Capital Employed.

24 Q And what is it in layman's terms?

25 A That's an indication of the efficiency

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1 WALTER VAN DE VIJVER, January 31, 2007
2 of the business, in terms of the investments you
3 made, what sort of return you get on your
4 investment, but given all the depreciation factors
5 around the business, it's based on net income
6 after tax, but it is in the capital employed,
7 which incorporate the accounting basis for
8 calculating your capital employed at that
9 particular point in time.

10 Q In simple terms, it's a measure of the
11 performance of the company?

12 MR. TUTTLE: Objection to form.

13 THE WITNESS: It's one of the indicators
14 on the efficiency of the business; that is, the
15 capital efficiency measure of the business
16 overall.

17 BY MR. HABER:

18 Q Okay. Now, you said you met with
19 analysts in September of 2001; is that correct?

20 A Yes.

21 Q And it was during this, this conference
22 with analysts that you gave the actual production
23 growth target?

24 A Yes.

25 Q Was this during a Conference call with

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1 WALTER VAN DE VIJVER, January 31, 2007
2 analysts?

3 A No. This was actually a presentation, a
4 live presentation first in, in Europe. I wouldn't
5 be able to directly recollect whether The Hague or
6 London, and then the day thereafter it would be a
7 repeated in New York.

8 Q Did you go to New York to do the repeat
9 of the presentation?

10 A Yeah, exactly the same presentation.

11 Q Did anyone from Investor Relations
12 accompany you?

13 A Oh, yes.

14 Q Who?

15 A Several people.

16 Q Do you recall having any discussions
17 with people from Investor Relations on your trip
18 over to New York about what the U.S. market was
19 expecting?

20 A No, not that I recollect. The
21 presentations in itself were the same.

22 Q Now, the presentation that was conducted
23 in Europe; was that broadcast over the Internet?

24 A Yes.

25 Q And therefore there would be worldwide

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1 WALTER VAN DE VIJVER, January 31, 2007

2 access, correct?

3 A Yes.

4 Q Do you recall what the reaction of the
5 analysts were to the reduction in the growth -- in
6 the production growth target?

7 A The market was disappointed by the
8 lowering of the production growth target and the
9 new number.

10 Q And when you say "the market," are you
11 referring to analysts?

12 A Yes.

13 Q Do you know if there was any impact on
14 the price of the stock after the presentation?

15 A I, I do not recollect.

16 (Exhibit No. 8 was marked for
17 identification and attached to the deposition
18 transcript.)

19 BY MR. HABER:

20 Q I've just handed the witness what we've
21 marked as van de Vijver Exhibit 8. It's a
22 one-page e-mail from Mr. Van de Vijver to Philip
23 Watts, dated September 11, 2001. The subject line
24 is "Presentation." The second page is handwritten
25 notes. The Bates number for this exhibit is

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1 WALTER VAN DE VIJVER, January 31, 2007

2 HAG00020430 through HAG00020431.

3 Mr. Van de Vijver, I'd just ask you to

4 take a look at this.

5 A Yeah.

6 Q Mr. Van de Vijver, have you seen this
7 e-mail before today?

8 A Yes.

9 Q And if you look at the second page --

10 MR. DOWD: Give him a chance to read it.

11 MR. HABER: Oh, sure. I'm sorry. I
12 thought he was done. My apologies.

13 BY MR. HABER:

14 Q Are you through?

15 A Yes.

16 Q Okay. Can I ask you, have you seen the
17 e-mail today -- before today?

18 A Yes.

19 Q And the second page, which is
20 handwritten notes, do you recognize the
21 handwriting?

22 A This is my handwriting.

23 Q This appears to be part of a larger
24 handwritten note. Looking at this document now,
25 do you have any recollection as to what this was a
0195

1 WALTER VAN DE VIJVER, January 31, 2007
2 part of?

3 A It looks to be the basis of a
4 presentation, but I don't recollect.

5 Q If you look at the e-mail now, the
6 second paragraph and the sentence that begins "I
7 have been struggling" -- are you with me?

8 A Yes.

9 Q It says, "I have been struggling with my
10 principles and integrity over the last couple of
11 months whilst going through the due diligence of
12 EP and the new business plan as it came together."

13 What was causing you to struggle with
14 your principles and integrity?

15 A This also is ongoing discussion around
16 what the best perspective of the business was at
17 this point in time. Still learning about why
18 certain things had happened and why certain things
19 were what they were.

20 Q There's a reference here to "due
21 diligence." What due diligence were you referring

22 to?

23 A That's my due diligence, since I arrived
24 in EP, to understand the business and get hold of
25 the issues and dealing with issues.

0196

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q Now --

3 MR. DOWD: Excuse me. Is this the way
4 this document was produced?

5 MR. HABER: I can only tell you that, as
6 you see, it's Bates numbered sequentially, and
7 that's the way we have it.

8 MR. DOWD: Okay.

9 MR. HOTZ: It looks like a second page
10 begins with Number 6. That's why we're asking.

11 MR. HABER: I can only tell you the
12 Bates numbers. This is the way we have it.

13 MR. HOTZ: And it was produced stapled
14 like this together?

15 MR. HABER: Electronically that's the
16 way it comes, so I can't tell you any more than
17 that.

18 BY MR. HABER:

19 Q Again looking at this sentence, the
20 sentence -- the part of the sentence saying that
21 you're struggling with your principles and
22 integrity, did you feel, when you wrote this, that
23 you were under pressure from Phil Watts or Steve
24 Hodge?

25 A I was under pressure, yes.

0197

1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And how were you under pressure?

3 A Under pressure to deliver the highest
4 growth target for the business.

5 Q Do you have an understanding as to why
6 they were exerting this pressure to achieve the
7 highest growth target for the business?

8 MR. TUTTLE: Objection to form; calls
9 for speculation.

10 BY MR. HABER:

11 Q You can answer.

12 MR. DOWD: If you know.

13 THE WITNESS: No, not directly.

14 BY MR. HABER:

15 Q Now, the next part of the sentence -- of
16 the paragraph, rather, the next sentence reads,
17 "There are several things that should really worry
18 us," and again there are a number of items. I'll
19 call them bullet points. They're marked off by
20 dashes.

21 A Uh-huh.

22 Q The first one is "core business issues
23 in places such as Exploration, PDO, ExPro and
24 Australia." What were the issues that you're
25 referring to?

0198

1 WALTER VAN DE VIJVER, January 31, 2007

2 A Exploration, I was not happy with the
3 way it was structured, and that is one of the
4 first things I changed to globalize the
5 Exploration business. PDO we talked about. ExPro
6 we talked about.

7 Q Okay.

8 A And also during the time I actually
9 visited ExPro to get a hands-on feeling for the
10 performance in ExPro. And Australia, because
11 there we, we had some disappointing performance on
12 a new field there.

13 Q Does this reference to Australia have
14 anything to do with Gorgon?

15 A No, no, no, no.

16 Q Now, the third bullet point says "lack
17 of ownership and accountability topdown in EP."

18 A Yeah.

19 Q What did you mean by that?

20 A I felt that, that the structure in E&P
21 was not the best it could be in getting direct
22 hierarchy, hard-wiring of accountability in the
23 organization, and this had to do with having a
24 very strong operating units with very powerful
25 CEOs at that level and not the ability to bring

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1 WALTER VAN DE VIJVER, January 31, 2007

2 that sort of seamlessly together as it's reported
3 up to the EP ExCom. You see as part of that

4 follow-up that's one of the things that changed
5 during my tenure in E&P to improve that, uh, that
6 organization and hard-wiring the accountability
7 and the ownership.

8 Q Okay. The next bullet point I would
9 like to direct your attention to says, "Increased
10 competition also w-r-t," which is "with respect to
11 growth targets and with respect to earning a P/E
12 premium." What were you referring to there?

13 A That's external competition to Shell, so
14 that's other companies who are delivering and
15 succeeding. So Shell was not as strong as maybe
16 internally the company perceived themselves to be,
17 relative to the competition.

18 Q Now, the handwriting underneath the one
19 I just read to you, is that your handwriting?

20 A Yeah.

21 Q Can you make out what that says.

22 A "No oil to gas shift."

23 Q What did you mean by that?

24 A That it was the aspiration of the Group,
25 over time, to make its portfolio more gassy, so in
0200

1 WALTER VAN DE VIJVER, January 31, 2007
2 terms of the split between oil and gas production,
3 to gradually get more gas production in there in
4 the company.

5 Q By the way, when you sent this e-mail,
6 had you already made a presentation to the
7 analysts?

8 A No.

9 Q Did Shell issue a press release in
10 connection with the reduction of the growth
11 target?

12 A Yes.

13 Q Did you review the press release before
14 it was disseminated?

15 A Yes, but final control is within the
16 London organization.

17 THE REPORTER: Within the what
18 organization?

19 THE WITNESS: London organization.

20 BY MR. HABER:

21 Q And who are you referring to?

22 A That's investor relationship, investor
23 relations that report to the CFO that ultimately
24 reports in to the chairman.

25 Q So do you know if the press release was
0201

1 WALTER VAN DE VIJVER, January 31, 2007
2 approved by Philip Watts?

3 A Oh, definitely it will have been
4 approved by Phil Watts.

5 Q And underneath Philip Watts, Judy
6 Boynton?

7 A Yes.

8 Q And underneath that --

9 A Well, sorry. That's probably still
10 Steve Hodge during the transition period.

11 Q You're correct. I'm sorry. Steve
12 Hodge? It was approved by Steve Hodge?

13 A Well, it was during the handover. I
14 don't recall exactly when that happened.

15 Q And was Simon Henry the head of Investor
16 Relations at this time?

17 A Yes.

18 Q And so he would have been part of that
19 approval process?

20 A Yes.

21 Q If you look at the bottom of the page,
22 the paragraph that begins, "We will tell a
23 confident story to the analysts," then it says,
24 "At EP ExCom today there was significant
25 discomfort with the three percent growth target
0202

1 WALTER VAN DE VIJVER, January 31, 2007
2 and with the 15 percent ROACE promise."

3 Do you recall attending the ExCom
4 meeting that's referred to in this e-mail?

5 A Yes, but I don't recollect the type of
6 discussion that took place.

7 Q Do you recall who at ExCom voiced
8 discomfort with the three percent growth target?

9 A No.

10 Q What was the issue with regard to
11 "15 percent ROACE promise"?

12 A As I said earlier, one of the targets
13 that the business has was a ROACE target. ROACE
14 target was always as a certain reference oil price
15 to take out the sensitivity to oil price, because
16 at that time it was \$14 a barrel in terms of the
17 reference price.

18 Q If you look at the next sentence, it
19 says, "This is, as you know, because our current
20 plan does not achieve these targets whilst you
21 normally want to have some 'headroom' between
22 internal plans and external promises."

23 Was this statement meant to ascribe a
24 reason for the discomfort that was voiced during
25 the ExCom meeting?

0203

1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. TUTTLE: Objection to form; calls
3 for speculation.

4 THE WITNESS: If I read my own sentence
5 correctly, it is linked to the sentence above.

6 BY MR. HABER:

7 Q Okay, you can put this document away.

8 A little bit earlier this morning you
9 had mentioned the Technical & Operations
10 Excellence, the T&OE, I believe.

11 A Yes.

12 Q What is the T&OE?

13 A This was a recreation of a group of, we
14 call them "gurus," we call them "senior
15 professionals" in their particular area of
16 expertise, that would help in the oversight and
17 support of technical work across the group in the
18 various operating units, and that is something
19 that I initiated, because I felt it was very
20 important to the core of the business as doing
21 good technical work, to make sure that the profile
22 and visibility of the technical work and the
23 senior specialists were well recognized within
24 E&P.

25 Q Why did you initiate the T&OE?

0204

1 WALTER VAN DE VIJVER, January 31, 2007

2 A It, it was partly because of the

3 concerns that I found in my visits in the various
4 places I visited, but also partly linked to my own
5 historical recollection of E&P about the roles and
6 positions that existed many years before when I, I
7 worked in, in the head office in The Hague as a
8 young engineer.

9 Q Did you need approval for the creation
10 of the T&OE?

11 A No, I don't think so. I did need
12 approval for some of the organizational changes
13 that I made to the EP ExCom around the
14 September/October time in that year.

15 Q And why did you make organizational
16 changes to the ExCom?

17 A As I just explained from the previous
18 e-mail, one of the things I felt uncomfortable
19 with was the way Exploration was structured in the
20 Group, where it was very fragmented, and I wanted
21 to create one central core of excellence and
22 accountability for Exploration in the Group. So
23 that was one of the first changes I made, together
24 with establishing a formal department on project
25 execution where we would create a project

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1 WALTER VAN DE VIJVER, January 31, 2007
2 organization within the Center of the Hague that
3 would have global responsibility for quality of
4 project execution across the globe. And there may
5 have been a few other things. I can't recollect
6 them all.

7 Q Did the organizational change in the
8 ExCom include personnel change?

9 A Yes. As part of that, I appointed
10 Matthias Bichsel as head of Exploration, and I
11 appointed Brian Ward to be my Regional Director
12 for Africa as well as leading the Technical &
13 Operations Excellence, Excellent process, and I
14 think those were the initial stages. Briefly
15 thereafter -- okay, that was a bit later when I
16 appointed -- no, that was in 2002 when I appointed
17 Frank Coopman to be CFO of E&P and moved Dominique
18 Gardy to the Far East and then Tim Warren to
19 Australia. That was a bit later in the process.

20 Q Why did you select Brian Ward to be a
21 Regional Director for Africa?

22 A I had worked with him before. He used
23 to be my boss in Aberdeen, so I knew him very
24 well. I had a lot of respect for him, and he was
25 a very sort of goal-getting type of individual,
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1 WALTER VAN DE VIJVER, January 31, 2007
2 and I felt he was the right person to, to appoint
3 for those particular activities, and that -- I
4 remember it took me a lot of convincing for him to
5 take the job, because he didn't particularly want
6 to come to the head office, but I did, I did get
7 him to take those jobs.

8 Q Now, was this position considered a
9 promotion?

10 A Yes.

11 Q Now, you also mentioned Frank Coopman to
12 be the CFO of E&P. Why did you, why did you ask
13 Mr. Coopman to join E&P in that position?

14 A I had known Frank Coopman from, also
15 from Aberdeen where he was CFO of, of ExPro, and
16 he had a strong reputation when it comes to
17 control of, of the business. Reasonably soon
18 after I got my job in, in EP in The Hague, he came
19 to me basically volunteering himself to come and
20 work for me, and then as part of sort of the
21 normal process, he then came on board in EP.

22 Q Was there a reason or reasons why you
23 wanted Mr. Coopman to replace Mr. Gardy?

24 A I wanted to improve the overall effort
25 on business controls in E&P.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 Q And had you concluded, by the time you
3 asked Mr. Coopman to join E&P, that the business
4 controls were weak at E&P?

5 A I felt as part of my overall concerns in
6 terms of hard-wiring the E&P business and getting
7 everyone better collected and getting more better
8 disciplined information and making sure we get
9 better quality monthly reports, et cetera, that
10 Frank would be a great addition to the team.

11 Q Now, with regard to the business
12 controls, do you know if Mr. Coopman also -- if
13 you envisioned Mr. Coopman to be implementing
14 controls with regard to reserves reporting?

15 A Yes, everything that's related to
16 results of E&P, so that included reserves
17 reporting.

18 Q And so you asked Mr. Coopman to join in
19 or about 2002?

20 A Yeah. I can't recollect exactly what
21 month, but it was somewhere April/May time in
22 2002, or we can check. I don't know the exact
23 date.

24 Q So this is roughly about eight or nine
25 months or so after you took over the job?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A Yes.

3 Q So by that time you were able to get a
4 good handle on the business controls of E&P?

5 A Well, by the time I had a pretty good
6 feeling about what all needs to be done, huh? And
7 these things don't happen overnight. This is a
8 huge complex organization with many entities, and
9 there was a lot, a lot to be done.

10 Q And you felt that Mr. Coopman would be
11 able to strengthen the business controls?

12 A Yes.

13 Q You mentioned Tim Warren, that you sent
14 Mr. Warren to Australia?

15 A Yes.

16 Q Why did you send him to Australia?

17 A I felt that, that for running the EP
18 ExCom and the team that we had, I felt more
19 comfortable putting Dominique Gardy in that
20 position than maintaining Tim Warren in that
21 position.

22 Q I'm sorry. I think I might be a little
23 confused. You said after Mr. Coopman came --

24 A Yeah.

25 Q -- Dominique Gardy then went

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1 WALTER VAN DE VIJVER, January 31, 2007

2 to Australia?

3 A No, no. Dominique Gardy moved, as he
4 evolved, from E&P to the Far East region on EP
5 that until the time had been occupied by Tim
6 Warren, who then became Country Chair in
7 Australia.

8 Q And the move with Tim Warren, was that
9 in connection with the initial changes that you
10 talked about in 2001?

11 A I don't recollect. I think it was sort
12 of a two-stage rocket to some of the early
13 change -- sorry. Two-stage rocket. I think some
14 of the early changes that were creating the
15 Exploration Department and creating a Technical
16 Operational Excellence and getting Brian Ward in,
17 that was the first move, and then the second move
18 was the move with the chain of Coopman, Gardy and
19 Warren.

20 Q When you created the T&OE, did you form
21 an opinion that Shell's "technical excellence,"
22 for lack of a better word, was waning, was no
23 longer what it was?

24 A Yes.

25 Q And how did you reach that opinion?

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1 WALTER VAN DE VIJVER, January 31, 2007

2 A From my, my gut feel going through the
3 various areas and seeing the quality of work that
4 was being done, and being concerned that with all
5 changes in the company, that trying to become more
6 entrepreneurial, et cetera, that the pure
7 recognition of technical skills and technical
8 professionalism had sort of taken a back seat in
9 the overall profile of E&P business.

10 Q Do you know if any of your predecessors
11 had implemented any programs such as the T&OE to
12 address the technical competence issue?

13 A No. There were a lot of initiatives
14 coming out of the Technology Group, the Service
15 Group in the, in the EPT and then the SepTAR bit
16 of that, but it was very much done from a service
17 perspective rather than getting sort of up front
18 the technical professionalism more owned and

19 upgraded.

20 Linked to that is just the whole issue
21 with -- a lot of it has to do with people. There
22 was a system in the organization in place at that
23 time when I arrived what was called "open
24 resourcing," which essentially meant that people
25 themselves within the Shell system had to look for
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1 WALTER VAN DE VIJVER, January 31, 2007
2 the next assignments and the next job, which in
3 itself is encouraging, because they could find
4 their own market value and so on, but what it
5 stopped doing was that there were some of the
6 professional gurus who actually had a direct input
7 and a direct responsibility for their technical
8 professionalism as their career progressed and
9 also being able to assess where some of these
10 people were most needed in the organization.

11 So it coincided with me sort of
12 introducing the concept of what I called "managed
13 open resourcing," where open resourcing was still
14 there, but it was overlain by a business
15 perspective and a technical perspective, where our
16 best people should actually go in the interest of
17 the company rather than just the interest of
18 themselves.

19 Sorry for the lengthy answer.

20 Q That's okay. I think, though, my
21 question was if any of your predecessors had
22 initiated any initiatives to address the technical
23 professionalism competence excellence that you've
24 just described.

25 A One of the things that was -- the answer

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1 WALTER VAN DE VIJVER, January 31, 2007
2 is yes. One of the things that was implemented
3 was the process of Value Assurance Reviews, VARs,
4 which was a review that was very much linked to
5 the whole process of, of maturing investments
6 where there would be a process where, as projects
7 would mature, that there would be dedicated
8 milestones, there would be reviews on whether the
9 project would be ready to move to the next stage.

10 Q And when did --

11 A That was done before my time.

12 Q Okay. Do you know when the Value
13 Assurance Review was implemented?

14 A I don't know the exact time, but
15 somewhere around the year 2000, '99/2000.

16 Q Okay. Do you know if the Value
17 Assurance Review was incorporated into Shell's
18 guidelines?

19 A I remember that in April 2002 we
20 included the VAR 3 milestone in the Shell reserve
21 guidelines.

22 Q And was that the first time that the VAR
23 3 milestone had been disseminated to the Shell
24 reserves people company-wide?

25 A Yes.

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1 WALTER VAN DE VIJVER, January 31, 2007

2 MR. HABER: I'm told we have five
3 minutes left on the videotape, and since we're
4 approaching the 5:00 hour, we might as well
5 conclude for the day.

6 THE VIDEOGRAPHER: This marks the end of
7 Volume 1 in the deposition of Mr. Van de Vijver.
8 The total number of tapes used today is three. We
9 are going off the record. The time is 4:52 p.m.

10 (Signature having not been waived,
11 Volume I of the video deposition of WALTER VAN DE
12 VIJVER was concluded at 4:52 p.m.)

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1 WALTER VAN DE VIJVER, January 31, 2007

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3
4 ACKNOWLEDGEMENT OF WITNESS

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

14 _____
15 (DATE) (SIGNATURE)

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0215 WALTER VAN DE VIJVER, January 31, 2007

2 ERRATA SHEET

3 IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION

4 RETURN BY:

5 PAGE LINE CORRECTION AND REASON

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1 WALTER VAN DE VIJVER, January 31, 2007
2 E R R A T A S H E E T
3 IN RE: ROYAL DUTCH/SHELL SECURITIES LITIGATION
4 RETURN BY:

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0217

1 WALTER VAN DE VIJVER, January 31, 2007

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4 CERTIFICATE OF SHORTHAND REPORTER -- NOTARY PUBLIC

5 I, Laurie Bangart-Smith, Registered
Professional Reporter, the officer before whom the
6 foregoing deposition was taken, do hereby certify
that the foregoing transcript is a true and

7 correct record of the testimony given; that said
8 testimony was taken by me stenographically and
9 thereafter reduced to typewriting under my
10 supervision; and that I am neither counsel for,
11 related to, nor employed by any of the parties to
12 this case and have no interest, financial or
13 otherwise, in its outcome.

14
15 IN WITNESS WHEREOF, I have hereunto set
16 my hand and affixed my notarial seal this 31st day
17 of January, 2007.
18

19 My commission expires: March 14th, 2011
20
21

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

0218

1 IN THE UNITED STATES DISTRICT COURT
2 DISTRICT OF NEW JERSEY
3 Civ. No. 04-3749 (JAP)
4 (Consolidated Cases)
5 Hon. Joel A. Pisano
6

7 ----- +

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

11 ----- +

12
13 Volume II
14 Videotaped Deposition of Walter Van De Vijver
15 Washington, D.C.
16 Thursday, February 1st, 2007
17 9:37 a.m.
18
19
20
21
22

23 Job No. 22-94163
24 Pages 218 - 454, Volume II
25 Reported by: Paula G. Satkin

0219

1 Videotaped Deposition of
2 Walter Van De Vijver
3
4 Held at the offices of:
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21 Taken pursuant to notice, before Paula
22 G. Satkin, Registered Professional Reporter
23 And Notary Public in and for the District of
24 Columbia.
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0220
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1 WALTER VAN DE VIJVER

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0226

1 WALTER VAN DE VIJVER

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

3

4 THE VIDEOGRAPHER: Here begins

5 Tape Number 1, Volume II, in the deposition of

6 Walter Van De Vijver, in the matter of Royal

7 Dutch/Shell Transport Securities Litigation.

8 Today's date is February 1, 2007.

9 The time is 9:37 a.m.

10 I would like to remind the witness

11 he is still sworn in from yesterday.

12 Whereupon--

13

14 Walter Van De Vijver

15 a witness, called for examination, having been

16 previously first duly sworn, was examined and

17 testified as follows:

18

19 EXAMINATION BY COUNSEL FOR LEAD PLAINTIFF

20

21 BY MR. HABER:

22 Q. Good morning, Mr. Van De Vijver.

23 A. Good morning.

24 Q. I would like to start off this

25 morning by looking at your letter which we've

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1 WALTER VAN DE VIJVER

2 marked as Exhibit 1.

3 MR. DOWD: Get the exhibits back.

4 BY MR. HABER:

5 Q. If you would please turn to page

6 2. The first full paragraph of that page that

7 begins with "closeout of 2001." Do you see

8 that?

9 A. Yes.

10 Q. Okay. For the record, it says,

11 "by closeout of 2001 reserves in February 2002,

12 we had identified a number of exposures

13 regarding the company's proved reserves (both

14 outlook and historical exposures) and we advised

15 CMD."

16 What do you recall about that time

17 period, the closeout of the reserves and what

18 was advised?

19 A. I received the annual audit report

20 from the group reserves auditor, Anton

21 Barendregt, so that was a completed report that

22 was distributed to me.

23 I don't have any involvement in

24 that process itself. I mean clearly people from
25 my organization are involved, external auditors

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1 WALTER VAN DE VIJVER

2 and group finance report, but I received that
3 report as a conclusion.

4 And based on what I saw in that
5 report a note was prepared for the CMD in
6 February 2002.

7 Q. Do you recall if there was a
8 presentation to the ExCom that preceded the note
9 to the CMD?

10 A. I'm not sure. It may very well
11 be.

12 MR. HABER: We're going to mark
13 three separate documents. They will start off
14 as Van De Vijver 9, 10, and 11.

15 The first exhibit is Exhibit 9,
16 which is EP ExCom meeting note dated February 4,
17 2002.

18 And I'll let you do the sticker
19 and we can get it moving.

20 (Van De Vijver Exhibit Number 9
21 was marked for identification.)

22 MR. HABER: The second in this
23 series, which is Van De Vijver Exhibit 10 is a
24 presentation from a meeting of the ExCom dated
25 February 4, 2002.

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1 WALTER VAN DE VIJVER

2 (Van De Vijver Exhibit Number 10
3 was marked for identification.)

4 MR. HABER: And the third, which
5 is marked as Van De Vijver 11, is an e-mail
6 from Lorin Brass dated, February 20, 2002, to
7 Dominique Gardy and a number of other people.

8 The subject reads note for
9 information reserves CMD, February 2002. And
10 the attachment is a note for information to the
11 CMD, dated February 11, 2002.

12 (Van De Vijver Exhibit Number 11
13 was marked for identification.)

14 MR. HABER: And I will just now

15 give the Bates numbers while Mr. Van De Vijver
16 has a chance to look at these documents. For
17 the record I will just identify the Bates
18 numbers.

19 Exhibit 9, which is the EP ExCom
20 meeting note with the attachment, is Bates
21 numbered RJW00321823 through RJW00321837.

22 Exhibit 10, the presentation, is
23 Bates numbered and just for the record it says
24 reserves presentation and in the upper
25 right-hand corner it says 4th February 2002.

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1 WALTER VAN DE VIJVER

2 The Bates number is V00010188
3 through V00010211.

4 And Exhibit 11, which is the
5 e-mail from Lorin Brass to Dominique Gardy and
6 others, which attaches the note for information
7 CMD, February 11, 2002, EP hydrocarbon resources
8 update 1/2/2002.

9 There are two Bates ranges. The
10 first is V00120473 through V000120485. And the
11 second range is DB07636 through DB07648.

12 BY MR. HABER:

13 Q. Mr. Van De Vijver, have you had
14 an opportunity to look at the three documents
15 that we've just marked?

16 A. Yes.

17 Q. Starting with Exhibit 9, have you
18 seen this document before today?

19 A. I've seen it before, but I don't
20 know when.

21 Q. Okay. And if you look at the
22 second page or the third page of the document
23 that's the attachment to the note there's a note
24 from Anton Barendregt dated January 30, 2002.
25 It's titled review of group and 2001 proved oil

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1 WALTER VAN DE VIJVER

2 and gas reserves summary preparation.

3 Is this the report you were
4 referring to a moment ago?

5 A. Yes.

6 Q. And if you notice on the note
7 there's handwriting. Do you recognize that
8 handwriting?

9 A. I'm not sure. If I see the word
10 appraisal it sort of looks like my handwriting,
11 but I don't think I ever write note that is
12 there, so I can't be sure.

13 Q. If you look at the paragraph
14 Mr. Barendregt is referring to the use of
15 scorecards. Do you see that? It says the
16 widespread use of reserves targets scorecards?

17 MR. DOWD: Hang on a second. Let
18 him read the paragraph.

19 THE WITNESS: Yes. I've read it.
20 BY MR. HABER:

21 Q. You see at the end it says,
22 however, the shift -- I'm in that same
23 paragraph. However, a shift in scorecard
24 emphasis from reserves booking to successfully
25 meeting project milestones is recommended.

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1 WALTER VAN DE VIJVER

2 In the right margin there's a
3 handwritten note from you saying no.

4 Why did you say that?

5 A. Well, I think, as I mentioned
6 before, I'm not sure whether this is my
7 handwriting.

8 I'm happy to comment on it, but I
9 cannot be sure that this is my handwriting.

10 Q. What was your reaction to that
11 recommendation?

12 A. The scorecards for EP had a
13 mixture of a variety of targets for the business
14 and I did feel it appropriate that reserve
15 replacement was one of the items on that
16 scorecard.

17 I also believed that items like
18 milestones on project or what I call strategic
19 activities were important, as well, and they
20 were incorporated in the scorecard, so it's
21 ultimately about the balance you get on things

22 that reflect the overall health of the business.

23 This is, by the way, a discussion
24 that ended up every year at conference where the
25 scorecards for the business was agreed.

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1 WALTER VAN DE VIJVER

2 Q. Do you recall attending a meeting
3 of the conference where discussion of the
4 scorecards was conducted?

5 A. Oh, yes, several. Yes.

6 Q. Was there such a discussion in
7 2001?

8 A. I don't recollect. I know for
9 certain there was a discussion on that in 2002
10 and I think also in 2003, because at those times
11 there was not only a discussion about what the
12 target should be, but also a discussion about
13 what percentage of the scorecard should be
14 linked to reserve replacement.

15 Q. And with regard to 2002, what is
16 your recollection of the conclusion reached by
17 the conference?

18 A. We would have to look. I don't
19 particularly recollect all the details, but I
20 think there were two occasions during my tenure
21 that the actual weighting on the scorecards on
22 reserve replacements were actually increased as
23 a result of the meetings with conference.

24 Q. When you're saying the actual
25 weighting on scorecards you're referring now to

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1 WALTER VAN DE VIJVER

2 reserves additions?

3 A. Reserves replacements, yes.
4 Sorry.

5 Q. And in 2002 the chair of the
6 conference was Phil Watts?

7 A. The chairman of conference was
8 Phil Watts, but of course that's with all the
9 nonexecutives being there as well.

10 Q. Do you recall what Phil Watts'
11 position was on scorecards at that time, 2002?

12 A. No.

13 Q. Do you recall what his position
14 was in 2003?

15 A. I only know what the end result
16 was. I don't recollect any particular details
17 how that process went.

18 Q. Do you recall any discussion at
19 the conference about Barendregt's --
20 Mr. Barendregt's criticism of the scorecard
21 system?

22 A. No.

23 Q. Did you ever talk to
24 Mr. Barendregt about his criticism of the
25 scorecards?

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1 WALTER VAN DE VIJVER

2 A. I had nothing personally to do
3 with Barendregt.

4 The first time I met
5 Mr. Barendregt was in December '03.

6 The answer is no. Sorry. The
7 answer is no and clarification I did not meet
8 Barendregt until the first time December 2003.

9 Q. What was the reason you met
10 Mr. Barendregt in December 2003?

11 A. Because then I personally attended
12 a few meetings where we were going through the
13 detail about the numbers of Oman and Nigeria and
14 how they should be restated and I wanted to get
15 at that stage a hands-on feeling about how these
16 discussions were also happening.

17 That was also at the time I had
18 called in Rod Sidle, who I remembered working
19 and being involved with reserve reporting in the
20 United States to help us in that process.

21 Q. Do you recall at the conference
22 any discussion about the impact reserves
23 additions had on the scorecard, like a
24 percentage?

25 A. I don't understand your question.

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1 WALTER VAN DE VIJVER

2 Q. Did anyone try to attach a
3 percentage of importance, if you will, to

4 reserves additions in the scorecard?

5 A. Yes. That's what I answered
6 earlier, yes. That's when I think twice the
7 weighting on the reserve replacement on the
8 scorecard for E&P got increased.

9 Q. When I say percentage you're
10 talking about the weighting?

11 A. Yes.

12 MR. DOWD: W-E-I-G-H.

13 MR. HABER: Right.

14 BY MR. HABER:

15 Q. Do you recall -- bringing it two
16 levels down to the ExCom level, do you recall if
17 the ExCom took any action on Mr. Barendregt's
18 recommendation concerning scorecards?

19 A. I do not recollect. I can only
20 recollect that this then triggered getting a
21 note to the CMD.

22 Q. If you look at the note, the first
23 page of Exhibit 9, you'll see on the chart on
24 the very top under achievements there's a chart
25 concerning the RRR. And I would like you to

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1 WALTER VAN DE VIJVER

2 take a look at the number under the total BOE, 8
3 CCC-RRR, and then underneath it it says
4 excluding A&D, which I understand is
5 acquisitions and divestments. You see the
6 number is 52 percent. Do you recall any
7 discussion at the ExCom about the RRR?

8 A. No. I do not recollect. The
9 number is what it is.

10 Q. Do you know who prepared this
11 note?

12 A. At the time in my organization
13 Dominique Gardy and Lorin Brass were responsible
14 persons in the ExCom for reserve reporting, so
15 in between the two of them that note must have
16 been prepared.

17 Q. Now, if you look under issues.
18 You see under the first bullet point, and this
19 time it truly is a bullet, it says SPD PDO in
20 Abudhabi representing 18 percent of EP's

21 production. Cannot book reserves for the
22 foreseeable future as it is doubtful that the
23 already booked reserves can be produced within
24 the remaining license period. The reserves
25 exposure in these OUs is over 1 billion barrels
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1 WALTER VAN DE VIJVER

2 and sensitive to OPEC constraints.

3 Do you recall discussion about
4 this issue?

5 A. No. I don't recollect that.

6 Q. With your trips to PDO did it
7 surprise you that PDO was identified as an issue
8 on this note?

9 A. No.

10 Q. With your trip to SPDC did it
11 surprise you that SPDC was on this note?

12 A. No. Those were two very important
13 areas where clearly by this stage I had
14 identified that there were operational issues.

15 Q. Now, looking at Mr. Barendregt's
16 note again. If you can turn the page I would
17 like you to take a look at the last full
18 paragraph of the first page, the paragraph
19 beginning, "the overall finding from the audit
20 visits." Are you with me?

21 A. Yes.

22 Q. Okay. And in particular I would
23 like you to focus on the second sentence that
24 says, "there's a possibility of a minor
25 overstatement of group proved reserves in some
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1 WALTER VAN DE VIJVER

2 fields where historically booked reserves are
3 not in line with recent SEC guidance."

4 What was your reaction when you
5 read that?

6 A. Well, I didn't have a reaction to
7 that. I mean I accepted that the experts had
8 come to the conclusion that they came on the
9 overall state of the reserves. They were the
10 experts, they were giving the numbers.

11 Q. Your take from the note -- the

note to ExCom and the note from Mr. Barendregt
was that there were flags being raised about
certain operating units within the portfolio?

MR. TUTTLE: Objection to form,
characterization of the testimony.

Q. You can answer.

A. Yes. In the context of what I
then submitted to the CMD and the overall
actions that were in place to improve the
technical rigor and quality in the overall
health of the business.

That has been my ongoing drive
from the time I was in the business to do
everything possible to make those improvements.

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1 WALTER VAN DE VIJVER

2 At the end of the day this was not
3 an issue about noncompliance or not, this was an
4 issue about believing the experts about their
5 opinions and taking it from my side to improve
6 the business.

7 Q. Do you recall any discussion about
8 the SEC's guidance in the ExCom?

9 A. No.

10 Q. I would just like to now have you
11 look at Exhibit 10. That's the presentation
12 materials.

13 Do you recall seeing this
14 presentation during the ExCom meeting?

15 A. I do not recollect that particular
16 time when the presentation was made. I've seen
17 this presentation over the last couple of years.

18 Q. Okay. I would like you to take a
19 look for a moment. It's in the backup portion
20 of this presentation. I would like you to take
21 a look at page V00010208.

22 MR. DOWD: 208?

23 MR. HABER: Yes.

24 BY MR. HABER:

25 Q. Before I ask you a question about
0241

1 WALTER VAN DE VIJVER

2 this slide, do you know if a PowerPoint slide

3 presentation such as this exhibit were included
4 as prereading for ExCom meetings and CMD
5 meetings?

6 A. Generally not. If there was a
7 note that was it and if there was a general slot
8 for a particular item obviously people would
9 come in with presentation material.

10 Q. And the presentation material
11 would then be handed out at the meeting?

12 A. Not necessarily.

13 Q. Do you recall if this was handed
14 out, this being this exhibit?

15 A. No.

16 Q. I would like you now to focus on
17 page 208. You'll see there's a bullet points of
18 five operating units and it's under the heading
19 new fields - reserves at risk. The first one
20 identified is Australia (SDA-Gorgon). Then it
21 says 550 million BOE.

22 Do you recall a discussion at this
23 ExCom meeting about Gorgon being at risk?

24 A. No.

25 Q. When was the first time that you

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1 WALTER VAN DE VIJVER

2 learned that the reserves that had been booked
3 at Gorgon were at risk?

4 A. When we started making the
5 exposure list in E&P.

6 Q. And do you recall when the
7 exposure list was first circulated?

8 A. It matured over time. Obviously,
9 we had some reference in that CMD note in
10 February. Then we had the July note in that
11 same year, 2002 to CMD. And I think then with
12 the ongoing activities what I asked Frank
13 Coopman to do, I think, I formalized a standard
14 format around October 2002, so it's sort of
15 evolving over 2002, but you may want to look at
16 documents. That's my best recollection.

17 Q. That's okay. Why don't we take a
18 look at Exhibit 11. And if you could identify
19 where -- where the exposures or the beginnings

20 of the exposure list are?

21 A. On the first time mentioning is on
22 the bottom of page 2 of that note; right?

23 Q. So that would be on page 474?

24 A. Yes.

25 Q. Did you prepare this note?

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1 WALTER VAN DE VIJVER

2 A. Not personally.

3 Q. Did you instruct someone on your
4 staff to prepare it?

5 A. Yeah, Lorin Brass.

6 Q. Did you review it before it was
7 sponsored?

8 A. I do not recollect.

9 Q. Did you sponsor the note?

10 A. Yes. That's the standard
11 procedure at CMD, that a business that submits a
12 note to CMD is the sponsor.

13 Q. Do you recall any discussion at --
14 withdrawn.

15 Was there a meeting at the CMD on
16 February 11th, if you recall?

17 A. I have to assume that there was a
18 meeting at the CMD, all right. The answer is,
19 yes, there was a meeting.

20 Q. Do you recall discussing the
21 exposures that are identified on page 474?

22 A. No.

23 Q. So it's your understanding that
24 this note was distributed to every member in
25 attendance at the CMD meeting?

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1 WALTER VAN DE VIJVER

2 MR. TUTTLE: Objection to form and
3 characterization of the testimony.

4 THE WITNESS: Any note that is
5 issued to the CMD people get it in their
6 prereading material the Thursday or Friday
7 before the meeting the next Tuesday and/or
8 Wednesday.

9 BY MR. HABER:

10 Q. That would mean they would get it

11 in prereading material even if they were not in
12 physical attendance at the meeting?

13 A. Yes.

14 Q. Was that a standard practice?

15 A. Throughout, yes.

16 Q. When you say throughout,
17 throughout your tenure at EP?

18 A. At CMD, yeah.

19 Q. At CMD. Okay.

20 Do you recall in just looking --
21 you can go back if you will to flip to Exhibit 9
22 for a moment, looking at Mr. Barendregt's
23 report. And if you can turn to page 827?

24 A. Yes.

25 Q. Do you recall any discussion at
0245

1 WALTER VAN DE VIJVER
2 the ExCom about Angola block 18?

3 A. No.

4 Q. Do you recall having any reaction
5 when you read item 4, which is about Angola
6 block 18?

7 A. No. And I have to admit there I'm
8 not sure whether I read the total note. I mean
9 I was getting a lot of material. I normally
10 stick to reading the summary.

11 Q. In terms of the production license
12 constraints. After you had received
13 Mr. Barendregt's note did you initiate any
14 action to try to resolve the license constraint
15 issue?

16 A. I think that that issue on license
17 extension came later that year.

18 Q. That year being 2002?

19 A. Yes.

20 Q. And what is your recollection of
21 how it came about?

22 A. For me for both areas the license
23 extension came about because in both areas we
24 were planning massive investments in terms of
25 activities in the countries and we wanted to get
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1 WALTER VAN DE VIJVER

comfort that ultimately we would be able to get
the rewards of that beyond what was then seen as
the end of license.

Q. When you say both areas?

A. I'm talking Oman and Nigeria,
sorry.

Q. Okay. Let's take Nigeria.

In particular what steps did you
take to address the license expiry or constraint
issue?

A. In terms of my personal action I
remember raising it with the President of
Nigeria.

Q. And when was that?

A. Somewhere in 2002. You would have
to look at minutes of meetings to be able to see
it.

Q. Do you recall if that trip was
taken in March of 2002?

A. I cannot be sure.

Q. Did anyone accompany you on that
trip?

A. If I would go on a trip there
would always be someone accompanying me. We

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WALTER VAN DE VIJVER

would have to look at the records.

Q. Do you recall if Lord Oxburgh came
with you?

A. I had one trip indeed I do
recollect there was one trip where Lord Oxburgh
indeed joined me as part of his role in
conference, I think it's called social
responsibilities committees or something
similar, and he wanted to get a firsthand feel
about the relationships with local communities.

Q. When he went to Nigeria with you
do you recall if he also visited SPDC?

A. Yes. Yes.

Q. Do you recall if he was provided
with any data about SPDC's production?

A. I don't know. I was not with him
the whole time. I mean we had separate

19 programs.

20 Q. Do you recall when the two of you
21 were together if you were provided information
22 about SPDC's production?

23 A. I really -- I really don't
24 remember.

25 Q. Going back to what started all of
0248

1 WALTER VAN DE VIJVER
2 this, you said you met with the President of
3 Nigeria?

4 A. I met with the President of
5 Nigeria on a frequent basis as part of my
6 regional job. As I explained yesterday as
7 managing director I tried to maintain
8 relationships with people like the President of
9 Nigeria.

10 Q. On the issue of license
11 constraints do you recall what you had discussed
12 with the President?

13 A. I recall raising that once given
14 the massive investments that were ongoing in the
15 gas infrastructure in SPDC.

16 Q. Do you recall what he said to you?

17 A. I think it was a typical set of
18 nonconclusive meeting.

19 Q. What was the relationship like
20 between Shell and Nigeria?

21 A. I think the relationship between
22 Shell and Nigeria was, I think, generally seemed
23 to be pretty good. Of course, the major person
24 who was looking after that relationship was the
25 country chairman in Nigeria.

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1 WALTER VAN DE VIJVER
2 Of course, relationships in
3 Nigeria are always relative given the complexity
4 of the country. You may have a good
5 relationship with the president. It doesn't
6 mean you don't have a lot of other enemies in
7 the countries and local communities because
8 there are about a hundred different tribes in
9 Nigeria, particularly where there are

10 operations. There are always a lot of community
11 issues. I think my assessment that the
12 relationship with the President was pretty good.

13 Q. On a level below the President
14 what was Shell's relationship like with the
15 local communities?

16 A. Always mixed.

17 Q. How so?

18 A. Well, there was in Nigeria, given
19 the different states that were out in the delta
20 and the local leaderships in the delta there was
21 -- on a frequent basis there were disagreements.
22 A lot related to the central government in terms
23 of how revenue from the oil and gas industry was
24 distributed to the local states and therefore
25 the local communities.

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1 WALTER VAN DE VIJVER

2 Q. Do you recall Shell encountering
3 civil unrest during your tenure at EP?

4 A. I think civil unrest is a big
5 word, but there certainly were on a frequent
6 basis there were -- there was sabotage
7 facilities.

8 Q. And as a consequence that would
9 delay production?

10 A. That obviously had an impact on
11 production levels, yes.

12 Q. Other than civil unrest, sabotage
13 and the like, were there any other factors that
14 was -- that were affecting production levels at
15 SPDC?

16 A. I mean there were always a variety
17 of factors in Nigeria. One of the things in
18 Nigeria was that we worked there in joint
19 venture with the government being a partner in
20 the joint venture. So there was on a yearly
21 basis a lot of discussion on what would be
22 allocated and funds that would be available to
23 not only pay for the cost that had taken place
24 over the past period, but also in terms of
25 taking their share of future investments.

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1 WALTER VAN DE VIJVER

2 Q. Do you recall there being a
3 problem with maintaining technically competent
4 senior people?

5 A. Yes. I think as I mentioned to
6 you yesterday, Nigeria became one of my
7 resourcing priorities and, as you can imagine,
8 Nigeria was not always a very nice place to
9 work. And, therefore, getting ex-patriots to
10 accept to go to Nigeria was never easy,
11 particularly as I mentioned in the constraints
12 of an open resourcing system people would not
13 really readily volunteer to go to Nigeria. So I
14 implemented a dedicated drive to bring more
15 competent experts into the organization.

16 All these things take time, but
17 that was part of my initiative.

18 Q. Other than through a formal note
19 like the ones we just looked at in Exhibits 9
20 and 11 did you communicate these issues that you
21 were finding in Nigeria to your colleagues on
22 the CMD?

23 MR. TUTTLE: Objection to
24 characterization of the documents.

25 MR. MORSE: Same objection.

0252 1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. Who did you communicate these
4 issues to?

5 A. I had the normal habit of visits
6 that I would have to operating areas to provide
7 a brief summary to my colleagues at CMD, aside
8 from to my own staff.

9 Q. Do you recall communicating these
10 various issues affecting production with Phil
11 Watts?

12 MR. MORSE: Objection to form,
13 characterization.

14 THE WITNESS: These notes would go
15 to the CMD and that includes Phil Watts.

16 BY MR. HABER:

17 Q. When you say "notes" are you

18 referring to formal notes?

19 A. No, no. Both.

20 On a regular update there would be
21 formal CMD notes on Nigeria and on Oman to the
22 CMD, but in between activities if I would travel
23 and make visits and would have visit reports
24 they would separately, out of the formal route
25 would be copied to my CMD colleagues as well.

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1 WALTER VAN DE VIJVER

2 Q. Going back again to the issue of
3 license constraints, after meeting with the
4 President of Nigeria were there other steps that
5 you initiated or took yourself to address the
6 issue?

7 A. I did not personally, but my staff
8 did.

9 Q. And what did your staff do?

10 A. I think we're jumping a little bit
11 forward in time, but I do recall that we did get
12 a formal opinion from outside law firm, Cravath,
13 I think it was.

14 Q. Cravath?

15 A. Cravath, which basically sort of
16 shorthand said that Shell would have a right for
17 extension on the license of SPDC.

18 Q. And do you know from within Shell
19 who was principally responsible for spearheading
20 the communications between Shell and Cravath?

21 A. I know that Frank Coopman, my CFO,
22 was involved in that, but I don't know the rest
23 around him.

24 Q. Do you know a Guus Klusener? A
25 Guus, G-U-U-S Klusener?

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1 WALTER VAN DE VIJVER

2 A. Guus? That sounds Dutch.

3 Q. Yes. Pardon my Dutch
4 pronunciation.

5 A. No. That name doesn't immediately
6 ring a bell.

7 Q. How about a Peter Folmer?

8 A. Yes. Peter Folmer, that's a

9 well-known name. He was the group head of the
10 legal department or whatever you call it, the
11 top legal guy within Shell.

12 Q. Do you know if Mr. Folmer had any
13 involvement in liaisioning between Cravath and
14 Shell?

15 A. I don't know.

16 Q. Do you know who at Cravath was
17 principally responsible for doing the work on
18 Shell's behalf?

19 A. No. I did not have any
20 involvement in that.

21 Q. Have you heard of a person by the
22 name of Rory Millson?

23 A. No. Sorry, I can't help you on
24 that.

25 Q. Do you know a person by the name
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1 WALTER VAN DE VIJVER
2 of William Rogers? He also goes by the name Bud
3 Rogers?

4 A. Bud. That name I recall because I
5 met him during project Rockford.

6 Q. Okay.

7 A. I met the other one, but it's only
8 the Bud that recollects.

9 Q. When you were in Nigeria did you
10 ever take a look at SPDC's business plans?

11 A. I don't really know how to answer
12 that question. I've been given overviews of the
13 state of the business and lots of presentations,
14 but I don't recollect the real detail and
15 whether there was a formal business plan or not,
16 but I certainly had a lot of presentations.

17 Q. Do you recall presentations on
18 SPDC's growth and production targets?

19 A. No, but I do recollect that both
20 in 2002 and in 2003 Nigeria was actually
21 achieving some production records.

22 Q. Do you know if they were meeting
23 production targets?

24 A. That, I wouldn't be able to
25 answer.

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1 WALTER VAN DE VIJVER

2 I only know both 2002 and 2003

3 were pretty good performances of Nigeria. Part
4 of that was because they started their first
5 offshore fields EA and I guess part of it in
6 terms of the activity that was taking place.

7 Q. Is EA a gas or an oil field?

8 A. An oil field. It is a Shell
9 offshore oil field.

10 Q. Yesterday you mentioned there were
11 approximately 6,000 employees in Nigeria?

12 A. Yeah. Yeah.

13 Q. Do you know if there was a
14 secondment program where these employees also
15 worked in the United States?

16 A. Broader than that there was a
17 program where these Nigerians, as part of their
18 training would move to all different operating
19 units in the world. They often -- they had some
20 favorite locations. They would like to go in
21 the Far East and so on because it was a bit more
22 Muslim environment but, no, generally there was
23 an active program to ensure Nigerians would get
24 their development and training in other areas of
25 the world, including the United States.

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1 WALTER VAN DE VIJVER

2 Q. Do you know if any of the
3 employees at SPDC or SNEPCO maintained offices
4 in the United States?

5 MR. TUTTLE: Objection to form.

6 THE WITNESS: I would not know.

7 BY MR. HABER:

8 Q. You say you don't know for both
9 SPDC and SNEPCO? I just want to make sure the
10 record is clear?

11 A. Why I'm hesitating to answer is
12 that in the SDS organization in Houston and New
13 Orleans where they provided support for projects
14 for Nigeria, that there were Nigerians in those
15 teams, as well, but I don't know whether they
16 worked on their label I'm SNEPCO or whether they

17 were temporarily assigned to SDS. I wouldn't be
18 able to answer that.

19 Q. But they worked in the United
20 States; correct?

21 A. Yes. There were certainly people
22 that were in those teams.

23 (Van De Vijver Exhibit Number 12
24 was marked for identification.)

25 MR. HABER: We're marking as

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1 WALTER VAN DE VIJVER

2 Exhibit 12 --

3 MR. DOWD: Are you through with 9,
4 10, 11?

5 MR. HABER: Yes.

6 THE WITNESS: Let's keep them in
7 sequence.

8 MR. DOWD: I will. That's what
9 I'm here for.

10 MR. HABER: We are marking as
11 Exhibit 12 a trip report.

12 And while I identify it for the
13 record, Mr. Van De Vijver, if you could just
14 take a look at it.

15 The document says Oman visit 8-11
16 May 2002. Its Bates number is HAG 00110562
17 through HAG 00110567.

18 BY MR. HABER:

19 Q. Have you had an opportunity to
20 look at it?

21 A. Yes.

22 Q. Do you recognize this document?

23 A. Yes.

24 Q. What is this document?

25 A. This is a -- I must admit,

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1 WALTER VAN DE VIJVER

2 chauffeur driven visit report from my visit to
3 Oman.

4 Q. For what reason did you visit Oman
5 in May of 2002?

6 A. As I said, this was, as it said,
7 my continuous strong passion about Oman and

8 wanted to make sure that we were making progress
9 on the concerns that I identified during
10 previous visits.

11 Q. Do you recall distributing this
12 trip report to your colleagues on the CMD?

13 A. I wish you had the distribution
14 list attached. I don't exactly recall who it
15 went to.

16 Q. Other than any particular person
17 do you recall distributing it to any member of
18 the CMD?

19 MR. MORSE: Objection, asked and
20 answered.

21 BY MR. HABER:

22 Q. You can answer.

23 A. I would prefer to see it. As I
24 said, the normal practice for me was to
25 distribute it to all CMD members and the people

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1 WALTER VAN DE VIJVER
2 in my organization but I cannot be sure,
3 particularly because this time I guess I had my
4 secretary to prepare this report.

5 Q. But as a matter of normal practice
6 you would distribute trip reports?

7 A. Sure.

8 Q. In the second paragraph under
9 introduction there's a reference to sessions
10 with Omani officials, the Minister of Oil and
11 Gas, the Minister of National Economy, the
12 chairman of PDO/Undersecretary of MOG.

13 Did you meet with each one of
14 these ministers separately?

15 A. We have to look further in the
16 minutes. The way it is written it looks like I
17 had separate meetings with the three ministers,
18 but I would always be accompanied by John
19 Crocker.

20 MR. DOWD: I think the witness is
21 looking at page HAG001110565; correct?

22 THE WITNESS: Yeah.

23 BY MR. HABER:

24 Q. Thank you.

25 After meeting with the various

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1 WALTER VAN DE VIJVER

2 officials from the Omani government how would
3 you at that time describe Shell's relationship
4 with the Omani government?

5 MR. TUTTLE: Objection to form.

6 THE WITNESS: Still difficult.

7 BY MR. HABER:

8 Q. Still difficult?

9 A. Yes.

10 Q. Why is that?

11 A. Because we hadn't quite delivered
12 the improvements in overall performance. I
13 think that's what the whole tenure of the note
14 is about what was happening and what was not
15 happening at that stage.

16 Q. I just would like to direct your
17 attention under the summary. Again, these are
18 dashes and plus signs. By the way, is there a
19 distinction between the dash and the plus?

20 A. Yes. That's my shorthand for low
21 light is a negative and a highlight is a
22 positive.

23 Q. Okay. So under the second low
24 light, "production continues to slide (now some
25 770 thousand barrels per day)." It goes on to

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1 WALTER VAN DE VIJVER

2 say the totally unreliable monthly short-term
3 forecasts.

4 What do you recall about that?

5 A. What I recall about that was
6 production was still sliding and the
7 organization didn't really have a good grip on
8 their overall production because they would
9 forecast a month that they would produce X but
10 then they would produce something different so
11 the quality of the whole operation and the
12 ability to forecast our production was at that
13 point in time not there.

14 Q. Now, going down to the last
15 negative before you get to the first positive it

16 says continued pressure on downward revision of
17 reserves. What did you mean by that?

18 A. Well, that was the whole story
19 about trying to get an understanding about the
20 total position of our reserves, and just for
21 clarity, everything I'm talking about is
22 expectation reserves. This is at the time I had
23 brought in Stuart Evans, the petroleum
24 engineering, for better word, guru, that I
25 called at that time that would start to get a

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1 WALTER VAN DE VIJVER
2 handle on the total portfolio and the, at that
3 stage he gave sort of overview where he was
4 where there were clearly concerns about overall
5 state of the business. At least the positive as
6 I said on the second to bottom, plus that the
7 whole review of the asset portfolio had at least
8 finally started.

9 Q. If we could just look at the
10 summary for a moment. You write, "overall my
11 patience had been tested too long with PDO and
12 its management progress over the last year (is
13 not just about delivered production!) has been
14 underlined, less than expected, again
15 underlined, less than promised and again
16 underlined, less than could have been possible.

17 What did you mean by that?

18 A. I think you can't write it any
19 clearer than I did.

20 Q. I get the part that your patience?

21 A. I'm normally a bit of an impatient
22 person and clearly the difficulty you have when
23 you deal with the PDO than when you would deal
24 with a normal Shell organization this is not a
25 Shell company. You cannot forget that PDO is

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1 WALTER VAN DE VIJVER
2 not a Shell company, it's a company with a
3 majority shareholder, the government. It has
4 its own Board structure and that's normally it's
5 through the Board that a company like that gets
6 governed. Here I'm coming in from the side all

7 the time saying you guys get your act together,
8 go and do things and it is -- it was very
9 frustrating there was a long period of denial in
10 the management of PDO in terms of getting to
11 grips what was really happening. They were
12 doing things but it was not really getting the
13 tracks I wanted and I was starting to lose my
14 patience and it all meant that I was
15 accelerating through whatever mechanism I had to
16 bring in better people and to get tracks on the
17 things that needed to be done to get a grip on
18 their portfolio. And ultimately, of course, the
19 key thing I decided is I think there is -- isn't
20 there -- sorry this may be -- there's an
21 appraisal in the back what I think about some of
22 the people.

23 Q. Right.

24 A. It's part of my sort of analysis
25 where I basically say things will have to change
0265

1 WALTER VAN DE VIJVER
2 and the end of the day I decided that, yes, I
3 brought in some new people like this. Eulderink
4 that's on the last page.

5 MR. DOWD: E-U-L-D-E-R-I-N-K.

6 BY MR. HABER:

7 Q. You're looking at page 566 and
8 page 567?

9 A. Yes. The last page I remember
10 saying very encouraging start, changed director,
11 excellent people skills, right approach, right
12 man, right place, in the right time. He was
13 meant to be a catalyst for change in the
14 management team, but as you will then of course
15 see a couple of months later I decided to make
16 changes and put in a new managing director
17 because my patience had gone.

18 MR. FERRARA: We've been on for
19 about an hour. At a convenient point do you
20 want to give us a chance to stretch.

21 THE VIDEOGRAPHER: We're going off
22 the record the time is 10:38 a.m.

23 (A brief recess was taken.)

24 THE VIDEOGRAPHER: We are back on

25 the record. The time is 10:55 a.m.

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1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. Mr. Van De Vijver I want to mark
4 another document as Van De Vijver Exhibit 13?

5 (Van De Vijver Exhibit Number 13
6 was marked for identification.)

7 BY MR. HABER:

8 Q. And while I identify it for the
9 record if you could just take a look at it.

10 It's a one-page document with two e-mails on it
11 is last of which is from Mr. Van De Vijver it's
12 dated May 29, 2002. It's to Philip Watts
13 subject line reads reserve replacements.

14 The Bates numbers and there's two
15 is V 00110934. The other one is NI 000933.

16 Have you looked at both e-mails?

17 A. Yes.

18 Q. Do you recall seeing these e-mails
19 before today?

20 A. Yes.

21 Q. Before we start talking about the
22 specifics of the e-mails do you recall the
23 context in which these e-mails were written?

24 A. Only as far as I know I was going
25 to bring the issue of our reserve position back

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1 WALTER VAN DE VIJVER

2 to CMD in the middle of the year and I get a
3 question from Phil on reserve replacement.

4 Q. When you say reserve position are
5 you referring to the entire portfolio?

6 A. Yeah.

7 Q. Were you also intending to include
8 a discussion of the reserves exposures?

9 A. An overall update with where we
10 were with all our actions and plans on getting a
11 better understanding of our portfolio.

12 Q. Prior to the e-mail Mr. Watts had
13 sent to you had you spoken with Mr. Watts about
14 this presentation to the CMD?

15 A. Not as I recollect.

16 Q. Now, if you look at his e-mail to

17 you he says -- before I get into that -- it

18 refers as you said presentation to the CMD. Do

19 you recall when this meeting was to occur?

20 A. Middle of the year. I think it

21 was July.

22 Q. July of 2002?

23 A. Yes.

24 Q. Now in Mr. Watts' e-mail to you he

25 says in the second line I do hope that this

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1 WALTER VAN DE VIJVER

2 review will include consideration of all ways

3 and means of achieving more than 100 percent in

4 2002 -- the mix metaphors . . . considering the

5 whole spectrum of possibilities and leaving no

6 stone unturned.

7 Do you see that?

8 A. Yes.

9 Q. When he says achieving more than

10 100 percent in 2002 is he referring to the

11 reserves replacement ratio?

12 A. Yes.

13 Q. Do you know if he was referring to

14 organic reserves replacement?

15 MR. TUTTLE: Objection, calls for
16 speculation.

17 MR. MORSE: Same objection.

18 BY MR. HABER:

19 Q. Do you have an understanding

20 whether he was referring to organic reserves

21 replacement?

22 MR. TUTTLE: Same objection.

23 THE WITNESS: I don't know. I

24 cannot be sure.

25 BY MR. HABER:

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1 WALTER VAN DE VIJVER

2 Q. The rest of the sentence, to mix

3 metaphors considering the whole spectrum of

4 possibilities and leaving no stone unturned.

5 How did you react to that

6 statement?

7 A. He was clearly putting his
8 expectation forward that he hoped he would get a
9 high reserve replacement for 2002 and that I
10 would consider all possibilities to do so.

11 Q. Did you feel that he was placing
12 pressure on you to do so?

13 A. Yes.

14 Q. Have you -- at that time had you
15 spoken with your staff about where Shell's
16 reserves replacement ratio stood?

17 A. Not that I recollect, but I don't
18 think our business plan for that year indicated
19 that we would achieve 100 percent.

20 Q. If you look at the last sentence
21 Mr. Watts says I am -- also I am -- let me start
22 over again.

23 Also, I'm wondering what
24 Enterprise does to reserves life replacement
25 ratio and finding development cost. What is
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1 WALTER VAN DE VIJVER
2 Enterprise?

3 A. Enterprise was an acquisition of
4 an oil company that we were just in the middle
5 of or just had completed requiring.

6 Q. At this time had any analysis been
7 done with regard to the impact Enterprise would
8 have on Shell's reserves replacement ratio?

9 A. Well, as part of the acquisition
10 we would have known what -- as part of the
11 write-up and justification we would have known
12 what reserves associated with that acquisition
13 were.

14 Q. Were you involved in the
15 Enterprise acquisition?

16 A. Yes.

17 Q. By involvement can you explain
18 what your involvement was?

19 A. It was an acquisition by my
20 business, E&P business. Phil Watts was closely
21 involved in terms of the relationship of the
22 chairman of the company. I was dealing with the

23 CEO of the company and I had Lorin Brass was the
24 focal point in my organization on the whole
25 acquisition because as part of his organization
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1 WALTER VAN DE VIJVER

2 new business development that fitted in his
3 portfolio.

4 Q. Was a due diligence performed
5 prior to the Enterprise acquisition?

6 A. As good as you can because you
7 should not forget this was not a friendly
8 acquisition, this was a hostile acquisition, so
9 all the information we could gather from
10 Enterprise was based on publicly available data,
11 filings, et cetera. When we went into the
12 company and made our offer it -- they were in
13 principle not for sale so it took some
14 convincing to get them to agree to sell to us.

15 Q. So after the deal had been agreed
16 upon did Shell perform a due diligence?

17 A. Yes. Part of the overall
18 integration effort clearly we didn't get a much
19 fuller perspective on the business.

20 Q. Did you learn during that due
21 diligence there were certain reserves fields
22 that were not compliant with Shells guidelines?

23 MR. TUTTLE: Objection to form,
24 foundation.

25 THE WITNESS: I do recollect

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1 WALTER VAN DE VIJVER

2 particularly in portfolio we acquired from them
3 in Russia called KMOC that we didn't like the
4 portfolio and I think there was also an issue
5 with their estimated reserves this was one of
6 these assets we quickly decided it didn't fit
7 our portfolio, anyway.

8 BY MR. HABER:

9 Q. Were there any other fields that
10 you recall that were not compliant with Shell's
11 guidelines?

12 MR. TUTTLE: Objection to form.

13 THE WITNESS: Not that I

14 recollect.

15 BY MR. HABER:

16 Q. Have you heard of a field Tempa
17 Rossa, in Italy?

18 A. Yes, I do know about Tempa Rossa.
19 I actually visited the field somewhere after
20 acquisition because they had quite an
21 interesting portfolio in Italy so I actually
22 paid the field a visit after acquisition.

23 Q. Did you -- during that visit did
24 you receive any presentations about the reserves
25 at Tempa Rossa?

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2 A. No it was more on the development
3 plan. It was still clearly with the Enterprise
4 people we had taken over at that place. We
5 didn't have any Shell staff in the organization
6 at that time.

7 Q. Do you know if reserves had
8 already been booked in Tempa Rossa?

9 A. I would not know.

10 Q. At the time you were there the
11 field development plan was still being worked
12 on; is that correct?

13 MR. TUTTLE: Object to form.

14 THE WITNESS: There were a couple
15 of fields there. I remember a field called Val
16 D'Algri something like that. There were a
17 cluster of fields there I wouldn't be able to
18 recollect the details but some of those wells
19 were being drilled and fields were being
20 planned.

21 BY MR. HABER:

22 Q. Do you know if any of the reserves
23 from Tempa Rossa were restated Bichsel?

24 A. Could possibly be. I'm not
25 involved in that process so what it is it will

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1 WALTER VAN DE VIJVER

2 be; right.

3 Q. Do you recall during Rockford any
4 review of the Tempa Rossa fields?

5 A. I think I took time off Rockford
6 apart from the US where I had been I think it
7 was globally so I don't think any country at
8 that time apart from the US escaped in terms of
9 the recategorization process.

10 Q. Okay.

11 Mr. Watts also refers to reserves
12 life. What is that?

13 A. Well, if you increase your reserve
14 base then assume you keep the same production
15 you then increase your reserve life. Am I clear
16 or not?

17 Q. Is it -- is reserve life measured
18 in years?

19 A. Yes.

20 Q. Is there a certain threshold
21 number that Shell looks at to gauge whether its
22 reserve life is healthy or not?

23 MR. MORSE: Objection to form.

24 THE WITNESS: No. I wouldn't know
25 an exact number. Of course, the higher the

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1 WALTER VAN DE VIJVER

2 number is the better it is.

3 BY MR. HABER:

4 Q. Okay. Now, you responded to
5 Mr. Watts the following day and you put a number
6 of items that you say have your high yes, sir
7 attention and I would like to discuss on him of
8 them?

9 A. Sure.

10 Q. The first one you say is remaining
11 legacy proved reserves parentheses debooking
12 risks. What were you referring to with regard
13 to legacy improved reserves?

14 A. These are exactly the same items
15 that were in the February 2002 note to the CMD,
16 so projects like Angola and Ormen Lange and
17 maybe a few others.

18 Q. Did it include Gorgon, as well?

19 A. As you just saw, Gorgon was on
20 that list.

21 Q. And you say debooking risks. Why

22 did you say that?

23 A. Well, because they were exposures
24 even though they were considered compliant and
25 the whole idea of that was that there were
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1 WALTER VAN DE VIJVER

2 exposures so it implied there could be a risk
3 that later on they could have to be debooked if
4 that's what the experts considered the right
5 thing to do.

6 Q. The next one, constraints on
7 further appreciation. What are you referring to
8 there?

9 A. Constraints in terms of looking at
10 ongoing business in the portfolio we had about
11 what based on the business plan what additional
12 reserves were expected to be booked.

13 Q. Do you recall anyone in your staff
14 advising you if Shell -- if EP was planning to
15 book additional reserves for the coming year?

16 A. In the business plan there is a
17 number, right, what the expectation is for
18 reserve replacement for that year.

19 Q. Do you recall if that -- if there
20 was a comparison with prior years, sort of a
21 forward looking against historical to gauge
22 where Shell was?

23 MR. TUTTLE: Object to form.

24 THE WITNESS: I don't recollect
25 that specific reference in you.

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1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. By the way, just going back to the
4 first one, remaining legacy proved reserves?

5 A. Yes.

6 Q. The reserves that you just
7 identified, Ormen Lange, Gorgon, let's say Ormen
8 Lange for the moment, was that booked under
9 Mr. Watts' tenure as head of EP?

10 A. Yes.

11 Q. And to you know if Gorgon was
12 booked during Mr. Watts' tenure as head of EP?

13 A. '97. Yes.

14 Q. And do you know if Angola block 18
15 was booked under Mr. Watts' tenure?

16 A. Yes.

17 Q. So by this reference here you're
18 specifically referring to legacy bookings under
19 his stewardship; correct?

20 MR. TUTTLE: Objection to form.

21 THE WITNESS: Well, I'll refer to
22 the list that we have.

23 BY MR. HABER:

24 Q. But you were intending to identify
25 bookings under his leadership?

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1 WALTER VAN DE VIJVER

2 MR. TUTTLE: Objection to form.

3 THE WITNESS: Well, this was just
4 a factual representation.

5 BY MR. HABER:

6 Q. All I'm trying to get is just to
7 be clear all of these legacy bookings were done
8 under his leadership when he was head of EP?

9 MR. TUTTLE: Objection, asked and
10 answered, characterization of the testimony.

11 BY MR. HABER:

12 Q. Correct?

13 A. Yes.

14 Q. The third item negative impact of
15 Oman and Nigeria, growth absence paren losing
16 volume to post license expiry dates?

17 A. Yes.

18 Q. Are these the issues that we've
19 been talking about previously?

20 A. Yes.

21 Q. Is there anything else that you
22 didn't mention previously that you meant to
23 include here?

24 A. No. It's the same issue.

25 Q. Okay. The next one hit squads to

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1 WALTER VAN DE VIJVER

2 find other growth opportunities on bookings.

3 What did you mean by --

4 A. This is what I think I flagged in
5 an earlier note that I started the technical
6 operation excellence group in The Hague and
7 these people would go out to operating units to
8 sort of look at the technical quality of the
9 work being done there sort of visit mode and
10 then come back and that's sort of the hit squad
11 mode to see whether we were anything missing in
12 our overall portfolio for growth.

13 Q. Were these hit squads under the
14 auspices of the T&OE?

15 A. Yes.

16 Q. The last one says impact of FIDs.
17 What did you mean there?

18 A. That's the timing when the final
19 investment decisions on projects would be made.

20 Q. What impact were you referring to?

21 A. That was still with my operational
22 hat on thinking that clearly if you would make
23 investment decisions on projects that would
24 imply you would develop additional reserves
25 which then obviously would reflect in your

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2 reserve replacement.

3 Q. Had you found at this point in
4 time that there were reserves -- proved reserves
5 bookings that were made before FID had been
6 reached?

7 A. Yes. Those are the projects we
8 mentioned earlier.

9 Q. Just so the record is clear, which
10 projects?

11 A. The project like Angola, like
12 Ormen Lange, which were clearly in different
13 development phases but final FID had not taken
14 place.

15 Q. To you know if Gorgon had reached
16 FID when it was booked?

17 A. No, no. But to be clear again, if
18 we talk about proved reserves FID is not a
19 requirement as we sort of learned later for
20 booking proved reserves. In my operational

21 thinking FID is a major milestone in terms of
22 developing new reserves.

23 Q. I just want to go back to your
24 last answer on Gorgon just to make sure the
25 record is clear. Had FID been reached at the
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1 WALTER VAN DE VIJVER
2 time the Gorgon booking was made?

3 A. No.

4 Q. Okay. If you could turn to
5 Exhibit 1 again, still on the second page. At
6 this time if you could look at the bottom my
7 communications throughout the process to CMD and
8 others?

9 A. Yes.

10 Q. The paragraph that begins then in
11 July 2002, with my approval, E&P submitted to
12 CMD a catalog of reserves related exposures in
13 paren the exposures catalog.

14 Does this refer to the CMD meeting
15 that you just testified a moment ago about?

16 A. Yes.

17 Q. Do you know who was responsible
18 for formalizing the exposures catalog?

19 A. That came from the Lorin Brass and
20 at that time Frank Coopman, perhaps arrived.
21 It's between the new business development
22 director, Lorin Brass and whoever was the CFO at
23 that time, but I think Frank Coopman had arrived
24 at that time.

25 Q. Do you know if John Pay had any
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2 involvement in the preparation of the catalog?

3 A. Could well be. Those were his
4 staff that were in that organization.

5 Q. Who is John Pay?

6 A. John Pay was the groups reserve
7 coordinator he working in Lorin Brass
8 organization.

9 Q. If you look at the rest of the
10 paragraph, and I want to direct your attention
11 for a moment to the last -- second to last

12 sentence that begins, in its July 2002 meeting
13 the CMD discussed reserves booking in light of
14 tightening SEC requirements.

15 Do you recall what was discussed?

16 A. What was discussed at the C M D
17 was the notes, maybe we'll get to that which
18 will incorporate uncertainties and exposures
19 that were there at that point in time and was
20 coupled by a presentation by Lorin Brass.

21 (Van De Vijver Exhibit Number 14
22 was marked for identification.)

23 MR. HABER: I'm handing you what
24 we just marked as Exhibit 14 and while I
25 identify it if you could take a look at it.

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2 The document is titled note to

3 CMD. Subject: Reserves outlook. It's dated
4 July 18, 2002. It's from Mr. Van De Vijver to
5 the CMD and Mrs. J.G. Boynton.

6 The Bates number is LON 01210315
7 through LON 01210337.

8 MR. DOWD: Jeff, there seems to be
9 additional pages after the 337.

10 MR. HABER: Okay: Can we go off
11 the record for one minute.

12 THE VIDEOGRAPHER: We are going
13 off the record. The time is 11:20 a.m.

14 (Interruption.)

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

17 BY MR. HABER:

18 Q. Mr. Van De Vijver have you taken
19 a look at Exhibit 14?

20 A. Yes. I got page 15 through 37.
21 Yeah?

22 Q. Uh-huh. Have you seen this
23 document before today?

24 A. Yes but not with handwriting on
25 it.

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1 WALTER VAN DE VIJVER

2 Q. You do not recognize this as your

3 handwriting?

4 A. It's definitely not my
5 handwriting. That's all I can say.

6 Q. Okay. Do you recall sponsoring
7 this note?

8 A. Yes.

9 Q. And is this the note that you were
10 referring to in your prior testimony a few
11 moments ago?

12 A. Yes.

13 Q. If you look at the first page it
14 says key objectives of this note are and the
15 first one says to provide full transparency on
16 the nature of our resource base.

17 At the time you wrote this did you
18 feel there was not full transparency on Shell's
19 resource base?

20 A. I felt that the CMD may not have
21 seen the full resource base. I'm talking
22 resource base that goes beyond proved reserves
23 that's the whole resource base.

24 Q. But in your discussion you
25 intended to include the entire resources as well

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2 as the proved reserves?

3 A. Yes.

4 Q. And the exposures that you were
5 seeing?

6 A. Yes.

7 Q. The second thing you say here is,
8 "to outline the challenges we face in maturing
9 volumes to proved reserves." I realize there is
10 a discussion in the note, but generally what
11 were you intending to convey here?

12 A. That's again the general
13 projection of where we were in maturing reserves
14 linked to project activities and whatever in the
15 business.

16 Q. The signature where it says
17 supported by and underneath it has your name.
18 Is that your signature?

19 A. Yes.

20 Q. Okay. I would like you to take a
21 look at the executive summary for a moment and
22 in particular the second paragraph.

23 The last sentence says, "this
24 equates to a shortfall of 2 to 3 billion BOE
25 proved reserves additions."

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2 A. I'm reading it. I didn't write
3 this document so I just need to read it. Yeah.

4 Q. Before I ask a question about this
5 paragraph, who did write this note?

6 A. I cannot answer that question.
7 That's the Shell system somewhere in Lorin Brass
8 organization but I don't know who contributed to
9 writing this document. I get it from Lorin
10 Brass but I don't know who did the staff work
11 for him.

12 Q. Again when you sailor in Brass'
13 organization are you referring to EPB?

14 A. Yes.

15 Q. Now, with regard to this
16 paragraph, the message in the last sentence, is
17 the message that's being conveyed that there
18 will be a shortfall of 2 to 3 billion BOE in new
19 reserves?

20 MR. TUTTLE: Object to form, calls
21 for speculation.

22 MR. MORSE: Same objection.

23 BY MR. HABER:

24 Q. What do you understand the message
25 being conveyed here as?

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2 A. I cannot be totally sure. I would
3 have to read the total document, but my best
4 guess is that it implies that there would be a
5 shortfall over that medium term of two to three
6 billion proved reserves in order to get to the
7 full 100 percent replacement.

8 Q. I see. If you look at the next
9 paragraph there's a reference to cash again
10 declaration of commerciality. Do you see that?

11 A. Yes.

12 Q. What is cash again?

13 A. Cash again is in the oil and gas
14 field in the Caspian Sea, Shell is not the
15 operator but has an equity stake in the project.

16 Q. In July of 2002 do you know if the
17 cash again project had reached VAR 3?

18 A. I don't know.

19 Q. Do you know if it had reached FID?

20 A. Not yet but somewhere in that
21 period it was getting very close. I remember we
22 had quite frequent notes on cash again at that
23 stage because there was quite a bit of up front
24 expenditure on the project.

25 Q. Do you know what the declaration

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2 of commerciality is?

3 A. Declaration of commerciality was a
4 former milestone in the agreement with the
5 government as part of the contract that the
6 Kazakhstan government there was a milestone if
7 you would reach that would provide the formal
8 commitment to execute the project.

9 Q. What was Shell's relationship with
10 the government of Kazakhstan?

11 A. I think general okay. I went
12 there a few times I recollect but the key is to
13 know that Shell was not the operator of this
14 project so Shell was not in the lead. EN I was
15 the operator of this particular project.

16 Q. Do you know if the Kazakhstan
17 government had issued all of the required
18 approvals for the project to go forward?

19 A. When?

20 Q. At this time?

21 A. I don't know. I only know I later
22 got personally involved in some of the
23 negotiations because there was unhappiness from
24 the government side that the project didn't
25 start-up as quickly as they wanted and there

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2 were disputes later around penalties because the
3 government was originally hoping the project
4 which is a massive, very complex project would
5 start-up in 2005. It is a project that would
6 take years and years to execute.

7 Q. Was there any consequence
8 attendant to these disputes with the Kazakhstan
9 government?

10 MR. TUTTLE: Objection to form.

11 THE WITNESS: Well, I think you
12 have to be careful you don't mix time zones
13 here. We're talking here about where the
14 project was at this stage. Of course there were
15 later subsequent developments that occurred
16 later.

17 BY MR. HABER:

18 Q. Why don't we take those subsequent
19 developments while we're on the project?

20 A. I think at this stage and later
21 during the year the project was proceeding
22 according to plan and I think before the end of
23 the year that milestone of declaration of
24 commerciality was achieved. What happened
25 thereafter were delays because the government

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2 was then getting upset with the operators
3 because we then told them the project would not
4 actually given all the engineering work and
5 everything the difficulty procurement et cetera
6 that needed to be done, that the project would
7 not start-up until 2007, 2008 and the government
8 essentially wanted to be compensated for that.
9 So that played all the way to early 2004 where I
10 actually visited Kazakhstan myself and met with
11 both the oil minister and the prime minister at
12 that time, but at this time I had not had any
13 until later part of 2003 so I didn't have any
14 personal involvement in this project.

15 Q. Do you know if EN I had booked any
16 reserves as proved in the project?

17 MR. TUTTLE: Time period?

18 BY MR. HABER:

19 Q. Let's start at 2002?

20 A. I do recollect there were

21 discussions on that in 2003 but I don't

22 recollect the details any more.

23 Q. So in 2002 there was no booking by

24 EN I if you know?

25 MR. TUTTLE: Objection to form.

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2 MR. MORSE: Objection to form

3 mischaracterizes the testimony.

4 BY MR. HABER:

5 Q. The paragraph that follows says,

6 "accelerating the booking of Kashagan to 2002

7 weakens the outlook for 2003 to some 70 percent

8 organic RRR -- some 480 million BOE short of

9 full organic proved reserves replacement with

10 further downside in the event that Sakhalin does

11 not go ahead."

12 Let's just take the first part of

13 that sentence. Do you recall discussions about

14 accelerating the booking of proved reserves in

15 Kashagan at or about the time of this note?

16 A. No.

17 Q. Do you know if -- withdrawn.

18 What is the reference to Sakhalin?

19 A. Well, Sakhalin is a huge project

20 that was at this time was being worked very hard

21 to get the final approvals from government to

22 proceed.

23 Q. Where is the Sakhalin field

24 located?

25 A. Very much at the East Coast of

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2 Russia. Old Sakhalin island.

3 Q. Was Shell the operator of the

4 project?

5 A. Yes.

6 Q. I would like you to look at page

7 331, it's attachment 1 G. What is attachment 1

8 G?

9 A. It's -- I need the context. Lots

10 of attachments. Is there a reference in the
11 text to this table? It is sort of an exposure
12 list.

13 MR. DOWD: Just say what it is.
14 Look at it and tell him what it is.

15 THE WITNESS: It summarizes a
16 bunch of countries and the summary about the
17 state of some of the challenges that are out
18 there per operating units all the way from
19 talking about Namibia with some scope for
20 recovery issues to issues around progress from
21 project.

22 BY MR. HABER:

23 Q. If you just take a look at your
24 Exhibit 1, your letter and look at the
25 attachment 1 G is this the exposure list you

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2 were referring to in your letter?

3 A. Yes, but it is a little bit
4 combination with some of the other tables,
5 right? You have to -- this is sort of where the
6 thing was still evolving and how it was
7 presented. There are some of these other tables
8 around constraints within licenses and possible
9 constraints so you have to look at it in
10 totality to get the full prospective of what the
11 challenges were and exposures were.

12 Q. I would like you to look at
13 Australia for a moment?

14 A. Yeah.

15 Q. It says Gorgon stranded gas
16 (560 million BOE proved reserves booked)
17 possible barriers to commercialization of much
18 of the SFR portfolio.

19 What does stranded gas mean?

20 A. Stranded gas is gas that has not
21 been developed, produced.

22 Q. And by what's stated here you
23 meant to convey that 560 BOE of gas had not been
24 developed and produced?

25 MR. DOWD: Objection to form,

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2 foundation. He already testified he didn't
3 prepare this document.

4 MR. HABER: He also sponsored it
5 and signed it.

6 THE WITNESS: This table makes it
7 clear that 560 million barrels of proved
8 reserves had been booked on Gorgon.

9 BY MR. HABER:

10 Q. At this time in July of 2002 do
11 you know if there was any production with the
12 Gorgon gas?

13 A. No.

14 Q. Do you know July 2002 if there had
15 been any sales contracts that had been executed
16 between Shell and any buyer for the gas?

17 A. I would not know for sure but it
18 certainly was not developed yet. Had not
19 reached FID yet.

20 Q. Do you know if Shell had received
21 all the required regulatory approvals from the
22 Australian government and the time frame I'm
23 talking about at this time?

24 A. I think the answer is no. My
25 apologies for the way I answer because there are

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2 things that I learned about Gorgon way back in
3 January 2004 that I didn't know at that stage.

4 Q. I'll get to that in a moment. I
5 just want to stay at this time in 2002?

6 A. No, no, sure.

7 Q. Had you heard of something called
8 Barrow island?

9 A. Yes.

10 Q. And where is Barrow island?

11 A. Somewhere offshore western
12 Australia.

13 Q. What is the significance of Barrow
14 island to the Gorgon project?

15 A. I don't know whether I knew it at
16 that stage but I definitely learned over time
17 that that was the on shore facility location for

18 the Gorgon development.

19 Q. When you say you learned over time
20 are you referring to in January 2004 or sometime
21 prior to that?

22 A. It may have been on that specific
23 thing on Barrow island it may be earlier as
24 well.

25 Q. Do you have any recollection of
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2 when?

3 A. No. I cannot be sure.

4 Q. Did you learn that Barrow island
5 was an environmentally protected island. ^
6 wear wear objection to form and foundation?

7 A. Yes. The thing I can't answer is
8 when I learned that.

9 Q. As an environmentally protected
10 island was Shell required to get approvals from
11 the Australian government?

12 MR. TUTTLE: Objection to form,
13 foundation.

14 THE WITNESS: I think I can only
15 give the general answer that for any type of
16 development of this nature there would have been
17 governmental approvals need to be achieved.

18 BY MR. HABER:

19 Q. Now you said that you learned
20 other facts about Gorgon in January of 2004.
21 What other facts are you referring to?

22 A. There are a couple. I learned in
23 January '04 that there actually had been a
24 request from the operating unit to debook Gorgon
25 and that subsequently Anton Barendregt did an
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2 audit in Australia and recommended that Gorgon
3 could still remain on the books.

4 I also learned that Gorgon was
5 being used as an important element of the
6 acquisition of Woodside during that time period
7 2000 I think it was and I learned in
8 January 2004 originally it was not booked as a

9 new discovery but as a revision.

10 Q. Let's take the last fact that you
11 learned that Gorgon was not booked as a new
12 discovery but a revision. How did you learn
13 that?

14 A. That was actually a bit in an
15 awkward manner when after Shell made an
16 announcement on the reserve recategorization one
17 of the analysts from Lehman Brothers, I can't
18 particularly remember the name, came to Simon
19 Henry and said that he had looked at Shell's 20
20 F for 1997 and couldn't find the Gorgon booking
21 and clearly that got me panicking a little bit
22 thinking we had our numbers wrong but then it
23 turned out that we discovered that it was booked
24 as a revision rather than as a new discovery.
25 Normally you would expect a first time booking

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2 it would happen as a discovery rather than as a
3 revision of something that already was there in
4 the past.

5 Q. Did you ever try to inquire as to
6 the reasons why Gorgon was reported as a
7 revision?

8 A. I think in the context of finding
9 the information I just mentioned to you it was
10 actually I was desperate in the project Rockford
11 to get data ammunition on the original booking
12 of Gorgon.

13 And I actually, we sent staff out
14 to Australia to find an audit on the booking,
15 and they came back with empty ends and the only
16 thing I got in the end of January was from notes
17 from John Darley, who was my technical director,
18 with the information I just mentioned to you
19 earlier.

20 Q. When you say empty ends, what do
21 you mean?

22 A. They couldn't find an audit trail,
23 visiting Australia they couldn't find
24 documentations referring to the original booking
25 of Gorgon.

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2 Q. Do you know who was responsible in
3 the discussion of the 20(F) about Gorgon as a
4 revision?

5 MR. TUTTLE: Objection. To make
6 clear, you're talking about in the 1997 20(F).

7 THE WITNESS: I don't know, I'm
8 not involved in that process. That's down to
9 the group finance line reporting is done. I
10 can't give you any more detail than that.

11 BY MR. HABER:

12 Q. Do you recall reviewing any
13 documents in or about January of 2004 that
14 explained why Gorgon was reported as a revision?

15 A. I think I got verbal information
16 that it was probably an error at the time that
17 it had been booked for the first time as an
18 expectation reserve Bichsel Australia the year
19 before. And when they categorized it as a
20 proved reserve they called it a revision.

21 Q. How did you learn that?

22 A. Through the same -- through the
23 same information. Through the organization,
24 whether it was John Darley, but somewhere in the
25 central organization.

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2 Q. Did you ever inquire as to the
3 reasons why Shell never corrected the reporting
4 of Gorgon as a revision in its 20(F)?

5 MR. TUTTLE: Objection to form,
6 foundation.

7 THE WITNESS: No. I mean clearly
8 I was -- I was shocked to find out in January
9 '04 about some of the history, particularly this
10 sort of recommendation from an operating unit to
11 debook and then ultimately it didn't debook.
12 That was a big surprise for me.

13 MR. HABER: I'm told we have to
14 change the videotape, so why don't we take a
15 short break.

16 THE VIDEOGRAPHER: This marks the

17 end of tape one, Volume II, in the deposition of
18 Mr. Van De Vijver. We're going off the record.
19 The time is 11:50 a.m.

20 (Videotape change.)

21 THE VIDEOGRAPHER: This marks the
22 beginning of tape two, Volume II. This the
23 deposition of Mr. Van De Vijver. We're back on
24 the record. The time is 11:55 a.m.

25 BY MR. HABER:

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2 Q. Mr. Van De Vijver, going back to
3 your earlier answer when I asked you what facts
4 you had learned in January 2004, the first thing
5 you had said is that there had been a request
6 from the operating unit to debook Gorgon and
7 that subsequently Anton Barendregt did an audit
8 in Australia and recommended that Gorgon could
9 still remain on the books.

10 Can you describe a little bit more
11 what you had learned in that regard?

12 A. Well, what I learned from John
13 Darley, I got a couple of e-mails from staff,
14 from Shell development organization, and then I
15 also got a copy of the audit report that Anton
16 Barendregt did after he visited with his
17 recommendation that it was okay to keep Gorgon
18 as a proved reserve.

19 Q. What was your reaction when you
20 had learned that the operating unit was
21 requesting a debooking of Gorgon?

22 A. Well, I was -- I was surprised
23 that even operating unit that has the most
24 up-to-date knowledge about their assets and
25 understanding that if they would recommend

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2 debooking that someone from the group reserve
3 auditor who ultimately has the skills and
4 expertise, I'm not denying that, came with the
5 recommendation to keep it on the book.

6 Q. Did that make you come to question
7 Mr. Barendregt's judgment?

8 A. Yes, a little bit, but I already
9 had that a month earlier after the report and
10 his recommendation on Oman, his audit report on
11 Oman.

12 Q. Why don't you explain that.

13 A. Yes. We're drifting a little bit.

14 But when I received the audit
15 report on Oman, a copy of that, and put it in
16 the context of I had just visited Oman a couple
17 days before, I was very surprised at his
18 conclusion from his audit report was that it was
19 okay to keep the Oman reserves at least another
20 year on the books as further studies were taking
21 place. And not being the expert, I just was
22 surprised by his judgment and his recommendation
23 to do so.

24 Q. Do you recall what his report had
25 said about Oman, that is whether it was a

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2 satisfactory report or an unsatisfactory report?

3 A. Unsatisfactory report.

4 Q. Do you recall receiving this note
5 in or about the end of November, early December
6 of 2003?

7 A. I think it was around the 17th of
8 November in 2003.

9 Q. Did you ever talk -- going back to
10 Gorgon now, did you ever talk to the people from
11 SDA who were -- who had requested a debooking of
12 Gordon?

13 A. No.

14 MR. TUTTLE: Objection to form,
15 foundation.

16 BY MR. HABER:

17 Q. Do you know who at SDA had been
18 requesting that Gorgon be debooked?

19 A. Sorry.

20 Q. Do you know who at SDA was
21 requesting?

22 A. No. I don't recollect the name.
23 There are documents. I don't recollect it at
24 this point in time.

25 Q. Do you know who Sheila Graham is?

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2 A. No.

3 Q. Do you know who Sarah Bell is?

4 A. No.

5 Q. Do you know a Helge Hammer?

6 A. No.

7 Q. Going back to your prior answer,
8 the other fact that you identified you had
9 learned in January '04 about Gorgon, was that
10 Gorgon was being used as an important element of
11 the acquisition of Woodside?

12 A. Yes.

13 Q. During the time period of 2000?

14 A. Yes.

15 Q. Can you explain?

16 A. I think it was 2000.

17 Q. Can you explain what you had
18 learned?

19 A. This was all before my time, but I
20 had gotten -- as part of my January note I got
21 an extract from an offering memorandum that was
22 used during the process of an attempted
23 acquisition -- acquisition/merger of Woodside
24 where there had been a reference through the
25 value of Gorgon as an asset as one of the swaps,

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2 trading chips, to acquire the majority in
3 Woodside.

4 Q. At the time was Shell trying to
5 acquire Woodside?

6 A. As I said, there was an attempt.
7 I don't know the exact date. I think it was
8 2000 or early 2001, there was an attempt to get
9 full control of Woodside where Shell already had
10 a stake of 34 percent in it, but they wanted to
11 get a full control.

12 Q. Did Shell succeed in its attempt
13 to acquire all of Woodside?

14 A. No, it didn't. That acquisition
15 did not succeed.

16 Q. Since we're still on Woodside -- I
17 mean Gorgon, do you recall ever visiting SDA
18 during your tenure as head of EP?

19 A. I visited Australia once in
20 September 2002.

21 Q. Did anyone accompany you?

22 A. I was there for part of the visit
23 together with Malcolm Brinded.

24 Q. Who is Malcolm Brinded?

25 A. He was a colleague of mine at the

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2 CMD and he had regional responsibility for the
3 Far East and responsibility for the gas and
4 power business.

5 Q. Do you have an understanding as to
6 why Mr. Brinded accompanied you?

7 A. I think the timing as such was
8 sort of coincident. I mean this was one of his
9 regular visits to that region to maintain
10 relationships. I think it was just convenient
11 that we learned that we were sort of both going
12 at the same time to allow to sort of jointly get
13 a briefing from the Shell Development Australia
14 Organization, SDA, on activities in the country
15 and then we went our own separate ways.

16 Q. Do you recall getting a briefing
17 from SDA about Gorgon?

18 A. I do recall that we got a briefing
19 on all particular activities in Australia, so
20 that would have included Gorgon.

21 Q. Did Mr. Brinded attend that
22 briefing?

23 A. We were together.

24 MR. HABER: I would like to mark
25 as Exhibit 15.

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2 MR. DOWD: Are you through with
3 14?

4 MR. HABER: Not yet.

5 MR. DOWD: Okay.

6 MR. HABER: A document that I will

7 identify for the record and while I'm
8 identifying it I will give Mr. Van De Vijver an
9 opportunity to look at it.

10 (Van De Vijver Exhibit Number 15
11 was marked for identification.)

12 MR. HABER: For the record, what
13 we just marked as Exhibit 15 is a series of
14 E-mails, the last of which is from Jim Mair,
15 dated September 23, 2002 to Mr. Van De Vijver
16 with a cc to Lorin Brass and Frank Coopman,
17 subject line is Re: Australia visit.

18 The Bates number is HAG 00084944
19 through HAG 00084946.

20 BY MR. HABER:

21 Q. Mr. Van De Vijver, have you seen
22 Exhibit 15 before?

23 A. Yes.

24 Q. Is this a report of your visit to
25 Australia that you just testified about?

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2 A. Yes.

3 Q. Who is Jim Mayer?

4 A. Jim Mayer is an individual that
5 works in Lorin Brass' organization responsible
6 for acquisitions and divestments.

7 Q. Do you know if Mr. Brinded had
8 prepared a trip report?

9 A. I don't know.

10 Q. I would like you to look at the
11 second page, which is your e-mail of
12 September 22, 2002, to Philip Watts, Jeroen Van
13 Der Veer, Paul Skinner, Malcolm Brinded and a cc
14 to Judith Boynton, Dominique Gardy and yourself.

15 Before I do that, Paul Skinner,
16 was he a member of the CMD?

17 A. Yes.

18 Q. Why did you send Mr. Skinner this
19 trip report?

20 A. I think, as I explained earlier, I
21 usually had a practice to send my visit report
22 to all my colleagues at the CMD and Judy
23 Boynton, who at that time was not a member of

24 the CMD, was attending every CMD meeting.

25 Q. Were Mr. Van Der Veer, Skinner and

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2 Brinded members of the conference, as well, at
3 this time?

4 A. Yes.

5 Q. Now, looking at the second page
6 under some observations. If you look at the
7 bullet point that begins, internal conflicts on
8 what stranded gas reserves should be it says,
9 "out of the block"?

10 A. Yes.

11 Q. Next, "Woodside does not have
12 equity in Gordon (the next logical choice
13 partner alignment)."

14 What did you mean by that?

15 A. This is the reference around -- at
16 that stage there are quite a few stranded gas
17 reserves off the coast of western Australia that
18 were all vying for the same market, whether it
19 was the Far East or the West Coast of the United
20 States. For Shell the situation was always a
21 bit complex because on the one hand we had an
22 equity in Woodside and wanted to make sure
23 Woodside was successful.

24 On the other hand, we had our own
25 interest in Shell Development Australia with,

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2 for instance, to Gorgon project and all the
3 projects had to sort of do their own fighting in
4 the market and the one that is the best will
5 ultimately win, but given the size and the
6 attractiveness of Gorgon, I say here the logical
7 choice from the Shell perspective would be in
8 terms of the stranded gas reserves, the next
9 logical one would be Gorgon.

10 Q. We can put this aside for the
11 moment.

12 If we could go back to Exhibit 14.

13 Do you recall if a presentation was made to the
14 CMD about the content that's in this note?

15 A. Yes. This was a presentation, you
16 can see that on the format of the note. If it
17 is a note to CMD that means it normally gets
18 agenda time in the company for a presentation.

19 Q. Do you know who made the
20 presentation?

21 A. Lorin Brass.

22 Q. Did you discuss the presentation
23 with Mr. Brass before he made it?

24 A. Not that I recall.

25 Q. Do you recall if there was any

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2 discussion during Mr. Brass' presentation about
3 the content of his presentation?

4 A. Yes. There was some discussion
5 and it should be reflected in the minutes.

6 Q. Do you recall the discussion that
7 took place?

8 A. One of the things that took place
9 was a question by Phil Watts to Lorin Brass
10 whether he considered that we had to do any
11 debooking of reserves at that point in time.

12 Q. And do you recall what Mr. Brass
13 had said?

14 A. He said no.

15 Q. Were you satisfied with Mr. Brass'
16 presentation?

17 A. Yes. As far as I can recollect.

18 (Van De Vijver Exhibit Number 16
19 was marked for identification.)

20 BY MR. HABER:

21 Q. I'm handing you what has just been
22 marked as Van De Vijver 16. And for the
23 record, Exhibit 16 are, in the upper left-hand
24 corner it says draft. The title is Committee of
25 Managing Directors Minutes of the Meeting Held

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2 in London on Monday 22 and Tuesday 23 July 2002.

3 The Bates number is HAG 00083068
4 through HAG 00083097.

5 Mr. Van De Vijver, have you seen

6 Exhibit 6 before today?

7 A. Yes.

8 Q. What is Exhibit 16?

9 A. This is a draft of the minutes of
10 a meeting of the committee of managing directors
11 and a draft that normally at the follow-up
12 meeting will get finalized through discussion
13 and issued.

14 Q. Do you recall reviewing this draft
15 at some point subsequent to July 22, 23, 2002?

16 A. Yes, because it has my hand
17 scribbles on it.

18 Q. If you could turn to page 18 of
19 the document itself with the Bates number 84.
20 Under number 13, reserves outlook.

21 Are these handwritten notes and
22 comments yours?

23 A. Yes.

24 Q. Okay. When you read these minutes
25 were you satisfied with what had been

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2 transcribed and disseminated for review?

3 A. No.

4 Q. Why not?

5 A. Because I felt that, as you can
6 see from my comment, that the language around
7 debooking was too strongly worded as there were
8 still a lot of things as part of the activities
9 that were ongoing that were being worked. There
10 were still uncertainties and exposures out there
11 and then I made a little bit more brutal comment
12 on the last sentence in that draft.

13 Q. And what does that comment say?

14 A. It says, "smart ass bull shit."

15 Q. Why did you write that?

16 A. Because I was totally clueless
17 what that sentence was trying to portray.

18 Q. Do you know who is responsible for
19 writing the minutes?

20 A. The minutes are being taken by a
21 secretary of CMD that attends the meetings. I
22 don't know before we get it whether they are

23 being reviewed by anyone. I only know that the
24 process is during those meetings that the
25 chairman runs the meeting and he also runs the
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2 process of finalizing the minutes.

3 Q. And the chairman of CMD at the
4 time was Phil Watts?

5 A. Yes.

6 Q. Other than what you pointed out
7 within number 13 as being too strongly worded,
8 were you satisfied with the remainder of the
9 content of number 13?

10 A. No, because I wanted that section
11 that I sort of circled, I wanted the language
12 changed there, as well.

13 Q. And why did you want that language
14 changed?

15 A. I wanted it changed because, as I
16 mentioned, I wanted to have a recognition that
17 there were still uncertainties out there.

18 Q. What does the handwriting on the
19 right margin say where that's circled?

20 A. That's why I said true? And then
21 I have debooking Nigeria, Oman.

22 Q. Why did you say debooking Nigeria,
23 Oman?

24 A. This is ongoing concerns we had
25 around the uncertainties in those two countries
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2 that we discussed quite a few times today, same.

3 Q. So other than -- withdrawn.

4 Do you feel Mr. Brass presented
5 those issues to the CMD satisfactorily?

6 MR. TUTTLE: Objection, asked and
7 answered.

8 THE WITNESS: As I said earlier, I
9 did not have a problem with his presentation.

10 BY MR. HABER:

11 Q. Other than the handwritten insert
12 at the top of the page, the part where you
13 circled and then the bottom sentence that you

14 made the comment on, were you satisfied with the
15 remainder of what's left in number 13?

16 A. Yes.

17 Q. Just for the record, what does the
18 handwriting say on the top of the page?

19 A. Finding new material investment
20 opportunities.

21 Q. Why did you insert that, want that
22 inserted?

23 A. Because that was one of the
24 challenges of our business. The whole pipeline
25 of projects.

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2 Q. One more document and then we'll
3 break.

4 MR. DOWD: That's what you said
5 ten minutes ago.

6 MR. HABER: I'm sorry.

7 I'm going to mark as Exhibit 17 a
8 one-page document that says extract from the
9 minutes of a meeting of the committee of
10 managing directors. In the upper left-hand
11 corner of it it says CMD number 2526 22/23 July
12 2002.

13 The Bates number is V 00030240.

14 (Van De Vijver Exhibit Number 17
15 was marked for identification.)

16 BY MR. HABER:

17 Q. Have you seen this document
18 before?

19 A. Yes.

20 Q. And what is this?

21 A. Every time there is a CMD meeting
22 minutes get produced of the final minutes of the
23 meeting, but on top of that extracts are being
24 sent out to the people that attended the
25 particular sessions on a subject and that's what

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2 the one you see on this agenda item. So this
3 particular thing would then be sent again to
4 myself and, in this case, to Lorin Brass who

5 attended the meeting.

6 Q. Do you know if this represents the
7 final version of the minutes on this particular
8 point?

9 A. The way it looks it's the final,
10 yeah. It has a number, yeah.

11 Q. Do you know if the final version
12 reflected your comments that we talked about on
13 Exhibit 16?

14 A. Well, we have to go back at the
15 worst; right? But I'm sure I made sure that
16 things got changed. Yeah. It did.

17 Q. When you say yeah, you're
18 referring to what?

19 A. Sorry. I refer to the sentence to
20 flag there are still uncertainties out there on
21 booking and the last sentence got changed, as
22 well.

23 Q. Do you know if this change was
24 made -- withdrawn.

25 Did you have to negotiate for this

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2 change?

3 A. Yes.

4 Q. And who did you have to negotiate
5 with?

6 A. The chairman.

7 Q. And why is that?

8 A. Because he controls the process.

9 Q. What did Mr. Watts want?

10 A. Mr. Watts was initially happy with
11 the way it was written and I can't remember the
12 exact discussion, but this is the final outcome
13 of the minutes.

14 Q. Do you recall why he wasn't
15 satisfied?

16 MR. MORSE: Objection to form,
17 mischaracterizes his prior testimony.

18 BY MR. HABER:

19 Q. Did you say he was happy?

20 A. Yeah.

21 Q. Okay. I withdraw the question.

22 MR. DOWD: I did not object. I

23 don't want his objection.

24 MR. TUTTLE: As long as you don't

25 object to it again.

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2 BY MR. HABER:

3 Q. This language reflected in

4 Exhibit 17, is this language that you proposed?

5 A. I cannot recall whether that was

6 the exact language I proposed. For me the key

7 point was to make sure that minutes reflected,

8 that there were remaining uncertainties and

9 that's it.

10 Q. Were you satisfied with the way

11 the minutes appeared in their final form?

12 A. Yes.

13 MR. HABER: This is a good time to

14 break.

15 THE VIDEOGRAPHER: We are going

16 off the record. The time is 12:24 p.m.

17 (Whereupon, at 12:24 p.m., a lunch

18 recess was taken.)

19

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2 AFTERNOON SESSION

3 (1:18 p.m.)

4 THE VIDEOGRAPHER: We are back on

5 the record. The time is 1:18 p.m.

6 MR. HABER: Before we get started,

7 I just want to do a housecleaning matter.

8 It was brought to our attention

9 Exhibit 8 is not one document. Yesterday there

10 was a question about whether the second page of

11 the document was part of the document and after

12 further review Bichsel and the lead plaintiff we

concluded that the handwritten note portion of the exhibit is not, in fact, a part of Exhibit 8.

EXAMINATION BY COUNSEL FOR
LEAD PLAINTIFF -- RESUMED

MR. HABER: I would like to mark as Exhibit 18 a multi-page document which refers to Mr. Van De Vijver's testimony earlier and some questions that I had asked him.

(Van De Vijver Exhibit Number 18 was marked for identification.)

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MR. HABER: The document is an e-mail from Marian Van Der Laan on behalf of Mr. Van De Vijver. It's dated May 16, 2002 and it's to Zaharuddin Megat with a cc to Jeroen Van Der Veer and Carol Dubnicki. The subject is Oman visit 8-11 May 2002. Attached to the e-mail is the Oman trip report of May 8, 2002.

The Bates number is HAG 00208193 through HAG 00208199.

Mr. Van De Vijver, you'll notice that the trip report that's attached appears to be the same trip report that we discussed earlier that was marked as Exhibit 12.

THE WITNESS: Yeah. Okay.

BY MR. HABER:

Q. The only difference in this exhibit is the covering e-mail and I had asked you a question, if you recall who it was distributed -- this trip report was distributed to and you said you would have to look at an e-mail. Does this refresh your recollection about if the document was distributed to my member of the CMD?

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A. I guess on evidence of this document that would suggest it only went to

4 Jeroen Van Der Veer.

5 Q. Do you have any recollection why
6 it went to Carol Dubnicki?

7 A. No, but I can assure my secretary
8 carried that on the basis of the attachment
9 which was my assessment of the management team,
10 so as an H.R. director to share it with her.

11 Q. And you directed Ms. Van Der Laan
12 to send this e-mail and the trip report?

13 A. I do not recollect why it had this
14 distribution.

15 MR. DOWD: Listen to the question.

16 BY MR. HABER:

17 Q. The question was did you ask her
18 to send this trip report to the people
19 identified on the e-mail?

20 A. Yes.

21 Q. Okay. You can put this aside now.
22 (Van De Vijver Exhibit Number 19
23 was marked for identification.)

24 MR. HABER: I'm going to mark as
25 Exhibit 19 a two page document. It's a series
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2 of e-mails, the last of which is from Judith
3 Boynton, dated August 22, 2002, to Mr. Van Der
4 Vijver. The subject line reads: IR-US field
5 trip.

6 The Bates range and there are two
7 Bates ranges, the first is V 00020564. The
8 second is -- through V 00020565 and the other
9 range is DB 01327 through DB 01328. Do you
10 recall seeing this e-mail string before today?

11 THE WITNESS: Yes.

12 BY MR. HABER:

13 Q. I would like you to take a look at
14 the e-mail that you sent to Mr. -- I'm sorry,
15 that you sent to Mr. Watts with a cc to
16 Ms. Boynton. That's the middle e-mail dated
17 August 22, 2002.

18 First of all, in looking at the
19 e-mail do you recall why you sent this e-mail?

20 A. As a response to an e-mail that I

21 got from Phil Watts.

22 Q. Did you understand in the e-mail
23 Mr. Watts asking you for information?

24 A. His e-mail is indicating about a
25 US fuel trip, something at that stage I didn't
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2 know anything about and seeing then the e-mail
3 from Phil and given my early reactions to his
4 comments about the EPP looks very light.

5 Q. Do you know what EPPs he was
6 referring to?

7 A. I don't know the details, but this
8 fuel trip must have been one of those trips to
9 the US operations where a variety of
10 presentations would be given on old businesses
11 including E&Ps and I would be a piece of E&P in
12 that total material.

13 Q. Was this part of the business week
14 that you testified about yesterday?

15 A. No, no, no.

16 Q. This is separate?

17 A. This is separate.

18 Q. Do you recall if there were
19 external auditors who -- I'm sorry. Let me --
20 withdrawn.

21 Do you recall if there were any
22 external analysts, market analysts, who attended
23 in the US?

24 A. This is about an IR so investor
25 relations US field trip, so that would be
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2 involving a trip that involved analysts and the
3 likes. External presentation.

4 Q. So it would be an external
5 presentation to market analysts?

6 A. Yes.

7 Q. Do you know if any institutional
8 investors were also invited?

9 A. I don't have that type of detail.

10 Q. Were field trips to the United
11 States scheduled -- regularly scheduled during

12 your tenure?

13 MR. TUTTLE: Object to form.

14 THE WITNESS: I'm not sure. I

15 know about this particular one and this is --

16 it's called a field trip because there would

17 sometimes would be the initiative that investor

18 relations people would invite analysts and the

19 financial community to actually go and visit

20 specific locations where we had operations. I

21 recall that there was once one in Egypt, for

22 instance, a couple years earlier. So this was

23 just a way where the analysts would be able to

24 get a more direct exposure to the people in

25 operations in a particular area.

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2 BY MR. HABER:

3 Q. Do you recall any discussions in
4 the CMD about investor relations activities in
5 the United States?

6 A. There was a regular program that
7 was controlled by investors in London that would
8 coffer whatever would happen in terms of global
9 activities on the IR scale.

10 Q. That would include activities
11 within the United States?

12 A. Yes.

13 Q. How would you describe the
14 investor relation activities within the United
15 States?

16 MR. TUTTLE: Object to form.

17 THE WITNESS: I don't quite
18 understand your question.

19 BY MR. HABER:

20 Q. You say there was a regular
21 program. Did part of this program include
22 scheduled conferences with US based analysts?

23 MR. WEED: Objection,
24 mischaracterization.

25 THE WITNESS: There was a program

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2 that was a global program that included what we

3 called one to one sessions and formal
4 presentations, conferences and in this
5 particular case, a field contribute to the
6 United States.

7 BY MR. HABER:

8 Q. My focus of my questions are --
9 have to do with the program as it related to
10 activities in the United States.

11 Do you recall the program
12 including one on one sessions with analysts in
13 the United States?

14 A. Yes. If the program included
15 conferences, larger conferences, not one on one,
16 but larger conferences with market analysts in
17 the United States. Yes, because I did a few of
18 those sessions, as well.

19 Q. Were there certain cities that
20 Shell had focused on to make presentations?

21 MR. TUTTLE: Objection to form,
22 calls for speculation.

23 THE WITNESS: Not directly. I
24 know that personally I've been involved in New
25 York, Boston and Houston, if I recollect

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2 correctly, but there were more of those type
3 activities by my colleagues.

4 BY MR. HABER:

5 Q. In what year do you recall going
6 to New York and Boston and Houston?

7 A. I think in 2002 and 2003. I
8 wouldn't recollect the exact dates.

9 Q. As a general matter, was there a
10 purpose behind meeting with market analysts in
11 the United States?

12 MR. TUTTLE: Object to form.

13 THE WITNESS: Clearly, I was not
14 in control of the process. That was run by IR
15 and thereby the organization in London, but it
16 was generally to give an update to the relevant
17 financial people in the financial market about
18 the state of the business.

19 BY MR. HABER:

20 Q. In terms of the state of the
21 business, would that also include discussion of
22 Shell's reserves position?

23 A. Whatever was relevant on the
24 overall state of the business. It would have
25 included numerous in achieved reserves replace.

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2 Ratio, for instance.

3 Q. Would it have also included
4 discussion of particular operating units?

5 A. Yes, and projects as such.

6 Q. In the trips that you attended
7 within the United States do you recall any
8 discussion about Oman?

9 A. No, I don't have any specific
10 recollection of that.

11 Q. Do you recall any discussion about
12 Nigeria?

13 A. Yes. I think we did talk about
14 the whole project for the on shore gas gathering
15 in Nigeria and related activities and the
16 deepwater projects.

17 Q. Do you recall any specifics of
18 what was discussed?

19 A. No, not the detail anymore, no.

20 Q. A moment ago you mentioned an
21 investor relations program. Was this program
22 something that needed to be approved by the CMD?

23 A. I don't exactly know how to answer
24 that question. I know it was discussed by Judy
25 and Phil -- Judy Boynton and Phil Watts at CMD.

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2 Q. Do you recall any discussion -- at
3 these times when Ms. Boynton or Mr. Watts spoke
4 about investor relations, about the importance
5 of the United States market for investor
6 relations?

7 MR. TUTTLE: Objection,
8 foundation.

9 MS. SENNETT: Objection to the
10 form of the question.

11 THE WITNESS: No.

12 BY MR. HABER:

13 Q. If you can look at Exhibit 19.

14 A. Yes.

15 Q. One more thing. When you came to
16 the United States to make these presentations
17 did anyone accompany you?

18 A. There would always would be a
19 representative from the IR department with me.

20 Q. And do you recall who that
21 representative was?

22 A. No. There were a couple. I
23 wouldn't know particularly which ones. I mean
24 there would be Simon Henry himself, who was head
25 of IR, or would be his US representative that

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2 would be part of it or someone else in his
3 organization if it was in Europe.

4 Q. Do you know who his US
5 representative was?

6 A. I think it changed during my
7 tenure. Initially it was David Sexton, Sexton.

8 Q. Do you know who replaced
9 Mr. Sexton?

10 A. No. I cannot recollect the name.
11 If you give me a name I say yes or no. I don't
12 know the exact name.

13 Q. Okay. David Sexton is the only
14 one I know of.

15 Looking at the exhibit now, 19.
16 In your response and, again, I'm talking about
17 the e-mail that you sent a day later on
18 August 22nd. The second sentence -- third
19 sentence you say, "I feel strongly that we
20 should stop talking to analysts about things we
21 have not delivered yet/or still low POS in terms
22 of implementation. We should learn from
23 FLNG/FONG/sunrise/coup do examples and be
24 cautious about Sakhalin Brazil, et cetera."

25 Why did you feel that you

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2 should -- you, meaning Shell, should stop
3 talking to analysts?

4 MR. TUTTLE: Objection to the
5 characterization of the document.

6 THE WITNESS: What I was trying to
7 portray here was just my overall recurring theme
8 that I wanted to make sure that we would have
9 total realism in terms of our external
10 presentations based on the facts that we had in
11 hand on the state of our business.

12 BY MR. HABER:

13 Q. What things had not been delivered
14 yet?

15 A. Well, I think there are some
16 examples given here; right. All these acronyms.
17 FLNG means floating LNG.

18 Q. And to what does that refer?

19 A. That was initial initiative to
20 develop a floating LNG facility where there were
21 at that stage there were two projects earmarked
22 for that. One was Kudu, which was on the West
23 Coast of Africa in Namibia and the other was
24 Sunrise which was a project on the West Coast of
25 Australia. And clearly those projects were

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2 still very immature, as well as FONG, which was
3 also something floating. Floating -- I have to
4 assume oil and natural gas facilities. It may
5 not be 100 percent correct, but something like
6 that, which, again, was something that was
7 earmarked for the West Coast of Africa, I think,
8 and had not sufficiently matured either.

9 Q. And at that point in time was
10 anyone at Shell talking about the FLNG and FONG
11 which you described?

12 A. I think in some earlier
13 presentations we talked quite bullishly, typical
14 engineering optimism on those technologies and
15 the related projects.

16 Q. When you say we talked, who's the
17 we?

18 A. Shell.

19 Q. Is there any person in particular?

20 A. I wouldn't know.

21 Q. The next sentence says, "I'm

22 worried that we are going to talk prematurely

23 about SURE, as well." What is SURE?

24 A. SURE was an acronym again, Shell

25 Unconventional Resources, which was related to

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2 some pilots and studies that were ongoing on

3 extraction of oil from oil shale. And this was

4 for me still very much in the very early, early,

5 early stage. We also tried to keep it

6 confidential and my perception was we shouldn't

7 be talking about it.

8 Q. The last item that you write you

9 say, "with aggressive historical proved reserves

10 booking, massive investment in Nigeria with

11 increasing risks, few material discoveries ROACE

12 pressures. We just need to be very careful."

13 Why did you identify all of these

14 items for Mr. Watts?

15 A. I just wanted to flag, again, that

16 there were a lot of issues that I was concerned

17 about and was working and in the same context

18 that we had to ensure that we gave out realistic

19 stories to the market.

20 Q. And when you say aggressive

21 historical proved reserves bookings, what are

22 you referring to?

23 A. All the same things we have talked

24 about.

25 Q. And were you referring to bookings

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2 primarily made under Mr. Watts' tenure?

3 A. I talked about the reserves we

4 talked about before which coincided with mostly

5 with his tenure, yes.

6 Q. Did you receive any response to

7 this e-mail from Mr. Watts?

8 A. I do not recollect.

9 Q. You'll notice in the top of the

10 e-mail -- the top of the document is an e-mail
11 from Ms. Boynton to you and in the e-mail the
12 second sentence she says, "could you give me a
13 ring when you have a chance." Do you recall
14 having a discussion with Ms. Boynton on or about
15 October 22, 2002?

16 A. No, I don't.

17 Q. Do you recall having a discussion
18 with Ms. Boynton about any of the content of
19 your e-mail you sent to Mr. Watts in which she
20 was cc'd?

21 A. No.

22 Q. You can put this aside.
23 Do you know who Harold Hatchett
24 is?

25 A. That's the man.

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2 Q. When you say that's the man?

3 A. That's the man that replaced David
4 Sexton.

5 Q. Okay. Before I mark this next
6 document, do you recall having any discussions
7 with Ms. Boynton prior to August of 2002 about
8 aggressive bookings?

9 A. No.

10 Q. And, again, my question refers to
11 other than formal CMD meetings?

12 A. No. That's what I understood.
13 (Van De Vijver Exhibit Number 20
14 was marked for identification.)

15 BY MR. HABER:

16 Q. I'm handing you what we just
17 marked as Van De Vijver Exhibit 20.

18 For the record, this is an e-mail
19 with some attachments. The e-mail is from
20 Mr. Van De Vijver. It's dated September 2,
21 2002. It's to Philip Watts, Jeroen Van Der
22 Veer, Paul Skinner, Malcolm Brinded, and Judith
23 Boynton. The subject line reads EP delivery.

24 The Bates number for this document
25 is V 00030266 through V 00030272.

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2 Have you seen this document before

3 today?

4 A. Yes.

5 Q. I don't think we've mentioned this
6 person's name before. Who is Paul Skinner?

7 A. We did mention him earlier. He
8 was one of the group managing directors.

9 Q. So was Ms. Boynton on the CMD at
10 this time?

11 A. If I look at the reference
12 indicator it sounds to be childish, no.
13 Otherwise, she would have one of these MGD
14 managing group director indicators. At this
15 time she was still in attendance of all the CMD
16 meetings, but not a group managing director.

17 Q. So other than Ms. Boynton, the
18 other people on the -- the other recipients of
19 this document were members of the CMD; correct?

20 A. Yes.

21 Q. What is -- if you turn to the
22 second page it says EP delivery. What is this
23 document?

24 A. This is a sort of snapshot
25 perspective of the overall health of the E&P

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2 business as I saw it at that time when we were
3 in E&P, at least we were already engaged in the
4 development of the business plan for 2003.

5 Q. Did anyone ask you for this
6 information?

7 A. No.

8 Q. You sent this on your initiative?

9 A. Yes.

10 Q. Did anyone assist you in preparing
11 this document?

12 A. No.

13 Q. You prepared it yourself?

14 A. Yes.

15 Q. Now, if you look at the intro you
16 say, "for some time now we have tried to adhere
17 to a bunch of criteria that can only be managed

18 successfully for so long." And then you

19 identify one, two, three, four items?

20 A. Yeah.

21 Q. What are these items?

22 A. Well, these are four key sort of
23 elements that sort of reflect on the overall
24 health of the business for E&P.

25 Q. And are these the four elements

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2 that make up the box?

3 A. Yes.

4 Q. And?

5 A. That's the attachment, right,
6 pictogram where ultimately what you're trying to
7 achieve as your business is create value and
8 that's sort of the center of it. Obviously you
9 have a bunch of metrics around your business
10 that sometimes can actually conflict with each
11 other because if you -- if you want to maximize
12 your ROACE your return efforts, capital
13 employed, you should stop spending money and you
14 can very easily get a very high ROACE, but of
15 course, they are not growing. So it's those
16 type of dilemmas that I was trying to portray in
17 that picture.

18 Q. Do each of the four metrics sort
19 of conflict with each other or does it work on a
20 north/south plane against a --

21 MR. TUTTLE: Object to form.

22 THE WITNESS: They all conflict.

23 I don't know if I explain it well. Optimally if
24 you want to increase your production you spend
25 more money, you increase your capital

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2 expenditure and your operating costs, but then
3 of course you don't lower your unit operating
4 costs, you will actually lower your ROACE.
5 Through that you may increase your reserve
6 replacement. So it is those type of dilemmas
7 you face when you're trying to work within these
8 key metrics within the business.

9 BY MR. HABER:

10 Q. Is this the first time that you
11 put the box in a pictorial format?

12 A. I think so, yes.

13 Q. Prior to this exhibit had you at
14 least discussed the caught in the box dilemma
15 with anyone?

16 A. I think this was the first
17 introduction, but I cannot be sure within E&P
18 that we had some discussions over it within the
19 preceding months, as well.

20 Q. Who do you recall having
21 discussions with at E&P?

22 A. Central planning and finance
23 group, the people that are intimately involved
24 in developing the business plans.

25 Q. Is there anyone in particular?

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2 A. Frank Coopman and Lorin Brass were
3 sort of the key coordinators of the business
4 plan.

5 Q. If you can look at the second
6 pictogram. What are you trying to convey by
7 this document?

8 A. Well, this is trying to show a
9 little bit the sensitivities that I mentioned to
10 you before in terms of some of the action you
11 can take like cutting OPEC's, operating costs,
12 -- the unit cost reduction and your ROACE, but
13 it will have a negative impact on production
14 growth and reserve replacement.

15 Q. I see. If you can turn back to
16 page 267.

17 A. Yeah.

18 Q. You write underneath those items
19 that we just talked about you say, "given the
20 external visibility of our issues (lean organic
21 development portfolio funnel RRR low, F&D unit
22 cost rising) the market can only be 'fooled' if
23 one credibility of the company is high. Two,
24 medium and long-term portfolio refreshment is
25 real and/or, three, positive trends can be shown

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2 on key indicators."

3 What were you trying to convey

4 there?

5 A. What I was trying to convey there

6 is that whatever the business performance is,

7 those are reported and people can see it in the

8 market, right, so they saw things like our

9 reserve replacement ratio was low. They saw

10 that our F&D, which means finding and

11 development costs, were creeping up. So those

12 are the hard realities so important was that in

13 order to change that -- the reality out in the

14 market, you had to improve your business which

15 means that you have to improve the overall

16 credibility of the company, make sure that there

17 are medium and long-term things happening to

18 your portfolio and that you can show positive

19 trends rather than the downward trends we were

20 seeing.

21 Q. Why did you put the word fooled in

22 quotes?

23 A. I'm still amazed that this thing

24 came up in February 2000 and before that no one

25 ever talked about it. Fooled is nothing about

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1 WALTER VAN DE VIJVER

2 fooling. It's between brackets, first of all.

3 It was the reflection of a discussion I had with

4 Simon Henry, the head of IR, who in sort of a

5 typical British sarcastic fashion said if you

6 want to fool the market you have to actually

7 show the things that can change the perception

8 based on the facts in the market. That's what

9 it was. This is my use of English. I think you

10 will see in a later document that sort of

11 formally came back from my department a few

12 weeks later that that sentence was perfectly

13 constructed and, I mean, what else can I say

14 about it?

15 Q. Did you ever tell anybody before

16 Rockford that what was -- what your intent was

17 when you wrote this word?

18 A. I never had anyone responding to
19 it whatsoever. I think everyone who reads the
20 document and sees it in the flow of the story
21 and what we're trying to say would understand it
22 has nothing to do with fooling or misleading the
23 market. It is about the reality of where you
24 are with the business.

25 Q. Now, the next part says medium --

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1 WALTER VAN DE VIJVER
2 underneath what I read says, "medium term
3 development portfolio is indeed rather weak."
4 What were you referring to?

5 A. Those are as is mentioned in the
6 text here, those are sort of the projects, the
7 new projects that are on the horizon.
8 Discoveries that have been made or new business
9 development that was happening and where we
10 think in terms of our funnel, these things would
11 get realized in the future.

12 Q. Now, under the next section
13 involving facts you have false optimism on U.K.
14 and Oman field declines and apparent inability
15 to accurately predict those declines.

16 What do you mean there?

17 A. I think the Oman thing we already
18 covered in my previous notes, that Oman came to
19 a stage that couldn't actually really accurately
20 predict on a month to month basis what they were
21 going to produce. So they didn't quite have a
22 handle on their business and I had the same
23 understanding. As you recall, I visited in very
24 early on in my tenure, I think July 2001, I
25 visited Shell Expro and also there were major

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1 WALTER VAN DE VIJVER
2 issues and we had to down grade the production
3 forecast from the U.K. because of optimistic
4 assumptions before that.

5 Q. If you can turn the page. Under
6 early 2/3/2001?

7 A. Yes.

8 Q. It says, "it was realized a
9 combination of 5 percent production growth with
10 15 percent ROACE at \$14 per barrel was not
11 achievable nor sustainable, but it was concluded
12 that:" The first item says, "3 percent
13 production growth was the minimum acceptable by
14 the market (firm plan had 1.5 percent growth
15 mostly from Nigeria, but none of the major
16 competitors had projected growth less than
17 3 percent projected)."

18 The 1.5 percent growth, is that
19 group wide or are you specifically referring
20 only to growth in Nigeria?

21 A. The way I read this sentence it's
22 group wide.

23 Q. So at the time the 3 percent
24 growth was conveyed to the market the group was
25 planning on 1.5 percent, is that how that reads?

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1 WALTER VAN DE VIJVER

2 MR. TUTTLE: Objection to form, it
3 mischaracterizes the document.

4 THE WITNESS: I'm not sure. I
5 remember I wrote this and didn't have my staff
6 to double-check the numbers. I may not have the
7 math totally correct, but that's how I currently
8 read it.

9 BY MR. HABER:

10 Q. If you turn to page 269 under
11 people.

12 A. Yes.

13 Q. The second item says,
14 "study/support activity for Oman in Nigeria
15 which will result in near field activity and
16 bottom line deliverables."

17 What are you referring to there?

18 A. I referred here to the massive
19 effort that was ongoing that I initiated by
20 bringing extra people into those organizations
21 and providing support from SEPTAR and other
22 organizations to do the quality work on their
23 assets, which ultimately if we get an
24 understanding of these assets allows you to

25 implement additional activity.

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1 WALTER VAN DE VIJVER

2 Q. At this time had any bottoms up
3 review of the Oman fields commenced?

4 A. No.

5 Q. And at this time had a bottoms up
6 review of the fields in Nigeria commenced?

7 A. No.

8 Q. I think I might have asked this
9 question. Did you receive any response to this
10 e-mail?

11 A. Not that I recall, but as I
12 mentioned before, very quickly thereafter there
13 was actually an update, a formal submission to
14 the CMD with the presentation.

15 Q. Do you recall any discussion at
16 the CMD about the caught in the box dilemma?

17 A. Not directly, but that discussion
18 would go all the way through December '02 when
19 the business plan was finalized.

20 Q. Do you recall reserves exposures
21 being discussed at this meeting?

22 A. No.

23 Q. We just marked as Exhibit 21 a
24 series of e-mails, the last of which is from
25 Mr. Van De Vijver, it's dated October 22, 2002

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1 WALTER VAN DE VIJVER

2 to Philip Watts. Subject line reads weekend
3 reflections.

4 The Bates range and there are two
5 is V 00020620 and DB 01383. If you would take a
6 moment to look at it.

7 (Van De Vijver Exhibit Number 21
8 was marked for identification.)

9 BY MR. HABER:

10 Q. Mr. Van De Vijver, have you seen
11 this document before today?

12 A. Yes.

13 Q. Do you recall the context in which
14 these e-mails were written?

15 A. This was in the context of the

16 evolving business plan for 2003 following on
17 from the earlier discussions and events on the
18 caught in the box as we were trying to get to a
19 process to finalize our business plan. And I
20 think, if I recollect correctly, I had taken the
21 initiative to have dinner with Phil to take the
22 opportunity to further discuss the issues that I
23 was facing.

24 Q. You say you took the initiative.
25 So you invited Mr. Watts out to dinner?

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1 WALTER VAN DE VIJVER

2 A. I offered the idea of having a
3 dinner.

4 Q. Did you -- and I take it from his
5 e-mail you did, in fact, have a dinner?

6 A. Yes, yes. In the Netherlands,
7 yeah.

8 Q. And do you recall the sum and
9 substance of the discussion that you had with
10 him?

11 A. I do not recollect a lot of detail
12 from that discussion.

13 Q. Do you recall discussing the
14 caught in the box dilemma?

15 A. Yes.

16 Q. Do you recall any sum and
17 substance of that discussion?

18 A. Not on particular numbers. It was
19 more in the context of trying to give me comfort
20 that he was a big fan of the E&P business and
21 wanted the E&P business to grow and look at
22 future opportunities to do so, for instance, in
23 the form of acquisitions.

24 Q. What was your reaction to what he
25 was saying?

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1 WALTER VAN DE VIJVER

2 A. Well, the dinner, the only thing I
3 remember is the dinner didn't leave me with a
4 comfort that a lot of progress was being made.

5 Q. Why did you get that feeling?

6 A. Because I didn't have the feeling

7 that in terms of the dilemmas I had in terms of
8 caught in the box and some of the numbers he was
9 offering any concrete solutions.

10 Q. Did you get the sense he was
11 sensitive to the dilemmas you were talking
12 about?

13 A. He certainly understood them.

14 Q. Do you recall anything else you
15 discussed at this dinner meeting?

16 A. No. The only thing I recollect is
17 that the meeting started more on a social basis.
18 This was, I think, very briefly after my father
19 had died, so a little bit of that type of
20 discussion.

21 Q. How would you, if you had to split
22 up the discussion over the dinner between social
23 and business, how much of the dinner was
24 business related?

25 A. About two-thirds.

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1 WALTER VAN DE VIJVER

2 Q. Do you recall expressing any
3 frustration to Mr. Watts about -- in light of
4 the box dilemma the difficulties in doing
5 acquisitions?

6 MR. TUTTLE: Objection to form.

7 THE WITNESS: No.

8 BY MR. HABER:

9 Q. Now, if you could take a look at
10 your e-mail to Mr. Watts. You say in the second
11 paragraph, "I must admit that I've become sick
12 and tired about arguing about the hard facts and
13 also cannot perform miracles given where we are
14 today."

15 What were you arguing about? What
16 hard facts?

17 A. Well, what -- I mean this is
18 clearly a bit of an outlet of frustration.

19 MR. DOWD: Just answer the
20 question.

21 THE WITNESS: Sorry.

22 MR. DOWD: Answer the question.

23 We don't need the characterization, just answer

24 the question.

25 THE WITNESS: Can you repeat the

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1 WALTER VAN DE VIJVER

2 question, please.

3 BY MR. HABER:

4 Q. What hard facts were you arguing
5 about?

6 A. The hard facts about the state and
7 the health of the business.

8 Q. Was he taking a contrary position
9 with regard to the health and state of the
10 business than what you were seeing?

11 A. Well, it all reflected to his
12 e-mail on the items on the box.

13 Q. I guess what I'm asking is, other
14 than the items in his e-mail, did this extend
15 beyond just these issues?

16 A. No. No.

17 Q. The next sentence says, "if I was
18 interpreting the disclosure requirements
19 literally (Sarbanes-Oxley Act, et cetera) we
20 would have a real problem." Why did you
21 identify the Sarbanes-Oxley Act to him?

22 A. I was just concerned -- I mean I'm
23 not a Sarbanes-Oxley expert or anything like
24 that. I just was concerned that on a forward
25 going basis that we would give out promises to

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1 WALTER VAN DE VIJVER

2 the market that would not reflect the reality of
3 the health of the business and just to sort of
4 let out my frustration that the numbers are what
5 they are and that that's the only thing that in
6 the end of the day is what we have to deal with.

7 Q. Had you been given any briefing
8 about the Sarbanes-Oxley Act?

9 A. I recollect that at that time we
10 had had one presentation at CMD on the
11 Sarbanes-Oxley Act and it was during that time
12 it was regularly in the newspapers and just
13 clearly an important reminder that the
14 disclosures to the market should be accurate.

15 Q. When you say was regularly in the

16 newspapers, what is it that you recall?

17 A. Just about introduction of it all

18 was -- things happened in Europe, as well, but

19 it was in the Financial Times and all the major

20 newspapers there were quite a few articles about

21 it.

22 Q. During the CMD meeting when the

23 presentation was made did you get the sense your

24 colleagues took the Sarbanes-Oxley Act

25 seriously?

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1 WALTER VAN DE VIJVER

2 MR. TUTTLE: Objection to form.

3 THE WITNESS: Oh, yes.

4 BY MR. HABER:

5 Q. The end of your e-mail you say,

6 "happy to have that debate at CMD." What debate

7 are you referring to now?

8 A. Still the issue about what

9 ultimately had the targets for the business

10 should be relative to these parameters as the

11 business plan, as I think I mentioned to you

12 earlier, was still evolving and would not be

13 completed all the way to December.

14 Q. Did you have that debate at the

15 CMD?

16 A. Quite a few further meetings took

17 place, yes.

18 Q. Just if you can turn the page

19 going to Mr. Watts' e-mail to you.

20 A. Yes.

21 Q. At the end of his e-mail he says,

22 "if you are in Shell Center this week, I would

23 appreciate a brief chat."

24 Do you recall having such a brief

25 discussion with Mr. Watts?

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1 WALTER VAN DE VIJVER

2 A. No, I don't. The only thing I see

3 in the message when I was sending this I was in

4 Oman.

5 Q. Why were you in Oman?

6 A. In my ongoing drive to prove the
7 state and the health of the business there.

8 Q. Now, in your e-mail, if you can
9 look at the top of Exhibit 21, you say, "I am
10 currently in Oman dealing with another legacy
11 problem." What was this problem to which you're
12 referring?

13 A. The problem I was dealing with in
14 Oman, that happened before my time.

15 Q. Under whose leadership did these
16 problems occur -- originate?

17 A. Phil Watts was my predecessor as
18 CEO.

19 Q. Okay.

20 A. John, do you want to take a five,
21 ten minute break.

22 MR. DOWD: Sure.

23 THE VIDEOGRAPHER: This marks the
24 end of tape two, Volume II, in the deposition of
25 Mr. Van De Vijver. We are going off the
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1 WALTER VAN DE VIJVER
2 record. The time is 2:13 p.m.

3 (A brief recess was taken.)

4 THE VIDEOGRAPHER: This marks the
5 beginning of tape three, Volume II, in the
6 deposition of Mr. Van De Vijver. We are back
7 on the record. The time is 2:30 p.m.

8 (Van De Vijver Exhibit Number 22
9 was marked for identification.)

10 BY MR. HABER:

11 Q. Mr. Van De Vijver, we marked as
12 Exhibit 22 a note for discussion. The subject
13 reads review of 2002 and 2003 reserves
14 replacement. It's dated November 7, 2002. It's
15 from EPB to EPG -- I'm sorry, it's from EPB, EPG
16 and it's to the ExCom.

17 The document its Bates range is
18 HAG 00161385 to HAG 00161392. Have you seen
19 this document before today?

20 A. Yes.

21 Q. Do you know who prepared this
22 document?

23 A. It says EPB and EPG. That's Lorin

24 Brass, EPB. And Brian Ward is EPG.

25 Q. Do you have an understanding as to

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1 WALTER VAN DE VIJVER

2 why this note for discussion was prepared?

3 A. I think this followed out of the

4 process that was started a couple months earlier

5 on a regular basis to bring this to EP ExCom as

6 part of the improved process on transparency and

7 clarity.

8 Q. When you say bring this to the EP

9 ExCom, that's what you're referring to, the

10 transparency and clarity?

11 A. Yes.

12 Q. Do you recall if this note was

13 presented at an ExCom meeting?

14 A. Yes.

15 Q. Do you know who made the

16 presentation?

17 A. No.

18 Q. If you look at page 390.

19 THE VIDEOGRAPHER: I'm sorry, the

20 papers are blocking your mic.

21 BY MR. HABER:

22 Q. Page 390.

23 A. Yes.

24 Q. Which is identified as appendix C,

25 what is appendix C?

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1 WALTER VAN DE VIJVER

2 A. That's the well-known exposure

3 catalog in its standard form now.

4 Q. Do you recall any discussion at

5 the meeting about Oman?

6 A. No.

7 Q. Do you recall any discussion about

8 SPDC?

9 A. No.

10 Q. Do you recall any discussion about

11 Australia and Gorgon, in particular?

12 A. No.

13 Q. Was this note distributed as

14 prereading?

15 A. Yes.

16 Q. Therefore, it's your understanding
17 it would be distributed to each member of the
18 ExCom in advance of the meeting?

19 A. Yes.

20 Q. And you received a copy of this as
21 prereading?

22 A. Yes.

23 Q. When I say this, I mean
24 Exhibit 22?

25 A. Yeah.

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1 WALTER VAN DE VIJVER

2 Q. Do you recall any discussion at
3 the ExCom meeting around the exposure catalog?

4 A. No. I do not have a recollection.

5 I do recollect that we
6 specifically talked about SNEPCO.

7 Q. What do you recall in particular?

8 A. That there was a recommendation
9 for debooking in SNEPCO, which then if I'm
10 correct also happened at the end of 2002. A
11 debooking was actually done for SNEPCO.

12 Q. Do you recall what fields in
13 SNEPCO were debooked?

14 A. This was related to Bonga and I
15 think Erha, but also here I see Abo. Look at
16 page 391 it refers to three fields Abo, Bonga
17 and Erha.

18 Q. Do you recognize the handwriting
19 on this document?

20 A. Yes, it's mine.

21 Q. Do you recall what was the mood at
22 the ExCom concerning the discussion about
23 debooking these reserves?

24 MR. WEED: Objection.

25 THE WITNESS: Fine. I do not

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1 WALTER VAN DE VIJVER

2 recollect anything specific.

3 BY MR. HABER:

4 Q. Do you recall any opposition to

5 debooking?

6 A. No.

7 Q. At Shell when reserves have to be
8 debooked do they need to be approved by the
9 ExCom?

10 A. No. That was not the formal
11 process. As I mentioned to you earlier, I had
12 two directors on my ExCom that were responsible
13 for that product and they worked with their
14 staff and then through the finance, group
15 finance line to conclude the annual results for
16 reserves. But at the same time as part of Frank
17 Coopman coming on board it was part of, as I
18 mentioned earlier, to make sure there was the
19 transparency and understanding at ExCom level
20 for important things like this particular item,
21 reserve replacement.

22 Q. Does the CMD have to approve
23 debookings?

24 A. No. This was, as I said, not
25 being involved with the actual process of

0361

1 WALTER VAN DE VIJVER
2 closeout I. Don't know who all got involved in
3 the process as part of the annual reserve report
4 that finally was issued by Anton Barendregt.
5 But I know it involved external odd fors and
6 people in group finance.

7 Q. My question was does the CMD have
8 to approve debookings?

9 MR. TUTTLE: Objection, asked and
10 answered.

11 THE WITNESS: No, not that I was
12 aware.

13 BY MR. HABER:

14 Q. During this meeting do you recall
15 any discussions about set offs to the debookings
16 that Enterprise could provide?

17 A. No.

18 Q. Do you recall, again during this
19 meeting, any discussions of set offs that an
20 acceleration of the cash again booking could
21 provide?

22 A. No.

23 MR. TUTTLE: Objection,

24 foundation.

25 BY MR. HABER:

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1 WALTER VAN DE VIJVER

2 Q. If you look at page 387, and I'm
3 looking at your handwriting on the bottom.

4 A. Yeah.

5 Q. The firsthand written note, if you
6 could read that for us?

7 A. "11/11, too many uncertainties?"

8 Q. Does 11/11 refer to the date?

9 A. Well, I was just checking because
10 it says 7th of November, the note, but it may
11 have been that the ExCom physically took place
12 on 11th of November. Otherwise, I wouldn't know
13 what 11/11 meant.

14 Q. What did you mean by too many
15 uncertainties?

16 A. That it looked like there were
17 still quite a bit of discussion ongoing about
18 bookings and debookings at that point in time
19 being not too far from the end of the year.

20 Q. The note underneath it appears to
21 be an arrow, a line over the arrow and then an
22 arrow above it and then I think it says balance?
23 Is that correct?

24 A. Yes.

25 Q. What did you mean by that?

0363

1 WALTER VAN DE VIJVER

2 A. I don't know.

3 Q. Now, if you turn to page 389.

4 A. Yes.

5 Q. In the left hand margin in the
6 middle it appears to say, "debookings? Gorgon,
7 et cetera," I think, and if I'm wrong please
8 tell me.

9 A. That's the same that I read, yes.

10 Q. Okay. Why did you write
11 debookings?

12 A. Because, as you know, at that

13 point in time there was still a lot of
14 uncertainties left in terms of our reserve
15 numbers. We still had these exposures and
16 Gorgon was one of those.

17 Q. And these exposures such as Gorgon
18 could result in debookings?

19 A. Potential debookings, yes.

20 Q. If you could turn to page 391.

21 A. Yes.

22 Q. I'm not even going to try to read
23 these. If you can read the handwritten note in
24 the circle at the bottom of the page.

25 A. "Total Nigeria reserves quality?!"

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1 WALTER VAN DE VIJVER

2 Q. What did you mean by that?

3 A. The same old story about the
4 quality of the data from Nigeria. And, of
5 course, this was the time that we decided to
6 start the bottoms up review in Nigeria as one of
7 the big five initiatives.

8 Q. I just want the record to be
9 clear. When you say the same old story about
10 the quality of the data, what are you referring
11 to?

12 A. This was the exposure issue around
13 Nigeria, reserve exposure.

14 Q. And when we say Nigeria, are you
15 referring to SPDC?

16 A. SPDC.

17 Q. The handwriting to the right of
18 what you just read into the record, what does
19 that say?

20 A. 50 million barrels, debooking
21 shift to 2003 between brackets [drilling].

22 Q. What did you mean by that?

23 A. I do not recollect. It must have
24 been something that came up during the
25 discussion on this particular subject.

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1 WALTER VAN DE VIJVER

2 Q. In your prior answer?

3 A. Yes.

4 Q. When you mentioned that you
5 decided to start the bottoms up review in
6 Nigeria, you said as one of the big five
7 initiatives. What were the other four
8 initiatives?

9 A. They were all linked to Nigeria.
10 This was the drive that Brian Ward started at
11 that time. One was about -- I can't recollect
12 them all. One was about community relationship,
13 relationship with external parties. One was
14 around project execution to make sure there was
15 quality in product execution. I -- I can't
16 recollect. I only know there were five big
17 issues. That's the only thing I recollect.

18 Q. The initiative about community?

19 A. One was around reserves and one
20 involved doing the bottoms up review.

21 Q. Was there someone appointed to
22 lead the bottoms up review in SPDC?

23 A. Yeah. This was under the control
24 of Brian Ward, so I don't know the particular
25 name. It doesn't come to my head who was the
0366

1 WALTER VAN DE VIJVER
2 man leading that effort.

3 Q. Do you know a gentleman by the
4 name of David Klusener?

5 A. Yes. He was indeed a person I
6 remember talking to several times in
7 December 2003 when we were trying to finalize
8 the numbers on Nigeria. He was clearly deeply
9 involved in that exercise.

10 Q. Do you know if Mr. Klusener was
11 involved in a bottoms up review of SPDC?

12 A. Yes. That's what I mentioned.

13 Q. Mr. Klusener is the one who you
14 understood was leading this review?

15 A. I don't know whether he was
16 leading it. There may have been other people
17 involved, but he was clearly involved.

18 Q. Do you know if there were multiple
19 phases in this review?

20 A. I don't know the exact details of

21 how they would geographically or otherwise would
22 go through the exercise.

23 Q. Do you recall the review had
24 concluded?

25 A. Well, the full review didn't
0367

1 WALTER VAN DE VIJVER
2 conclude until well into December.

3 Q. Of what year?

4 A. 2003.

5 Q. Do you recall what the findings of
6 the review were?

7 A. Well, this is the review that led
8 to me receiving in middle of November a report
9 and I also found out there was an unsatisfactory
10 audit on Nigeria that then subsequently
11 triggered the decision to look at our whole
12 portfolio and subsequently the debookings.

13 Q. Do you recall if one of the
14 findings in that review was a gap of
15 approximately 900 million BOE?

16 MR. TUTTLE: Objection, form,
17 foundation.

18 THE WITNESS: I don't know the
19 exact number anymore, but I know it was a very
20 big number.

21 BY MR. HABER:

22 Q. Do you know if a report was issued
23 by the review team?

24 A. The only thing I saw was the audit
25 report from Anton Barendregt. I did not see any
0368

1 WALTER VAN DE VIJVER
2 other report on Nigeria.

3 Q. Do you recall attending a briefing
4 where the results of the review team were
5 presented?

6 A. No. As I mentioned, I recall
7 sitting with Brian Ward, the 14th of November,
8 2003, I do recall that when the first numbers
9 came out.

10 Q. And what do you recall about that
11 meeting with Mr. Ward?

12 A. That basically we now, that we
13 then had confirmed that there was a big problem
14 in Nigeria with respect to proved reserves.

15 Q. What was your reaction when you
16 had learned all this information during that
17 meeting?

18 A. I was in shock. I mean this was
19 taken a long time to go through that whole
20 process, but when you then discover with those
21 type of numbers you're off, that clearly is a
22 very material issue.

23 (Van De Vijver Exhibit Number 23
24 was marked for identification.)

25 MR. HABER: We've just marked as

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1 WALTER VAN DE VIJVER

2 Van De Vijver Exhibit 23 an e-mail from Marian
3 Van der Laan on behalf of Mr. Van De Vijver.
4 It's dated November 15, 2002, it is to Frank
5 Coopman and Lorin Brass. The subject line
6 reads: Urgent 2003 plan in Q1 IR and there's an
7 attachment that says the same thing, 2003 plan
8 in Q1 IR.

9 It's two Bates ranges. The first
10 is V 00020743 through V 00020745. The other
11 Bates range is DB 01506 through DB 01508.
12 Mr. Van De Vijver, have you had an opportunity
13 to look at Exhibit 23.

14 THE WITNESS: Yes.

15 BY MR. HABER:

16 Q. Have you seen this document before
17 today?

18 A. Yes.

19 Q. And this e-mail reflects that you
20 had instructed your secretary to send this to
21 Mr. Coopman and Mr. Brass?

22 A. Yes.

23 Q. Tell me the context in which you
24 wrote this e-mail?

25 A. This was still in the overall

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1 WALTER VAN DE VIJVER

2 process of finalizing the business plan for

2003, which I explained earlier, to finally get finalized a month later at conference and I wanted to give my staff feedback from the last CMD meeting that I attended on that subject.

Q. Do you recall when that meeting was?

A. It must be around the time of writing this e-mail.

Q. Okay. Now, under -- if you turn to page 2 of the document, which is 7440507, under 1, are these items items that are metrics in the box that we talked about?

A. Yes.

Q. Now, underneath those you write, "the reality is, however, that we would not have submitted this plan if we, one, were not trying to protect the group reputation externally (promises made)." What were you trying to convey there?

A. I was trying to portray to my staff that, of course, we were still working a plan that I still was not feeling comfortable about and it still needed further work and in my

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WALTER VAN DE VIJVER

mind the plan was not a 50/50 plan, but was a stretch plan.

Q. What is a stretch plan?

A. A stretch plan is a plan that has less than 50 percent probability to succeed.

Q. That was the plan that you were intending to present to the conference?

A. Yes. Well, the plan was still subject to change during the last month before it would go to conference.

Q. The plan that went to conference, was it a less than 50/50 plan?

A. If I recollect correctly, I specifically when presenting a plan to conference I talked about 50/50 and stretch. I covered them both.

Q. What was the reaction of the conference when you covered those issues?

20 A. I do not recollect.

21 Q. Do you recall any -- any
22 discussion over the plan including stretch?

23 A. No. No. I wouldn't recollect the
24 detail. The minutes should reflect that.

25 Q. Do you get an opportunity to

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1 WALTER VAN DE VIJVER

2 review the minutes of the conference?

3 A. Review the minutes?

4 Q. Do you get an opportunity to
5 review the minutes of the conference?

6 MR. DOWD: When?

7 BY MR. HABER:

8 Q. As a general matter?

9 A. Sorry, I'm not answering because
10 I'm thinking. I'm not so sure whether the
11 answer is yes or no. We talked about the CMD
12 before. I don't know whether at conference --
13 I'm not sure. I don't know.

14 Q. In particular, this meeting that
15 you just testified about, do you recall
16 reviewing minutes of the conference meeting?

17 A. No.

18 Q. Going back to the Exhibit 1,
19 again, you put in parentheses, promises made.
20 What external promises were made that you
21 believe that you were trying to protect?

22 MR. TUTTLE: Objection to form,
23 characterization of the document.

24 THE WITNESS: Well, every year at
25 the beginning of the year, call it promises were

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2 made to the market, and had an early February
3 meeting of the year which related to sort of
4 forward performance of the company. So whatever
5 at this point in time was out already in the
6 market.

7 BY MR. HABER:

8 Q. Would that include ROACE?

9 A. Yes.

10 Q. Would that include production

11 growth?

12 A. Yes.

13 Q. Would that include unit finding
14 costs?

15 A. I don't think we gave specific
16 targets out on the market of unit finding cost.

17 Q. Okay. What targets -- what cost
18 targets did you convey to the market?

19 MR. TUTTLE: Time period.

20 THE WITNESS: Unit operating cost
21 target.

22 BY MR. HABER:

23 Q. And would this be in February of
24 2002?

25 A. It would happen on an annual

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2 basis, so I don't know all the direct details of
3 what targets we would be giving out, but on that
4 annual presentation the targets and outlooks for
5 the business would be presented.

6 Q. Do you recall bringing the draft
7 plan to the CMD for its consideration?

8 A. In terms of details? I mean I
9 brought it to CMD, of course, frequent basis,
10 but I do not recollect the details of the type
11 of discussion.

12 Q. Do you recall there being support
13 for the plan as it was finalized for approval by
14 the conference?

15 A. There was a lot of discussion on
16 the plan and a lot of discussion on the 50/50
17 versus stretch.

18 Q. What do you recall about that
19 discussion?

20 A. Well, I felt it very important
21 that the stretch element of the plan was both
22 portrayed at CMD, but also at conference.

23 Q. What was the reaction of CMD to
24 the stretch element of the plan? I mean were
25 they supportive?

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2 A. In the end the plan that gets
3 presented ultimately to conference, yes, is
4 first supported by CMD.

5 Q. Until you get to that point were
6 there people who expressed little sympathy for
7 the dilemma that you were in?

8 MR. TUTTLE: Objection to form.

9 MR. MORSE: Same objection.

10 MR. DOWD: If you recall.

11 THE WITNESS: I do not recall the
12 details.

13 BY MR. HABER:

14 Q. Okay. Just going back to among
15 the performance indicators that are externally
16 made to the market, is RRR another one?

17 A. RRR is never portrayed as a yearly
18 target to the market and the reason for that is
19 that obviously reserve replacement is very much
20 related to timing of projects and given
21 uncertainty and the spikiness of this, we would
22 never give yearly reserve replacement targets to
23 the market.

24 Q. So the market only receives
25 historical information about the reserves

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1 WALTER VAN DE VIJVER
2 replacement; correct?

3 A. Historical and perhaps also
4 projected sort of medium term replacement
5 targets, but never annual.

6 Q. Is the RRR reported in the 20(F)?

7 A. Yes.

8 Q. And what's reported in the 20(F),
9 that is historical information?

10 A. Is all historical information.

11 Q. Looking at the exhibit again,
12 under number 2 you say, "could have been honest
13 about past failures (business focus W.R.T.,"
14 which I understand to be with respect to,
15 "aspired portfolio disconnects with reality,
16 poor performance management, preserves
17 manipulation."

18 What were you trying to convey

19 there?

20 A. All the things I was dealing with
21 to improve the overall health from the business
22 relative to I started with the bit.

23 Q. Did you have any examples in mind
24 with regard to disconnects with reality?

25 A. Well, I mean some of that maybe --
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1 WALTER VAN DE VIJVER
2 the answer is yes. Some of that may be a little
3 bit of benefit from hindsight. I mentioned to
4 you these things, some of the new technologies,
5 floating LNG in terms of how quickly we would be
6 able to do these things and how clearly some of
7 the work and the quality in terms of grounding
8 in terms of production forecast or whatever, the
9 quality of the work that was -- that had been
10 done as a basis for the plans.

11 Q. Did you have any examples in mind
12 with regard to reserves manipulation?

13 A. That's, of course, a typical
14 shorthand. All this is is actually the same
15 subject that we've been dealing with exposure
16 lists in terms of the exposures we had and
17 uncertainties that we had that we were working.

18 Q. Again, these are the exposures
19 that primarily originated under your
20 predecessor?

21 A. Yes.

22 Q. And that would be Phil Watts?

23 A. Yes.

24 Q. Now, in the middle you say, "on
25 19th November EP plan presentation, I want a
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1 WALTER VAN DE VIJVER
2 simple chart of 50/50 versus stretch parameters
3 which shows in the second one is watch list
4 items on production, Oman, Nigeria, US."

5 Why did you want the watch list
6 items included?

7 A. Watch list items was a new
8 terminology that was included in the group under
9 initiative from Phil Watts to identify items

10 that were sort of group wide concern in terms of
11 some of the issues in the overall business and
12 Oman was one of them. Nigeria was one and the
13 other was US in terms of exploration
14 performance.

15 Q. This watch list, was this to be
16 the equivalent the exposure catalog?

17 A. No. Sorry. This is a separate
18 thing that was sort of thing that was done under
19 the initiative of group planning where on a
20 quarterly basis every business would show the
21 progress that they've had on the sort of key
22 things that were on the radar screen for the
23 group. It was called the watch list item.
24 There was some traffic lighting system around it
25 on a quarterly basis. Separate from the

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1 WALTER VAN DE VIJVER
2 exposure list that we talked about just on
3 reserves.

4 Q. The reference to November 19th
5 plan presentation, to whom was that to be made?

6 A. I cannot be sure. This may be the
7 next presentation at either EP ExCom or at CMD.

8 Q. Okay. You can put the exhibit
9 aside.

10 I'm going to mark as Exhibit 24 a
11 series of e-mails that I will identify for the
12 record as the witness takes a look at it.

13 The last of the e-mails is from
14 Mr. Van De Vijver, it's dated November 29,
15 2002. It's to John Pay with a cc to Lorin Brass
16 and Malcolm Harper. The subject line reads
17 group plan questions reserves.

18 It has two Bates numbers. The
19 first one is V 00082175 through V 00082177 and
20 the other one is BRU 002201 through BRU 002203.

21 (Van De Vijver Exhibit Number 24
22 was marked for identification.)

23 BY MR. HABER:

24 Q. Have you seen these e-mails before
25 today?

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2 A. Yes.

3 Q. I would like you to look at the
4 e-mail that you sent to John Pay, it's on the
5 last page. It's dated November 21, 2002. The
6 cc is to Lorin Brass and Malcolm Harper. Who is
7 Malcolm Harper?

8 A. An engineer that worked in Lorin
9 Brass's organization.

10 Looking at this reference
11 indicator, he was at that stage head of
12 planning.

13 Q. Now, in your e-mail you write in
14 the second sentence, "how much of the historic
15 bookings year end (both aggressive/early) that
16 constrain our proved reserves booking in
17 2001-2005 are related to 'leadership behavior'
18 and how much are they related to new SEC
19 rules/scrutiny introduced in early 2001?!"

20 Why were you asking this question?

21 A. This is I guess sort of the
22 continuing drive of mine to better understand
23 the history with respect to reserves booking and
24 trying to get an understanding what happened in
25 the past.

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2 Q. And is that why you asked for the
3 distinction between leadership behavior and SEC
4 rules/scrutiny?

5 A. Yes.

6 Q. And by leadership behavior, are
7 you referring to anyone in particular?

8 A. Leadership behavior was the
9 leadership before my time in E&P.

10 Q. Would that include Philip Watts?

11 A. Yes.

12 Q. Did you mean to go beyond Philip
13 Watts to anyone else?

14 A. Not specifically.

15 Q. You see that Mr. Pay responds with
16 a lengthy note. Did you do anything with the
17 information that is included in his e-mail to

18 you of November 22, 2002?

19 A. No. I don't think directly, but
20 it helped me to gradually build up my
21 understanding of what happened in the past and
22 as a result make me even more eager to make sure
23 that, for instance, these bottoms up reviews in
24 Nigeria and Oman were done and that I left
25 messages to the organization that clearly I
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2 found it very important to get transparency on
3 our reserve base.

4 Q. When you say you left messages to
5 the organization, what do you mean by that?

6 A. Leave messages to people like John
7 Pay and Lorin Brass and Coopman that I was
8 really interested to make sure that we improved
9 the quality, transparency, integrity of our
10 reserve base.

11 Q. Was there any particular event
12 that caused you to ask Mr. Pay to do this work?

13 A. It may have -- the answer is, no,
14 I don't know directly, but I think it must have
15 been as part of the process of finalizing our
16 business plan and seeing things, how things were
17 projected forward and try to understand what had
18 happened in the past when you look at trends.

19 Q. Looking at your e-mail on the
20 third page, was there a reason why you made
21 reference to the SEC rules/scrutiny?

22 A. Well, I had learned earlier that
23 year there had been clarifications on the --
24 issued by the SEC on the rules and I was
25 wondering whether that specific thing had had an
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1 WALTER VAN DE VIJVER

2 effect on Shell's reporting of reserves.

3 Q. Did you have any communication
4 with Mr. Pay about the conclusions that he
5 reached in his e-mail?

6 A. Not that I recall apart from the
7 reaction to his e-mail.

8 Q. What did you mean, if you look at

9 your e-mail to him, when you say we will have to
10 get a story line together, not only to close our
11 books, but also for explaining to analysts (6
12 February and end March) RRRR?

13 A. This was something that I knew
14 about at that time that the next presentations
15 to analysts would occur 6 of February and end of
16 March of the next year and I wanted to make sure
17 that then we would be able to give a
18 comprehensive story.

19 Q. Did you show the results of
20 Mr. Pay's -- withdrawn.

21 Did you show Mr. Pay's e-mail to
22 anyone?

23 A. Not that I recall.

24 Q. Do you recall discussing it with
25 Frank Coopman?

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2 A. No.

3 Q. Do you recall discussing it with
4 Lorin Brass?

5 A. No.

6 Q. Did you share this information
7 that is in Mr. Pay's e-mail dated November 22nd
8 with anyone on the CMD?

9 A. No.

10 MR. HABER: We'll mark another
11 document as Van De Vijver Exhibit 25.

12 For the record, Exhibit 25 is
13 titled Note For File Managing the EP Legacy
14 Issues.

15 It's Bates number is V 00030273
16 through V 00030276.

17 (Van De Vijver Exhibit Number 25
18 was marked for identification.)

19 BY MR. HABER:

20 Q. Have you seen this document
21 before?

22 A. Yes.

23 Q. What is this document?

24 A. This is a note that I wrote to
25 myself on sort of -- to get sort of an overall

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1 WALTER VAN DE VIJVER

2 perspective of the E&P business to sort of try
3 to fully internalize where we were, but also in
4 terms of appreciating the sort of challenges
5 there were going forward. This is something I
6 wrote end of 2002, early 2003, in that time
7 period where I was launching a major change in
8 the EP organization, which was called the new EP
9 operating model. I wanted to make sure for
10 myself and also being able to communicate to my
11 staff what it was we were all going to do and
12 look at it and get the energy to do so.

13 Q. Was this a document that you
14 prepared in one sitting?

15 A. No.

16 Q. Do you recall how long it took you
17 to prepare it?

18 A. This may be over a period of a
19 month or so. This -- clearly I didn't type this
20 myself, this is my secretary.

21 Q. Did you ever share this document
22 with anyone?

23 A. No.

24 Q. You'll notice the last page of
25 this document there is an attachment. Is this

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2 attachment part of the note?

3 A. Yes.

4 Q. Why did you include this
5 attachment?

6 A. I assume that this -- this is sort
7 of linked, we sort of had the whole internal
8 neutralization of asking myself the questions
9 why and why and what are we going to do with it.
10 Again, just for clarity, I didn't prepare -- I
11 didn't have the capabilities to do this slide
12 myself. That was done by my assistant, Geri
13 Powell, G-E-R-I.

14 Q. This attachment, did you ever show
15 it to anyone,?

16 A. Yes. I showed it to Jeroen Van

17 Der Veer.

18 Q. When did you show it to Mr. Van

19 Der Veer?

20 A. In December 2002.

21 Q. Had you prepared this PowerPoint
22 before you drafted the note for the file?

23 A. I think this sort of moved in
24 tandem. I don't recollect the detail.

25 Q. How did -- how did this -- how did
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1 WALTER VAN DE VIJVER
2 this meeting with Mr. Van Der Veer get
3 initiated?

4 A. From my initiative. I just walked
5 to his office.

6 Q. Is his office on the same floor as
7 yours?

8 A. Next to my office.

9 Q. Separated by anything?

10 A. A conference room and a secretary.

11 Q. Was it your practice to talk to
12 Mr. Van Der Veer on a daily basis since you were
13 so close?

14 A. Well, not really. If you look at
15 my schedule I was not there that often. I did a
16 lot of traveling, but we did share a common
17 conference room and given his regional
18 responsibilities we sometimes had joint meetings
19 and things in our region.

20 Q. When you met with Mr. Van Der Veer
21 did you ever have unscheduled meetings where you
22 would just get up and say, Jeroen, I just need
23 to talk to you about something?

24 A. Sometimes that would happen, yes.
25 This was one of those.

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2 Q. Do you recall what the two of you
3 had discussed?

4 A. This particular meeting I showed
5 him this picture and I particularly drew the
6 attention to him on item 2.

7 Q. Why did you draw his attention to

8 item 2?

9 A. Because I was letting off some
10 frustration based on what I had put down there
11 as some of the issues that I felt were happening
12 in the business.

13 Q. Do you recall what he said to you?

14 A. I recall that I showed it to him
15 and he had very little reaction and then I said
16 does this surprise you and he said no.

17 Q. Did he explain why?

18 A. No. He quickly thereafter
19 suggested that I should go and talk with Henny
20 de Ruiter, H-E-N-N-Y, and De, D-E, Ruiter,
21 R-U-I-T-E-R. He was a former CMD member and a --
22 at that stage he was the Chair of the Group
23 Audit Committee, but he was a former CMD member
24 and he was also a member of conference.

25 Q. Did he say any reason why you

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1 WALTER VAN DE VIJVER
2 should speak with Mr. De Ruiter?

3 A. Because he thought that that was
4 the appropriate thing to do and Henny de Ruiter,
5 as a former Shell director, he still had an
6 office within The Hague offices.

7 Q. Do you recall anything else that
8 was said between you and Mr. Van De Vijver
9 during this meeting?

10 A. Van De Vijver is me.

11 Q. I'm sorry, Van der Veer.

12 A. No.

13 Q. Do you recall how long this
14 meeting lasted?

15 A. With Jeroen Van der Veer.

16 Q. Yes.

17 A. Very brief, maybe only
18 five minutes. This was not a scheduled meeting,
19 I just walked into his office.

20 Q. Did you feel he was receptive to
21 what you were telling him?

22 A. Well, he was clearly not critical,
23 but at the same time he did not respond much.

24 Q. Did you meet with Mr. De Ruiter?

25 A. Yes, I did.

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1 WALTER VAN DE VIJVER

2 Q. When did you meet with

3 Mr. De Ruiter?

4 A. Somewhere very soon thereafter.

5 Q. How did that meeting come to pass?

6 A. That was arranged by my secretary,
7 that meeting, and I just a few days thereafter I
8 went to his office in the morning and I had a
9 cup of coffee with him.

10 Q. Do you recall what you and Mr. De
11 Ruiter had said?

12 A. I talked to him about the issues I
13 was dealing with and the challenges I was facing
14 about overall health of the business and he had
15 a lot of sympathy for that, said I was doing
16 well and that he would pass it on to Aad Jacobs.

17 Q. Aad Jacobs was a member of the
18 Group Audit Committee; is that correct?

19 A. As I mentioned, Henny de Ruiter
20 was the Chair of the Group Audit Committee and I
21 think a bit later Aad Jacobs talk over for him
22 as chair of the Group Committee. Never being at
23 that meeting I don't know if he was already at
24 that point a member of the Audit Committee, but
25 he was chairman of the Supervisory Board.

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2 Q. That would be the chairman of the
3 Supervisory Board of Royal Dutch?

4 A. Yes.

5 Q. Do you recall anything else
6 discussed between you and Mr. De Ruiter?

7 A. No. It was a very friendly chat.
8 He -- during that discussion he expressed
9 sympathy for me having to deal with Phil Watts
10 and that was sort of -- he sort of mentioned a
11 few stories about some of the encounters he had
12 had with Phil Watts in the past when he was CEO
13 of Shell Nigeria and he was regional managing
14 director for the region and that was about it.

15 Q. Do you recall anything else

16 discussed between you and Mr. De Ruiter?

17 A. No, not in any detail, as I can
18 recollect.

19 Q. Just going back to your answer.
20 When you say during the discussion he expressed
21 sympathy for you having to deal with Phil Watts,
22 what did you -- what did you say to him that
23 elicited that sympathy?

24 A. I just said that I was dealing
25 with a lot of difficult issues in EP and that I
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1 WALTER VAN DE VIJVER
2 felt a lot of these issues were things that I
3 inherited when I took over the business.

4 Q. And it was in response to that
5 that Mr. De Ruiter said what he did?

6 I'm sorry, you have to verbalize
7 the answer.

8 A. Yes.

9 Q. Mr. De Ruiter expected you speak
10 with Aad Jacobs?

11 A. No. I said De Ruiter said he
12 would mention it to Aad Jacobs.

13 Q. Sorry. Did he ever tell you if he
14 had, in fact, spoken with Mr. Jacobs?

15 A. No, not from Henny, but I got
16 feedback from Jeroen Van der Veer a couple days
17 later that he mentioned that Henny De Ruiter had
18 talked to Aad Jacobs.

19 Q. And did Mr. Van Der Veer convey
20 what was discussed between Mr. De Ruiter and
21 Mr. Jacobs?

22 A. No.

23 Q. Had you ever met with Mr. Jacobs
24 yourself?

25 A. I met with Aad Jacobs sort of one
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1 WALTER VAN DE VIJVER
2 to one, if I recollect, in June 2002 just before
3 he took over as chairman of the Supervisory
4 Board.

5 Q. I just want to go back to the
6 conversation with Mr. De Ruiter for one moment.

7 Did you discuss with Mr. De Ruiter any of the
8 reserves exposures and issues that you were
9 observing?

10 A. I am not sure. I'm certain I
11 talked about Nigeria and Oman as sort of problem
12 areas, but I cannot right now recollect if I
13 specifically talked about reserves.

14 Q. Do you recall what problems you
15 had discussed with him in Oman and Nigeria, do
16 you recall what you had discussed with him about
17 the problems?

18 A. Those were at that time rather
19 well-known problems in terms of getting to grips
20 with the business and the overall operational
21 performance in those areas and the issues we
22 were dealing with.

23 Q. Did he say anything in response to
24 what you were telling him?

25 A. No.

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2 Q. I'm sorry, I keep jumping between
3 meetings. I apologize.

4 When you met with Mr. Jacobs in
5 June 2002, where did that meeting take place?

6 A. I don't know whether it happened
7 in London or The Hague. I can't recollect. One
8 of the two.

9 Q. Did you initiate that meeting?

10 A. No.

11 Q. He initiated it?

12 A. Yes.

13 Q. Did he say why?

14 A. Well, because it was just prior to
15 him taking over as chairman of the Royal Dutch
16 Supervisory Board, starting first of July.

17 Q. And do you recall the sum and
18 substance of what you discussed?

19 A. No, not in detail, no.

20 Q. Do you recall discussing with him
21 any of the reserves exposures?

22 A. No.

23 Q. Do you recall if you discussed

24 any -- any reserves issues -- withdrawn.

25 Do you recall if you discussed the

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1 WALTER VAN DE VIJVER

2 state of the EP health and its business?

3 A. I do not recall it, but I'm a
4 pretty open guy, so I'm sure that whatever I was
5 thinking about I would have discussed it.

6 Q. Do you recall how long that
7 meeting lasted?

8 A. No.

9 Q. I would like to come back to
10 Exhibit 25 for a moment, again, looking at
11 this -- I guess it's a PowerPoint.

12 A. Yes.

13 Q. And, again, under number 2 you
14 write, "unchallenged EP CEO campaign to make
15 everything look good as possible (1999/2001)."
16 What did you mean by that?

17 A. I felt and recognizing with some
18 benefit of hindsight there were optimistic
19 things out there about the true health of E&P
20 versus what I discovered when I started running
21 E&P.

22 Q. And what had you discovered?

23 A. Well, I think --

24 MR. DOWD: Listen to his
25 questions.

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2 THE WITNESS: The list that is
3 mentioned here.

4 MR. DOWD: Answer it. Tell him
5 what it is.

6 THE WITNESS: All the way from
7 things we talked about not really being in touch
8 with operational performance to not feeling
9 exploration was managed well to technology
10 things that hadn't delivered and also in a
11 culture where there was not a challenge in the
12 EP ExCom. When I arrived at the EP ExCom I had
13 quite a few difficult discussions when I entered
14 to try to get people to open up and to

15 participate in the meetings.

16 BY MR. HABER:

17 Q. You used the word fear of
18 challenge. Why did you use that word?

19 A. I think within the organization
20 there were a lot of people that were afraid of
21 Phil Watts.

22 Q. Did you have an understanding why
23 people were afraid of Phil Watts?

24 A. Well, he was a hard nosed
25 businessman in terms of his character.

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1 WALTER VAN DE VIJVER

2 Q. Did you have an understanding if
3 Phil Watts was open to receiving bad news?

4 MR. TUTTLE: Objection to form,
5 calls for speculation.

6 THE WITNESS: I can only judge my
7 behavior in terms of bringing up whatever there
8 was that needed to be brought up.

9 BY MR. HABER:

10 Q. Do you have an understanding of
11 why people were fearful of Mr. Watts?

12 MR. TUTTLE: Objection to form,
13 calls for speculation.

14 MR. MORSE: Objection. Same
15 objection.

16 THE WITNESS: I think there were
17 people in the organization and one of them was
18 Roelof Platenkamp, who portrayed to me that he
19 felt some of the challenge that he provided was
20 not always appreciated.

21 BY MR. HABER:

22 Q. Was there any one other than
23 Mr. Platenkamp who shared an experience with
24 you?

25 A. Lorin Brass.

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1 WALTER VAN DE VIJVER

2 Q. Anyone else?

3 A. Not that I can think of right now.

4 Q. Did Raoul Restucci ever share an
5 experience with you?

6 A. Yes. Raoul Restucci reflected to
7 me back in 2003 after I had some arguments about
8 him and his performance, about the difficulty he
9 had when he had been regional managing director
10 for in the Far East for EP on the EP BusCom.

11 Q. What did he say?

12 A. That he had a very hard time at
13 the time of the acquisition attempt of Woodside.

14 Q. A hard time with whom?

15 A. With Phil Watts and I think that
16 also there was another occasion where he felt
17 very unhappy back in 2003 on a particular
18 business issue in the US where he felt that he
19 was being put down by Phil Watts.

20 Q. Other than the people we -- you
21 just identified, was there anyone else?

22 A. Not that I can recollect now.

23 Q. Did Mr. Restucci ever say to you
24 why he was having a difficult time with the
25 acquisition attempt with Woodside?

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1 WALTER VAN DE VIJVER

2 A. There was a lot of pressure on him
3 to be successful.

4 Q. Pressure from where?

5 A. From Phil Watts.

6 Q. And to be successful, are you
7 referring to being able to acquire Woodside?

8 A. Yes.

9 Q. Now, at or about this time,
10 December '02, January of '03, did you start
11 thinking about whether a debooking of all of
12 these reserves that were exposed was something
13 that should be seriously considered?

14 MR. TUTTLE: Objection to form.

15 THE WITNESS: During that whole
16 time period all I could do without being an
17 expert on the subject was to challenge my staff
18 to have the transparency and the quantity of our
19 reserve data.

20 BY MR. HABER:

21 Q. Had you started to form an opinion
22 about whether a debooking was becoming

23 necessary?

24 A. No.

25 I was trying very hard to get all

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2 the facts to decide one way or the other and as
3 I mentioned earlier, the critical elements in
4 that would be to really get the hard facts and
5 details on Oman and Nigeria.

6 Q. Going back to Mr. Restucci for a
7 moment, do you recall having any discussions
8 with him about Gorgon?

9 A. No. Not until after the
10 announcement.

11 Q. The announcement, the initial
12 announcement in January 2004?

13 A. Yes.

14 Q. And do you recall what the two of
15 you discussed?

16 A. It was not a one to one, it was
17 part of a discussion that ExCom had that we
18 clearly were still working, had the numbers and
19 getting -- trying to get information and data on
20 what had happened in the past.

21 MR. HABER: Do you want to take a
22 five minute break?

23 MR. DOWD: Sure.

24 THE VIDEOGRAPHER: This marks the
25 end of tape three, Volume II, in the deposition

0401

1 WALTER VAN DE VIJVER
2 of Mr. Van De Vijver. We are going off the
3 record. The time is 3:42 p.m.

4 (A brief recess was taken.)

5 THE VIDEOGRAPHER: This marks the
6 beginning of tape four, volume II, in the
7 deposition of Mr. Van De Vijver. We're back on
8 the record. The time is 3:59 p.m.

9 BY MR. HABER:

10 Q. Mr. Van De Vijver, I'm going to
11 hand you a document that we are going to mark as
12 Van De Vijver Exhibit 26.

13 (Van De Vijver Exhibit Number 26

14 was marked for identification.)

15 BY MR. HABER:

16 Q. This is a string of e-mails and I
17 will identify it for the record while the
18 witness has an opportunity to take a look at it.

19 The string of e-mails, the last of
20 which is from John Pay to Mr. Van De Vijver, is
21 dated December 4, 2002, with a cc to Lorin
22 Brass. The subject line reads "reserves".

23 The Bates numbers on the document,
24 the first one is V 00090634 through V 00090636.
25 The other one, Bates range is TT 000477 through

0402

1 WALTER VAN DE VIJVER

2 TT 000479.

3 Mr. Van De Vijver, have you seen
4 this document before today?

5 A. Yes.

6 MR. MORSE: Can you hold on a
7 second?

8 MR. HABER: Yes. I'll hold on.

9 BY MR. HABER:

10 Q. Do you recall the context in which
11 you sent the e-mail to Mr. Pay and with a cc to
12 Mr. Brass on December 4th of 2002?

13 A. Yes. The context is my continued
14 drive to make sure that people understand that I
15 want to get the proper quality and transparency
16 of our reserve base and make sure they get the
17 message and then leave it to the expert to make
18 the decisions, but they at least recognize it is
19 still on my radar screen as an important item.

20 Q. Now, you write to Mr. Pay, "as a
21 result, we are taking in 'hits this year' on
22 Bonga, Erha, et cetera."

23 What do you mean by hits?

24 A. We're doing debookings. Remember
25 we saw earlier in the note to the EP ExCom.

0403

1 WALTER VAN DE VIJVER

2 Q. And you go on to say, "based on
3 what we know today, what will we still have left
4 in our books by 1/1/2003 that is considered

5 questionable by the auditors or that we should
6 correct this year."

7 Were you at this point considering
8 a debooking?

9 A. I knew we were going to do some
10 debookings, as we just mentioned, but the issue
11 was we do whatever is needed to get the quality
12 of our data.

13 Q. Why did you ask Mr. Pay the
14 question?

15 A. Sorry?

16 Q. Why did you ask Mr. Pay the
17 question that you wrote here?

18 A. Well, because I wanted to make
19 sure that I kept up-to-date on what they were
20 doing, but also just to make sure they
21 understood, again, from my side that this was
22 still a very important issue that we needed to
23 get a handle on.

24 Q. The issues being the reserves
25 exposures?

0404

1 WALTER VAN DE VIJVER

2 A. Yes.

3 Q. Mr. Pay responds to you on the
4 same day and if you take a look the paragraph,
5 the third one that begins, "removing all items."
6 Are you with me?

7 A. Yes.

8 Q. For the record it says, "removing
9 all items from the attached list would reduce
10 proved reserves additions from 2002 to
11 CA.750 million BOE (proved RRR equal 50 percent,
12 including Enterprise and cash again)."

13 It goes on to say, "I am working
14 on the assumption that this is not something we
15 want to do, but it would have the advantage of
16 removing these issues once and for all. The
17 timing seems opportune."

18 Did you understand Mr. Pay to be
19 suggesting that a debooking would be an
20 opportune thing -- withdrawn.

21 Did you understand Mr. Pay to be

22 referring to a debooking of the reserves in the
23 exposure list that's attached to these e-mails?

24 A. The attached list is the exposure
25 list.

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1 WALTER VAN DE VIJVER

2 Q. Right.

3 A. Yes.

4 Q. And did you understand Mr. Pay to
5 be referring to a debooking of reserves on that
6 list?

7 A. Yes.

8 Q. Do you recall having any
9 discussions with Mr. Pay about his suggestion?

10 A. No, because as you see in that
11 e-mail, he was telling me that all is in
12 progress, it's the experts that would deal with
13 it and all the people involved in the process
14 would ultimately make that decision.

15 Q. Had you reached any conclusion at
16 this time whether it was an opportune time to
17 debook any of the reserves on this list?

18 A. For me that was not relevant. For
19 me to get the facts and whatever facts they had,
20 that was fine with me.

21 (Van De Vijver Exhibit Number 27
22 was marked for identification.)

23 MR. HABER: I want to mark as
24 Exhibit 27 -- for the record, Exhibit 27 is a
25 the note to CMD, it's dated September 24, 2002.

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1 WALTER VAN DE VIJVER

2 Its Bates number is LON 00520467
3 through LON 00520476.

4 Mr. Van De Vijver, do you
5 recognize this document?

6 THE WITNESS: Yes.

7 BY MR. HABER:

8 Q. Is this the note to CMD that you
9 were referring to when you were testifying about
10 the September 2nd note that you had written,
11 which was exhibit --

12 A. Yes. No. I can recollect. Yes.

13 Q. Okay. Just for the record, it was

14 Exhibit 20.

15 Is this your signature on the
16 first page?

17 A. Yes.

18 Q. Do you recall presenting this note
19 to the CMD?

20 A. Yes.

21 Q. Looking back for one moment on
22 Exhibit 26.

23 A. Sorry. Yes.

24 Q. Did you have an understanding of
25 what would happen to the RRR if all of the

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1 WALTER VAN DE VIJVER

2 reserves that were identified on the catalog
3 were debooked?

4 A. No. Whatever the number is,
5 that's what the number is.

6 Q. I'm saying if you were to have
7 debooked all the reserves on that list do you
8 know what impact that would have on Shell's RRR
9 at the time?

10 A. Well, I would have to do the
11 calculation off the top of my head, but if we
12 produced 3.8 million barrels equivalent per day,
13 that's how much per year? That's about 1.3 or
14 so billion per year. That matches, right,
15 100 percent reserves replacement is about 1.3 to
16 1.3 billion barrels or equivalent. So if you go
17 back -- if you go to the exposure list when you
18 talk about the total exposure -- sorry, of
19 848 million barrels per day, that is a big
20 number, right, percentage-wise it's more than
21 half -- more than 50 percent reserve replacement
22 ratio for that particular year. Negative.

23 Q. Negative; right. Is that a number
24 Shell could have gone to the market with?

25 A. It is what it is. From my

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1 WALTER VAN DE VIJVER

2 perspective, the only thing that matters is that
3 we give the right numbers. Whatever the experts

4 believe the number is, that's what the number
5 should be.

6 Q. Okay.

7 MR. DOWD: Are we through with 27?

8 MR. HABER: Yes. We're done.

9 (Van De Vijver Exhibit Number 28

10 was marked for identification.)

11 BY MR. HABER:

12 Q. Mr. Van De Vijver, we've marked
13 as Exhibit 28 an e-mail from Femke Copper to,
14 I'm sure I'm pronouncing it wrong, to Mr. Watts,
15 Jeroen Van der Veer, Paul Skinner, Malcolm
16 Brinded, with a cc to Judith Boynton, Keith
17 Ruddock and yourself. The subject line reads
18 formatted version, visit Oman, 15-16-2003.

19 The Bates number is V 00010718 and
20 it goes through V 00010719?

21 Do you recognize this document?

22 A. Yes.

23 Q. And what is this document?

24 A. It is a visit note for my next
25 visit to Oman. Just to help you explain it, I

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1 WALTER VAN DE VIJVER

2 had a few times when I would write my own e-mail
3 on the plane when going back, if I would send it
4 back it would get a little bit garbled. So I
5 would ask my secretary to fix the spacing and
6 send it out again.

7 Q. I see. This would be the
8 reformatting. Femke Copper is identified as a
9 deputy secretary to you and you asked her to
10 send it to the people who are identified as the
11 recipients?

12 A. Yes.

13 Q. Who is Keith Ruddock?

14 A. He is the secretary to the CMD.

15 Q. Why did you send it to
16 Mr. Ruddock?

17 A. For completeness sake. I do not
18 recollect.

19 Q. Now, the first line says that you
20 had another useful two day visit to Oman with

21 the objective to carry out another "health
22 check" on PDO and to meet relevant
23 staff/stakeholders. Why did you feel it was
24 necessary to visit Oman to carry out a health
25 check?"

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1 WALTER VAN DE VIJVER

2 A. It was my baby. I felt very
3 passionate about PDO and obviously I had my
4 organization looking after it, but I very
5 personally wanted to stay closely in touch with
6 what was happening in the company in terms of
7 all the recovery activity.

8 Q. Now, the -- do you recall meeting
9 with any members of the oil -- I'm sorry, the
10 Ministry of Oil and Gas during this trip?

11 A. No, but maybe -- it is in there in
12 the minutes. The minutes say I didn't meet with
13 Oil Minister because he was on leave, so I only
14 met with Minister Ahmed Macki and Undersecretary
15 of the Ministry.

16 Q. If you look on the first page you
17 write -- and, again, I -- just so you know where
18 I'm reading. On the first page where you say,
19 "below is a brief summary of my visit, key
20 highlights."

21 The second one you identify is
22 atmosphere with the variety of government
23 stakeholders remain tense given the extent of
24 issues. Then (PDO production government LNG
25 (GTP), lack of transparency rewards scheme and

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1 WALTER VAN DE VIJVER

2 license extension, ethane extraction to develop
3 downstream industry.

4 Were all of these reasons the
5 reasons that were communicated to you for this
6 tense atmosphere?

7 A. Yes. That is the feedback I had
8 during the discussions on the visit.

9 Q. And who did you have the
10 discussions with from which you got this
11 feedback?

12 A. From the government stakeholders

13 that I mentioned in these notes.

14 Q. Okay. Can you just explain what
15 you meant by the lack of transparency?

16 A. The lack of transparency, that we
17 still had difficulty understanding our business
18 and still had the uncertainty around production
19 forecast, where it was going, so they were
20 ongoing issues.

21 Q. And what did you mean by reward
22 scheme?

23 A. Reward scheme is, if I recollect
24 correctly, at that time discussions had started
25 with Omani government on license extension in

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1 WALTER VAN DE VIJVER

2 Oman and on what terms the license would be
3 extended.

4 Q. So was there a reward involved or
5 discussed in connection with the license
6 extension?

7 A. Well, a reward scheme, but the
8 terms of the contract both in terms of profit
9 oil, cost oil, all the typical things, not
10 getting a price right.

11 Q. I notice under PDO it says,
12 "current production is some 730,000 barrels per
13 day and is still sliding downwards with some
14 signs that attention to core processes are
15 helping."

16 What core processes are you
17 referring to?

18 A. Getting back to the basics of the
19 business, doing the well management, reservoir
20 management, trying to understand what was
21 actually happening out there in the fields.

22 Q. When you met with Minister Ahmed
23 Macki did you have any discussions with him
24 about whether there was any prospect for
25 production returning to 850,000 barrels per day.

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1 WALTER VAN DE VIJVER

2 THE WITNESS: No, I do not recall.

3 BY MR. HABER:

4 Q. Now, did you have any
5 conversations with any of the recipients
6 identified on Exhibit 28 about your trip?

7 A. No. I do not recollect. It
8 depends on where I was at the time and whether
9 it coincided with the CMD meeting whether it
10 would come up during lunchtime or whatever, I
11 don't know. I do not recollect.

12 Q. Did anyone who is identified as a
13 recipient of this e-mail you with any comments
14 about the trip?

15 A. Not that I recollect.

16 (Van De Vijver Exhibit Number 29
17 was marked for identification.)

18 BY MR. HABER:

19 Q. I just handed the witness a
20 document we marked as Van De Vijver Exhibit 29.
21 There's a note for discussion. It says EP
22 reserves outlook. It's dated in the upper
23 right-hand corner July 22, 2003, but the
24 signature date reads July 17, 2003.

25 The Bates numbers for the exhibit

0414

1 WALTER VAN DE VIJVER
2 are HAG 00043389 through HAG 00043398?

3 Mr. Van De Vijver, have you seen
4 this document before today?

5 A. Yes.

6 Q. Does this document bear your
7 signature, the first page that is?

8 A. Yes.

9 Q. When did you prepare -- withdrawn.
10 Who prepared this document?

11 A. One of my staff members. I think
12 in Lorin Brass' organization.

13 Q. And to whom was this note to be
14 distributed?

15 A. To CMD.

16 Q. And was this note a part of a
17 prereading package?

18 A. Yes.

19 Q. Do you know if there was a

20 PowerPoint presentation that accompanied this
21 note?

22 A. No, I don't think so, because it
23 was a discussion item. So that normally would
24 not be sort of a fixed agenda item within an
25 outside presenter coming in.

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1 WALTER VAN DE VIJVER

2 Q. If you can turn to Exhibit 1 for a
3 moment, that's your letter?

4 A. Sorry.

5 Q. If you could turn to page 3. The
6 second paragraph you write, "in July 2003 E&P,
7 again at my direction and with my approval,
8 submitted to CMD an updated exposures catalog
9 and a note for discussion, this time
10 specifically advising the CMD that up to
11 220 million barrels of oil reserves would
12 potentially need to be debooked in 2003 in
13 Nigeria and that reviews of Nigeria and Oman
14 reserves were in progress. The CMD was also
15 informed that Gordon remained the largest single
16 potential exposure (560 million BOE)." Do you
17 see that?

18 A. Yes.

19 Q. Is this the note that you were
20 referring to in your letter?

21 A. Yes.

22 Q. If you can turn to page 397.

23 A. Yes.

24 Q. The appendix C, is this the
25 reserves exposure catalog that you're referring

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1 WALTER VAN DE VIJVER

2 to?

3 A. Yes.

4 Q. Do you recall a discussion at the
5 CMD about the catalog?

6 A. No.

7 Q. Do you recall any discussion about
8 the note that we've marked as Exhibit 29?

9 A. No, I'm sorry, I do not recollect.

10 Q. Were you expecting some reaction

11 from your colleagues?

12 A. Yes, because it was -- in the
13 sense it was stable, there's a note for
14 discussion, so that meant clearly time was
15 reserved to have discussion on this particular
16 item.

17 Q. Do you know how much time was
18 reserved?

19 A. No. It's in a block. It's a
20 block of items covered under notes for
21 discussion.

22 Q. If you turn to page 392, there are
23 a bunch of bullet points. I would like to
24 direct your attention right now to the second
25 bullet point, which talks about SPDC in Nigeria.

0417

1 WALTER VAN DE VIJVER

2 Are you with me?

3 A. Yes.

4 Q. The second sentence of that bullet
5 point says, "it appears that a significant
6 portion of the oil portfolio lacks the necessary
7 level of technical and commercial maturity."

8 Was that statement based upon the
9 results of the review team work that we talked
10 about earlier?

11 A. Yes. That states the review was
12 still ongoing.

13 Q. Now, if you look at the Oman, the
14 next bullet point it says, "a review of Oman PDO
15 approved reserves is in progress and a reserves
16 audit is planned for later in the year.

17 What review were you referring to
18 there?

19 A. That is the review that is ongoing
20 that started I think, had just recently started
21 in June, which was the whole STOIP ultimate
22 recovery review that we mentioned earlier.

23 Q. That STOIP review is the bottoms
24 up review. If you turn the page to page 393.

25 A. Yes.

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1 WALTER VAN DE VIJVER

2 Q. Under potential reserves exposure
3 catalog, the second sentence says, "of the
4 group's -- 19350 million BOE approved reserves
5 some 1040 million BOE (5 percent is currently
6 considered to be potentially at risk)." Do you
7 see that?

8 A. Yes.

9 Q. Okay. At the time this document
10 was prepared did you consider this to be a
11 significant amount of exposure?

12 MR. TUTTLE: Objection to form.

13 THE WITNESS: I think this
14 exposure in terms of the number was similar to
15 the numbers we had in 2002. Some things had
16 come up, but other things entered into it like
17 lowest known hydrocarbons, LKH.

18 BY MR. HABER:

19 Q. Were you concerned?

20 A. I continued to be concerned during
21 this whole period and that's why the work was
22 being done, what was being done. I had a clear
23 hunch, instinct, that things were not okay, but
24 we needed the hard facts to conclude that work.

25 Q. What is lowest known hydrocarbon?

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1 WALTER VAN DE VIJVER

2 A. Lowest known hydrocarbon is a bit
3 technical, but it was an issue that emerged with
4 the SEC and it came up that there was a question
5 whether we could use the latest technology,
6 particularly seismic technology, to identify
7 subsurface, the lowest point where hydrocarbons
8 were found or whether you actually had to use
9 the lowest actual measured hydrocarbon point in
10 a specific well.

11 Q. Now, in this potential reserves
12 exposure catalog section, which is on page 393.

13 A. Yes.

14 Q. There's a reference that there is
15 an issue that has been raised with the SEC with
16 respect to the lowest known hydrocarbon.

17 Do you have an understanding of
18 what that issue was?

19 A. Well, that's what I just

20 mentioned. It was the question whether you
21 could use log derived data or whether you could
22 use interpretation of other technologies like
23 seismic utilizing spill points and things like
24 that to identify what the lowest identified or
25 known hydrocarbons were.

0420

1 WALTER VAN DE VIJVER

2 Q. Do you know what the SEC's
3 position was?

4 A. SEC position was that you should
5 only use the lowest actual measured hydrocarbons
6 in a particular well.

7 Q. Do you know what Shell was doing?

8 A. Shell, but not only Shell, but
9 also other companies, my understanding was they
10 would use pressure data and seismic data to
11 extrapolate it to where that lowest point could
12 be.

13 Q. Now, on page 393 you say, "Gorgon
14 remains the largest single potential exposure."

15 At that time did you know if
16 Shell's partners in the project had booked
17 proved reserves?

18 A. No.

19 Q. Did you ever learn in Rockford
20 whether Shell's partners had booked proved
21 reserves for Gorgon?

22 A. I recall vividly a phone call from
23 Peter Robertson, my counterpart in Chevron, who
24 called me after the announcement on the 9th of
25 January who said we were not happy with your

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1 WALTER VAN DE VIJVER

2 announcement because we have not booked it and
3 actually the project is making great progress
4 and we're going to make an announcement.

5 Q. Did he say when they were going to
6 make an announcement?

7 A. I think fairly eminently they will
8 were going to make an announcement on the
9 project Gorgon because they felt they needed to

10 say something because of that coming into the
11 news and they were the operator.

12 Q. What did you say in response to
13 Mr. Robertson?

14 A. He was a good friend of mine and I
15 fully thanked him for his phone call and that
16 was it.

17 (Van De Vijver Exhibit Number 30
18 was marked for identification.)

19 BY MR. HABER:

20 Q. Mr. Van De Vijver, I'm just
21 handing you a document that we've marked as Van
22 Der Vijver Exhibit 30. While I identify it for
23 the record, I would like you to take a look at
24 it.

25 The document says note for

0422

1 WALTER VAN DE VIJVER
2 information Group Audit Committee briefing on
3 reserves accounting guidelines and procedures.
4 It's dated in the upper right-hand corner
5 September 1, 2003. The signature date is
6 August 28, 2003.

7 Its Bates number is LON 00010114
8 through LON 00010128. Have you seen this
9 document before?

10 A. Yes.

11 Q. Do you know who prepared the
12 document?

13 A. I got this note from Frank
14 Coopman.

15 Q. Do you know who assisted
16 Mr. Coopman in preparing the document?

17 A. No.

18 Q. And on the first page of this
19 document, does this bear your signature?

20 A. Yes.

21 MR. DOWD: I'm not sure he said
22 Coopman prepared it. I think he said he got it
23 from him.

24 BY MR. HABER:

25 Q. You're right.

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2 A. That doesn't mean he wrote it to
3 me, it came for signature from Frank Coopman.

4 Q. You're right. I apologize.

5 A. That's all right.

6 Q. The handwriting on the first page
7 of the document, is that your handwriting?

8 A. No.

9 Q. Do you recognize it as anyone's
10 handwriting?

11 A. No.

12 Q. Do you know if this note was
13 actually disseminated to the members of the
14 Group Audit Committee?

15 A. Yes, because I recall that Frank
16 Coopman went to the Group Audit Committee.

17 Q. When did he go to the Group Audit
18 Committee?

19 A. I don't recall the exact date, but
20 it says in a note here, October.

21 Q. During your tenure as CEO of EP
22 did you ever submit notes to the Group Audit
23 Committee?

24 A. Not that I recollect.

25 Q. Do you have an understanding --

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2 withdrawn.

3 Did you have an understanding as
4 to why this note was being sent to the Group
5 Audit Committee so far in advance of the
6 meeting?

7 MR. TUTTLE: Objection,
8 foundation.

9 THE WITNESS: No, I don't know.

10 BY MR. HABER:

11 Q. Did Mr. Coopman show you this note
12 before it was sent to the Group Audit Committee?

13 A. Yes, because he asked me to sign
14 it off.

15 Q. I meant -- I'm sorry, let me be a
16 little more specific.

17 While it was in draft?

18 A. No.

19 MR. DOWD: Do we have to send out
20 for Starbucks for you?

21 MR. HABER: I would prefer Dunkin'
22 Donuts.

23 (Laughter.)

24 BY MR. HABER:

25 Q. If you look at attachment 3, which

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1 WALTER VAN DE VIJVER

2 is Bates numbered that ends 127.

3 A. Sorry?

4 Q. The last two pages I'm focusing
5 on?

6 A. Yes. Sorry. Yes.

7 Q. Is this -- is this a form of the
8 exposure catalog that we've been talking about
9 today?

10 A. Yes. It's exactly the same number
11 we just looked at in the July CMD note.

12 Q. Okay. Did Mr. Coopman ever advise
13 you that he received feedback from the note
14 before the Group Audit Committee meeting?

15 A. No.

16 Q. Do you know if Mr. Coopman
17 attended the Group Audit Committee meeting?

18 A. Yes.

19 Q. Did you attend the Group Audit
20 Committee meeting in October?

21 A. No.

22 Q. Did Mr. Coopman tell you if the
23 exposure catalog was discussed during the Group
24 Audit Committee meeting in October?

25 A. No.

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1 WALTER VAN DE VIJVER

2 Q. How many members are there of the
3 Group Audit Committee?

4 MR. TUTTLE: You mean at this
5 time?

6 BY MR. HABER:

7 Q. At this time, which is August,
8 September of 2003?

9 A. I wouldn't be -- I wouldn't be
10 able to answer that. There's a couple of
11 members from the ST&T side, a couple members
12 from the Royal Dutch side and then there are
13 people from finance, but I don't know how many
14 that are in attendance. I never attended that
15 until January '04. I wouldn't be able to tell
16 you.

17 Q. Do you know if the membership of
18 the Group Audit Committee is comprised of
19 members of the conference?

20 A. Oh, yes. Yes.

21 Q. Is it entirely comprised of
22 members of the conference?

23 A. Well, conference and CMD, but to
24 the best of my recollection, it also included
25 the group controller. Besides the group CFO

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1 WALTER VAN DE VIJVER
2 there was also the group controller, maybe some
3 deputies I don't know.

4 Q. At this time was Tim Morrison the
5 group controller?

6 A. Yes.

7 Q. Again, so the record is clear,
8 this time being August, September 2003.

9 Do you know if the conference has
10 any subcommittees?

11 A. Well, the Group Audit Committee
12 would be one of the subcommittees.

13 Q. Do you know what the other
14 subcommittees are?

15 A. As I mentioned to you earlier, one
16 was called Social Responsibility Committee and I
17 think we had Remco Remuneration Committee.

18 Q. Was the Remco subcommittee
19 responsible for succession issues?

20 A. Succession and compensation.

21 Q. Okay. Do you know who the
22 chairman of the Remco subcommittee was at this
23 time?

24 A. Aernout Loudon, A-E-R-N-O-U-T,
25 Loudon, L-O-U-D-O-N. I think.

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1 WALTER VAN DE VIJVER

2 MR. HABER: Can we just take about

3 a five minute break.

4 THE VIDEOGRAPHER: We're going off
5 the record. The time is 4:48 p.m.

6 (A brief recess was taken.)

7 THE VIDEOGRAPHER: We are back on
8 the record. The time is 4:58 p.m.

9 BY MR. HABER:

10 Q. Mr. Van De Vijver, you mentioned
11 you had meetings with a number of people such as
12 Mr. Van Der Veer, Mr. De Ruiter. Did you meet
13 with anyone else in separate private meetings
14 where you discussed the reserves issue?

15 MR. TUTTLE: Objection to
16 characterization of prior testimony.

17 THE WITNESS: No. Not that I
18 recollect in any detail. I talked with several
19 members about the general state of the business
20 with people like Marteen Van den Berg and Henny
21 de Ruiter, but that's a bit later, that was in
22 November 2003. I talked to Aad Jacobs and then
23 I did specifically talk about reserves.

24 BY MR. HABER:

25 Q. When did you meet with Marteen Van

0429

1 WALTER VAN DE VIJVER

2 den Berg?

3 A. That was around April.
4 April 2003.

5 Q. Did you initiate this meeting?

6 A. No, he did.

7 Q. And why did he do that?

8 A. From a social perspective. He
9 came to visit my house.

10 Q. Do you recall if he -- if he was
11 accompanied by anyone?

12 A. No. He was on his own.

13 Q. Do you recall having any
14 discussion about business during his visit?

15 A. Yes. I talked generally about all
16 the things I was dealing with and all the things

17 that were on my radar screen in terms of
18 improving the performance of the business and
19 that I had quite a few challenges ahead of me.

20 Q. When you say the things you were
21 dealing with, what things are you referring to?

22 A. Everything from improving the
23 organization structure and getting the right
24 people in the right places, improving the
25 performance in places like Oman and Nigeria.

0430

1 WALTER VAN DE VIJVER

2 Q. Do you recall specifically
3 discussing some of the problems in Oman and
4 Nigeria that are -- that you had testified to
5 today?

6 MR. TUTTLE: Objection to form.

7 THE WITNESS: Just in a general
8 sense, but nothing specific as I recollect on
9 reserves.

10 BY MR. HABER:

11 Q. And Mr. Van Den Berg, was he a
12 member of the conference?

13 A. Yes.

14 Q. I don't remember. I'm sure I
15 asked this, was he a member of the CMD?

16 A. He's a former member of the CMD.
17 Before my time he retired from CMD as a vice
18 chairman and president of the Royal Dutch and
19 then subsequently joined the Board in
20 conference.

21 Q. Do you recall anything that
22 Mr. Van Den Berg had said to you in response to
23 what you were telling him?

24 A. He said that he appreciated the
25 things I was working with and said that I was

0431

1 WALTER VAN DE VIJVER

2 doing great and he put it in the context that he
3 had had some difficult times when he was in CMD
4 together with Mark Moody Stewart.

5 Q. And Mark Moody Stewart was the
6 chairman of the CMD at the time?

7 A. Yes.

8 Q. Do you recall anything else about
9 that meeting that you haven't testified about?

10 A. No, not specific.

11 MR. HABER: I'm going to mark as
12 Van De Vijver Exhibit 31, it's two e-mails with
13 an attachment.

14 (Van De Vijver Exhibit Number 31
15 was marked for identification.)

16 MR. HABER: For the record, while
17 Mr. Van De Vijver is looking at the exhibit,
18 the exhibit is two e-mails and an attachment, as
19 I said. The last e-mail is from Mr. Van Der
20 Vijver to Mr. Watts. It's dated November 9,
21 2003.

22 The Bates number is LON 00010002
23 through LON 0001 through 0003.

24 Do you recall this e-mail
25 exchange?

0432

1 WALTER VAN DE VIJVER

2 THE WITNESS: Yes.

3 BY MR. HABER:

4 Q. The second e-mail, which is on the
5 bottom, the middle portion of this document, is
6 from John Bell to you with a cc to Mr. John Pay
7 and Frank Coopman. The subject is LKH and it's
8 dated November 6th, 2003 and it attaches a slide
9 that says LKH exposures at 1.1.2003. Do you
10 recall asking Mr. Bell for information about the
11 LKA issue?

12 A. Yes.

13 Q. What did you ask him?

14 A. This was a follow up to a
15 performance, midyear performance review
16 discussion I had with Phil Watts on Monday the
17 3rd of November where I felt very unhappy
18 because he was inferring that LKH problem that
19 we had by this time identified as one of the
20 exposures was something that had to do with my
21 history in the United States. So I was angry
22 because I saw it as a personal accusation.

23 Q. And, in particular, what was he
24 saying about the LKH in your tenure in the

25 United States?

0433

1 WALTER VAN DE VIJVER

2 A. That problem on LKH that had
3 related to the United States and as I was the
4 CEO in the United States, if you recall from '98
5 to 2001 that, therefore, this was my problem.

6 Q. When you say my problem, do you
7 mean a problem that you created?

8 A. Yes.

9 Q. Now, in your e-mail you say,
10 "reference our discussion on reserves on Monday,
11 November 3." Is this the discussion you're
12 referring to?

13 A. Yes.

14 Q. Were there any other issues on
15 reserves that you recall that were discussed?

16 A. I don't recall. It was a general
17 discussion, midyear performance relative to
18 targets that had been set.

19 Q. On that connection do you recall
20 having any discussion about production targets?

21 A. I do not recollect.

22 Q. More generally, do you recall
23 having any discussion with him at this meeting
24 about the business plan that was going to
25 conference shortly?

0434

1 WALTER VAN DE VIJVER

2 A. No.

3 Q. Now, in your e-mail you say, "the
4 issue of LKH is not just a US issue," then you
5 put in parentheses "(perhaps you are implying
6 something there?)" Why wasn't the LKH just a US
7 issue?

8 A. Because this was a general
9 industry issue that had come up after my time in
10 the United States. I don't know. I think it
11 came up somewhere in 2002 and given the
12 technicalities I just explained to you, it was
13 something that would apply to any area in the
14 world where there would be that difference you
15 could have an interpretation.

16 Q. Now, the next -- what were you

17 trying to convey with regard to the

18 parenthetical?

19 A. It was just a nice way for me

20 getting back saying here are the facts and this

21 has nothing to do with being my problem.

22 Q. The next sentence says, "I am

23 becoming sick and tired about lying about the

24 extent of our reserves issues and the downward

25 revisions that need to be done because of far

0435

1 WALTER VAN DE VIJVER

2 too aggressive/optimistic bookings in the past."

3 Aside from the embarrassment of having booked

4 reserves prematurely, what were you trying to

5 convey to him there?

6 A. I was conveying to him there that

7 I was at that stage getting deeply concerned

8 that we had been given incorrect information on

9 the state of our reserves. The Oman and Nigeria

10 audits were nearing completion and the early

11 reports I got from those places were not

12 encouraging.

13 Q. When you refer to downward

14 revisions that need to be done, were you

15 suggesting to Mr. Watts that a debooking was

16 necessary?

17 A. I was trying to indicate at that

18 stage I was getting more and more to the

19 conclusion, that it looked like if the data were

20 confirmed that we would have to do a downward

21 revision.

22 Q. The reference to far too

23 aggressive/optimistic bookings in the past, was

24 that to bookings of reserves that were done

25 under Mr. Watts' tenure?

0436

1 WALTER VAN DE VIJVER

2 A. That's the same issue, yes, that

3 we discussed many times before.

4 Q. Now, the remainder of the sentence

5 says, "aside from the embarrassment of having

6 booked reserves prematurely."

7 What did you mean by that?

8 A. This was my feeling around some of
9 those projects that were booked in the past.
10 Again, I'm not an expert on SEC, but those were
11 booked before actual final investment decision
12 was taken.

13 Q. Why would you feel embarrassed
14 about that?

15 A. Well, I felt embarrassed at the
16 end of the day that the studies that were
17 ongoing would conclude that in the past we
18 wouldn't have given the right external messages
19 on the health of our reserves. I mean overall I
20 believed that Shell was a conservative company.

21 Q. So the embarrassment would be with
22 regard to the external community?

23 MR. TUTTLE: Objection,
24 characterization of the testimony.

25 THE WITNESS: Yes.

0437
1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. The beginning portion of the
4 sentence when you say, "becoming sick and tired
5 about lying about the extent of our reserves
6 issues." Did you feel that Shell was not being
7 transparent with regard to the reserves issues
8 that we've been talking about today?

9 MR. TUTTLE: Objection to form.

10 THE WITNESS: No. I had no reason
11 to believe that the company had been giving
12 false information intentionally to the market.
13 I was just now deeply concerned based on the
14 emerging facts that were coming out that we had
15 given incorrect information.

16 BY MR. HABER:

17 Q. Did Mr. Watts ever respond to your
18 e-mail?

19 A. No.

20 Q. Did he ever pick up the phone and
21 tell you he wanted to talk about it?

22 A. No.

23 Q. Do you believe you conveyed the

24 message clearly to Mr. Watts in this e-mail?

25 A. Yes.

0438

1 WALTER VAN DE VIJVER

2 MR. HABER: We're going to mark --

3 I'm going to actually mark three exhibits. The

4 first one is going to be Exhibit 32 and

5 Exhibit 32 is an e-mail string, the last of

6 which is from Frank Coopman to David Lau, with a

7 cc to Souli Bouchia.

8 THE WITNESS: I don't have it yet.

9 MR. DOWD: You will just relax.

10 BY MR. HABER:

11 Q. It's dated November 24, 2003. The

12 subject line is a forward 2003 RRR review.

13 There are two Bates numbers. The

14 first range is V 00350911 through V 00350913.

15 The other one is Coopman 0452 through Coopman

16 0454.

17 (Van De Vijver Exhibit Number 32

18 was marked for identification.)

19 MR. HABER: While the witness is

20 looking at this we're going to mark.

21 MR. DOWD: He's looking at 32 just

22 for the record.

23 MR. HABER: While he's looking at

24 Exhibit 32 we're going to mark as Exhibit 33 a

25 note from Anton Barendregt to a number of people

0439

1 WALTER VAN DE VIJVER

2 dated September 30, 2003.

3 The Bates number is RJW 00770717

4 through RJW 00770726.

5 And the subject of this note reads

6 proved reserves process audit-SPDC (Nigeria

7 18-19 September 2003).

8 (Van De Vijver Exhibit Number 33

9 was marked for identification.)

10 MR. HABER: Exhibit 34 is a draft

11 note from Anton Barendregt dated November 3,

12 2003. It says SEC proved reserves audit-PDO

13 Oman 25-28 October 2003.

14 That's Exhibit 34 and the Bates

15 range there is RJW 00950013 through RJW
16 00950019.

17 (Van De Vijver Exhibit Number 34
18 was marked for identification.)

19 BY MR. HABER:

20 Q. Mr. Barendregt -- I'm sorry,
21 Mr. Van De Vijver -- I apologize.

22 Exhibit 32.

23 THE WITNESS: Yes.

24 BY MR. HABER:

25 Q. Which is the first exhibit I

0440

1 WALTER VAN DE VIJVER
2 handed to you. Do you recall seeing this e-mail
3 exchange before?

4 A. Yes.

5 Q. And exhibits 33 and 34, which are
6 the Barendregt reports, do you recall seeing
7 Exhibit 33 before?

8 A. Yes.

9 Q. And do you recall seeing
10 Exhibit 34 before today?

11 A. Yes.

12 Q. Okay. Are these the reports that
13 you testified earlier about?

14 A. Yes.

15 Q. And you will notice that on the
16 first page of each report Mr. Barendregt gives
17 an unsatisfactory report in his audit of SPDC on
18 Exhibit 33 and PDO on Exhibit 34?

19 A. Yes.

20 Q. Now, if you look at Exhibit 32.

21 A. Yes.

22 Q. Which is an e-mail from John Pay
23 to you with a cc to John Bell, Frank Coopman,
24 John Darley, and Iain Percival, who is
25 IainPercival?

0441

1 WALTER VAN DE VIJVER

2 A. He is a senior petroleum engineer
3 under operational excellence. You can see that
4 in his reference, OE, operational excellence in
5 the EPT organization of John Darley.

6 Q. Operational excellence, that's the
7 same as the T&OE?

8 A. Yes.

9 Q. Was this the first time that you
10 had received Mr. Barendregt's reports on SPDC
11 and PDO Oman?

12 A. Yes.

13 Q. And this being the attachment to
14 the November 17th e-mail?

15 A. Yes.

16 Q. Now, if you look at Exhibit 33,
17 there's handwriting in the upper right-hand
18 corner. Do you recognize that handwriting?

19 A. No.

20 Q. If you notice, six days lapsed
21 between the time Mr. Pay sends his e-mail and
22 you send out an e-mail to him. What did you do
23 between the time you received these two reports
24 and the time you sent this e-mail to Mr. Pay?

25 A. That's a very good question. I

0442

1 WALTER VAN DE VIJVER

2 wouldn't know day to day where I was or what I
3 did. I think maybe I can give you a little bit
4 of context.

5 Q. Sure.

6 A. After I received those reports and
7 particularly when I saw the report on Oman I
8 was -- I was highly surprised by the conclusion
9 of the Oman audit in the sense that a
10 recommendation from Barendregt was to leave the
11 numbers as they were for another year.

12 I remember then seeing Frank
13 Coopman and expressing that concern to him about
14 that finding. I also recall that someone close
15 to this time, as soon as I heard about the
16 unsatisfactory audit, I notified Judy Boynton
17 that we had unsatisfactory audit. Not even
18 seeing the audits, I advised her of the fact
19 that I had seen these unsatisfactory audits and
20 also advised my colleagues at CMD around this
21 time about having received these unsatisfactory
22 audits.

23 Clearly work was ongoing. The

24 Nigeria story was a little bit different in the
25 sense that audits was unsatisfactory, but

0443

1 WALTER VAN DE VIJVER

2 Nigeria was a process audit. That was a step in
3 between the whole bottom up review to confirm
4 the methodology that was being used to get to
5 the right numbers. And I also recall asking
6 Frank to now start working on getting the real
7 details because based on this I was getting
8 pretty certain that we were getting into a
9 debooking process. Sorry for the lengthy
10 answer.

11 Q. That's okay.

12 When you say you were asking
13 Mr. Coopman to start working on getting the
14 details, what details were you looking for him
15 to get?

16 A. As I reference in the e-mails, I
17 said I've asked Frank to work the disclosure SEC
18 issues to really get an understanding that based
19 on what we were, in terms of him being the head
20 of the Chair of the Reserves Committee, which at
21 that time we had in place to make sure proper
22 process was followed in terms of the next step
23 on this important issue.

24 Q. When was the Reserves Committee
25 established?

0444

1 WALTER VAN DE VIJVER

2 A. The Reserves Committee I think was
3 established around September, October time that
4 year as part of the ongoing improvements in the
5 overall controls and transparency around reserve
6 reporting.

7 Q. Was the creation of the Reserves
8 Committee initiated by you?

9 A. Not directly by me, but through
10 Coopman as part of my desire for him to improve
11 overall controls in the business, including this
12 area.

13 Q. Now, on Exhibit 32, the bottom of

14 the e-mail, you say, "still find it amazing to
15 compare the '99 and '03 audit write-ups for
16 Nigeria and for Oman." Why were you amazed?

17 A. Because if I recollect correctly
18 '99, both those areas had satisfactory audits
19 and then four years later -- satisfactory and
20 good. Even better than satisfactory Oman had --
21 we have to read the note now -- one was good and
22 one was satisfactory.

23 Q. Did you talk with Mr. Barendregt
24 about his reports?

25 A. No.

0445

1 WALTER VAN DE VIJVER

2 Q. Why didn't you?

3 A. I cannot interfere with the whole
4 organization. As I said, I mean that's what I
5 communicated to Coopman and I'm sure I was
6 confident Coopman would deal with the issue
7 effectively. As I mentioned, the first time I
8 met Barendregt was in December when we were
9 trying to get to the bottom of what the final
10 numbers should be.

11 Q. It says afterwards in the rest of
12 that sentence, "we better categorize the
13 differences to have a logical explanation."

14 Who were you going to make an
15 explanation to?

16 A. Trying to prepare the necessary
17 documentation to go to CMD and to conference.

18 Q. Had you already at this point
19 instructed the EP team to get started on that?

20 A. Yes.

21 Q. Would you say this was the
22 unofficial beginnings of Rockford?

23 A. Yes.

24 Q. Do you know when Rockford formally
25 began?

0446

1 WALTER VAN DE VIJVER

2 A. I think it was the first CMD
3 meeting on the 9th of December when the paper
4 was finally submitted to CMD.

5 MR. HABER: I just want to mark, I

6 forget where we are -- Exhibit 35.

7 MR. TUTTLE: Jeff, not to ask the
8 overly obvious question?

9 MR. HABER: We're almost done for
10 the day.

11 (Van De Vijver Exhibit Number 35
12 was marked for identification.)

13 MR. HABER: For the record, what
14 we've marked as Exhibit 35 is an e-mail string,
15 the last of which and it is really just string
16 is from Mr. Van De Vijver. It's dated
17 November 16, 2003 to Judith Boynton. The
18 subject line reads 2003 RRR review. There's an
19 attachment, as well.

20 The Bates number is V 00010813
21 through V 00010817.

22 Have you seen this document before
23 today?

24 THE WITNESS: Yes.

25 BY MR. HABER:

0447
1 WALTER VAN DE VIJVER

2 Q. In your testimony a few moments
3 ago you mentioned that you communicated with
4 Ms. Boynton about the two reports, Exhibit 33
5 and 34?

6 A. Yes.

7 Q. Is Exhibit 35 the e-mail from you
8 to Ms. Boynton, the means by which you made that
9 communication?

10 A. Yes.

11 Q. Do you recall having any
12 discussion with her after you sent this e-mail
13 to her?

14 A. No.

15 Q. If you could just look at the part
16 of the middle of the e-mail, the part that says
17 both countries have had the following?

18 A. Uh-huh.

19 Q. Under the first one, "history of
20 aggressive reserves bookings 'stimulated' by
21 reserves fees in our NIAT 'contract' (Nigeria

22 stopped in '99 after new MOU)."

23 A. Do you want me to translate that?

24 Q. Would you please?

25 A. NIAT is net income after tax. MOU

0448

1 WALTER VAN DE VIJVER

2 is Memorandum of Understanding, that's the name

3 of the contract, the type of contract in SPDC.

4 Q. And the reference to the

5 aggressive reserves bookings, is that reference

6 to all the reserves exposures that we talked

7 about today?

8 A. That were.

9 MR. TUTTLE: Objection to form,

10 characterization of the testimony.

11 THE WITNESS: This is a reference

12 to the Nigeria and Oman exposures we've talked

13 about before.

14 BY MR. HABER:

15 Q. Right. So it's not all of the

16 exposures, just Nigeria and Oman?

17 A. Yes.

18 Q. There's one other thing I want to

19 ask you about before we conclude for the day.

20 If you go back to your letter,

21 which is Exhibit 1. On page 3, the third

22 paragraph, the first sentence which I'm

23 interested in reads, "in November 2003 I

24 informed CMD about the unacceptable results of

25 the Nigeria and Oman audits."

0449

1 WALTER VAN DE VIJVER

2 Do you recall when that meeting

3 occurred?

4 A. That was CMD on the 18th of

5 November.

6 Q. Did you make the presentation?

7 A. I just made the comment at that

8 time during sort of any other business that I

9 had these two unsatisfactory audits.

10 Q. And what was the reaction?

11 MR. DOWD: The answer is yes.

12 THE WITNESS: Sorry, yes.

13 BY MR. HABER:

14 Q. What was the reaction of the CMD?

15 A. I do not recall.

16 Q. Were they surprised?

17 MR. TUTTLE: Objection to form,
18 calls for speculation.

19 THE WITNESS: I do not know.

20 BY MR. HABER:

21 Q. Okay. Do you know if Ms. Boynton
22 attended that CMD meeting?

23 A. Yes, she did.

24 Q. Do you recall Ms. Boynton saying
25 anything during the discussion about the

0450

1 WALTER VAN DE VIJVER

2 reserves?

3 A. No.

4 Q. Do you recall Mr. Watts saying
5 anything during the discussion about the results
6 of the Nigeria and Oman audits?

7 A. No.

8 MR. TUTTLE: Objection to the
9 characterization of the testimony.

10 MR. HABER: I think this is a good
11 place to conclude for the day.

12 THE VIDEOGRAPHER: This marks the
13 end of Volume II in the deposition of Mr. Van
14 Der Vijver. The total number of tapes used
15 today is four. We're going off the record. The
16 time is 5:35 p.m.

17 (Whereupon, at 5:35 p.m., the
18 deposition was adjourned.)

19 - - - - -

20 (Reading and signature not
21 waived.)

22

23

24

25

0451

1 WALTER VAN DE VIJVER

2 ACKNOWLEDGMENT OF DEPONENT

3

I do hereby acknowledge that I have
read and examined the foregoing pages of the
transcript of my deposition and that:

(Check appropriate box):

() the same is a true, correct and
complete transcription of the answers given by
me to the questions therein recorded.

() except for the changes noted in
the attached errata sheet, the same is a true,
correct and complete transcription of the
answers given by me to the questions therein
recorded.

DATE

SIGNATURE

WALTER VAN DE VIJVER
CERTIFICATE OF NOTARY PUBLIC

I, Paula G. Satkin, the officer before whom
the foregoing proceedings were taken, do hereby
certify that the witness whose testimony appears
in the foregoing proceeding was duly sworn by
me; that the testimony of said witness was taken
by me in stenotype and thereafter reduced to
typewriting under my direction; that said
proceedings is a true record of the testimony
given by said witness; that I am neither counsel
for, related to, nor employed by any of the
parties to the action in which these proceedings
were taken; and, further, that I am not a
relative or employee of any attorney or counsel
employed by the parties hereto, nor financially
or otherwise interested in the outcome of the
action.

My commission expires October 31, 2010.

PAULA G. SATKIN

Notary Public in and for the
District of Columbia

E R R A T A S H E E T

IN RE: Royal Dutch/Shell

RETURN BY:

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E R R A T A S H E E T

IN RE: Royal Dutch/Shell

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0454

1 IN THE UNITED STATES DISTRICT COURT
2 DISTRICT OF NEW JERSEY
3 Civ. No. 04-3749 (JAP)
4 (Consolidated Cases)
5 Hon. Joel A. Pisano
6

7 ----- +

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

11 ----- +

12
13 Volume III
14 Videotaped Deposition of Walter van de Vijver
15 Washington, D.C.
16 Friday, February 2, 2007
17 9:39 a.m.
18
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21
22

23 Job No. 22-94164
24 Pages 454 - 577, Volume III
25 Reported by: Paula G. Satkin

0455

1 Videotaped Deposition of
2 Walter van de Vijver
3
4 Held at the offices of:
5 AKIN GUMP STRAUSS HAUER & FELD LLP
6 1333 New Hampshire Avenue, Northwest
7 Washington, D.C. 20036-1564
8 (202)202-887-4000
9
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19
20 Taken pursuant to notice, before Paula
21 G. Satkin, Registered Professional Reporter
22 And Notary Public in and for the District of
23 Columbia.
24
25

0456

1 A P P E A R A N C E S
2

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0457

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0458

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1 WALTER VAN DE VIJVER
2 PROCEEDINGS

3
4 THE VIDEOGRAPHER: Here begins
5 tape number one, Volume III, in the deposition
6 of Walter van de Vijver, in the matter of Royal
7 Dutch/Shell Transport Securities Litigation, in
8 the United States District Court, District of
9 New Jersey.

10 Today's date is February 2nd,
11 2007. The time is 9:39 a.m.

12 I would like to remind the witness
13 he is still sworn in from yesterday.

14 Whereupon--

15 WALTER VAN DE VIJVER
16 a witness, called for examination, having
17 previously been duly sworn, was examined and
18 testified further as follows:

19
20 EXAMINATION BY COUNSEL FOR
21 PLAINTIFFS -- RESUMED

22
23 BY MR. HABER:

24 Q. Good morning, Mr. Van de Vijver.

25 A. Good morning.

0462

1 WALTER VAN DE VIJVER

2 Q. I want to start today just with a
3 follow-up from a document that we talked about
4 yesterday. So if you could pull out Exhibit 32?

5 A. Yes.

6 Q. Now, yesterday you testified that
7 with regard to the e-mail from John Pay with the
8 attachment of the Barendregt reports that was
9 the first time you had received those
10 unsatisfactory reports; correct?

11 A. Yes.

12 Q. If you look at the dates
13 between -- you can turn to Exhibits 33 and 34.

14 If you look at the dates of the
15 notes. One, the SPDC audit is dated
16 September 30 and the other PDO audit report
17 is -- the draft note is dated November 3. And
18 you received these audit reports on November 17?

19 A. Yes.

20 Q. Did you ever ask your staff why
21 there was a delay in getting you these reports?

22 A. No, I didn't. But, of course, you
23 also have to see it, I guess in the context that
24 on the Oman one I just had visited Oman so I
25 knew. I think that was the weekend before I

0463

1 WALTER VAN DE VIJVER
2 went to Oman and I knew there was an
3 unsatisfactory audit and I used my visit to Oman
4 to actually sit down with people in Oman, not
5 about audit report, but about the results of the
6 city work.

7 And in the case of Nigeria I knew
8 that work was ongoing on trying to get to grips
9 with the numbers. I think it was mentioned one
10 of the -- somewhere the end of October it was
11 mentioned that EP ExCom, that they were working
12 with Anton Barendregt and other people on the
13 numbers in Nigeria.

14 So I felt reasonably up-to-date,
15 but indeed I hadn't seen the actual reports
16 until I received them on the 17th of November.

17 Q. In your answer you said while you
18 were in Oman you would learn that Mr. Barendregt
19 had given the unsatisfactory report to PDO. How
20 is it that you learned that?

21 A. I had some briefing notes for my
22 visit to Oman. And normally when I would visit

23 places staff would prepare visit notes and there
24 was a reference to that extent in my prereading
25 material that I would read in the plane going up
0464

1 WALTER VAN DE VIJVER

2 to Oman.

3 Q. You can put those aside now.

4 A. I assume there's a visit note on
5 the Oman visit, by the way.

6 Q. Okay.

7 (Van de Vijver Exhibit Number 36
8 was marked for identification.)

9 BY MR. HABER:

10 Q. Mr. Van de Vijver, I'm handing you
11 what we just marked as van de Vijver Exhibit 35.

12 MR. DOWD: No. I think we already
13 have a 35. It should be 36.

14 MR. HABER: You're right. It
15 should be 36.

16 BY MR. HABER:

17 Q. Now I'm handing you what's just
18 been marked as van de Vijver 36. It's an e-mail
19 with an attachment. The e-mail is from Frank
20 Coopman, it is dated December 2, 2003. It's
21 sent to John Bell, Matthias Bichsel, and John
22 Darley with a cc to John Pay. The subject line
23 is proved reserves. The attachment is called
24 script for Walter on the proved reserves
25 position. The Bates number is RJW00780060
0465

1 WALTER VAN DE VIJVER

2 through RJW00780063.

3 Have you seen this document
4 before?

5 A. Well, not this particular e-mail.
6 The attachment I've seen, but not this
7 particular cover e-mail.

8 Q. Okay. The attachment is what I
9 would like to talk to you about.

10 A. Sure.

11 Q. What is your understanding of what
12 this document called the script for Walter is?

13 A. As we discussed yesterday, I asked

14 Frank Coopman after I had seen the audit report
15 for Oman. And as you also saw on the e-mail we
16 looked at yesterday to get me the necessary
17 material to go to CMD and Conference on our
18 reserves position.

19 By that time personally, at least,
20 having come to the conclusion that there were
21 going to be major debookings, but of course the
22 right people need to get involved in the
23 process.

24 I had a meeting with Frank Coopman
25 on it just before I went for travels again. I

0466

1 WALTER VAN DE VIJVER
2 think it was the 27th of November, where he also
3 advised me he would go and talk to Judy Boynton
4 the next day.

5 Then I left to Russia where that
6 was involving a business transaction in Moscow.

7 I got a call when I was in Moscow
8 from Frank telling me he was sending me a note
9 to look at. And he also said he would mail it
10 at my home address, thinking that I would arrive
11 home that night, but events changed and I ended
12 up, we're now talking December 1st, very late in
13 the evening actually traveling from Moscow back
14 to London.

15 I'm just trying to give you a
16 little bit of context.

17 Q. And the document that you were
18 referring to when you said yesterday, is that
19 Exhibit 32 where you instructed Mr. Coopman to
20 take some action?

21 A. 32, right?

22 Q. Yes.

23 A. Yes. So I arrived very late in
24 that evening in London in the apartment, company
25 apartment I had there. And early in the morning

0467

1 WALTER VAN DE VIJVER
2 I got a phone call from Frank advising me that
3 Judy was very unhappy with the document.

4 I then decided that rather than go

5 directly to my meeting in Weybridge, that
6 southwest of London, that I would quickly hop
7 into the office in London and to actually go in
8 my e-mail and look at the document.

9 During my movement to the London
10 office I also got a call from Judy Boynton,
11 where she expressed extreme unhappiness about
12 what Frank had done and that it needed to be
13 taken off the table. And to the best of my
14 recollection she used the word, destroyed.

15 Either after -- I also got a call
16 from my advisor assistant Nicola Dahlin, who
17 mentioned that Judy was desperately looking for
18 me.

19 So anyway, so I moved to the
20 office, clearly with the feedback from Judy
21 still ringing in my ears, and not knowing
22 exactly what Frank had done or not done.

23 So I quickly scanned at the
24 document and indeed was shocked, given that it
25 was in my perspective a very conclusive document

0468

1 WALTER VAN DE VIJVER

2 and I considered the work, first of all not
3 complete yet because we were still working the
4 numbers.

5 For instance, in the script I
6 think it still allowed Gorgon to be carried
7 going forward.

8 And, also, I recognized that
9 ultimately this is not my decision, I can't do
10 this, this needs to involve Group Finance, Group
11 Audit Committee, External Audit, et cetera,
12 before we would be able to have something so
13 conclusive that needs to be announced to the
14 market with immediate effect.

15 Sorry for a bit long-winded story,
16 but I just wanted to get --

17 Q. First of all, do you know who
18 Mr. Coopman had distributed the script to?

19 A. To me and Judy Boynton, as far as
20 I know, knew at that time. Clearly I see here
21 that it was sent to some others as well.

22 Q. Did you ever talk to Phil Watts
23 about the script?

24 A. No.

25 Q. And as far as you know he didn't
0469

1 WALTER VAN DE VIJVER
2 receive a copy of it?

3 A. Clearly, that's up to the group
4 CFO to do that.

5 Q. Do you have an understanding as to
6 why the document was titled "script"?

7 A. No. I guess script may be
8 briefing note, whatever choice of words.

9 Q. Do you know if Mr. Coopman
10 prepared this document in preparation for a
11 meeting that was upcoming in the CMD?

12 A. Yes. I mean relative to the
13 original schedule we talked about it was the 2nd
14 of December was CMD meeting and 3rd of December
15 was a regular Conference meeting.

16 Now, unfortunately because of my
17 issues with this Russian transaction I did not
18 make it to the CMD meeting on the 2nd of
19 December that was in The Hague. I was in
20 London, obviously, advised my colleagues I
21 couldn't attend, but that was the context.

22 Q. Were you planning on attending the
23 Conference?

24 A. Yes.

25 Q. Had you asked -- in Exhibit 32, if
0470

1 WALTER VAN DE VIJVER
2 you look at the first sentence of your e-mail to
3 Mr. Pay you say, "I want to have a proper EP
4 view before Conference."

5 Is your understanding in looking
6 at Exhibit 32 that this document was prepared in
7 connection with the meeting on December 3, 2003?

8 A. Yes.

9 Q. Now, in your answer you said when
10 you looked at the document you were shocked.

11 I think you said you were
12 surprised at how conclusive it was.

13 Why were you surprised?

14 A. Well, in the sense that the
15 numbers were still being worked. I mean we
16 still at that time didn't have the numbers and
17 the whole idea was also to look at all the other
18 exposures, not just linking it to Nigeria and
19 Oman and LKH, but also whatever else now with
20 the new understanding we had about
21 interpretation of the SEC rules would become
22 noncompliant.

23 Q. Is it fair to say that the script
24 is advocating a restatement or debooking?

25 A. The script advocates a debooking.

0471

1 WALTER VAN DE VIJVER

2 I would have to read it where it says revision
3 or restatement.

4 Q. I see the document on the first
5 page refers to debooking or restatement?

6 A. Okay.

7 Q. Now you also mentioned that you
8 had spoken with Ms. Boynton about the script.
9 Other than what you testified to do you recall
10 anything else that the two of you had discussed?

11 A. On that particular day?

12 Q. Yes.

13 A. No.

14 Q. Did you discuss the fact that the
15 reserves were exposed to such an extent that a
16 debooking appeared to be necessary?

17 MR. MORSE: Object to the form.

18 BY MR. HABER:

19 Q. You can answer.

20 A. I think the note speaks for
21 itself.

22 Q. Now, in your answer you also said
23 that the decision to debook or restate was one
24 that you needed Group Finance and Group Audit.
25 Why is that?

0472

1 WALTER VAN DE VIJVER

2 MR. TUTTLE: Objection to the
3 characterization of the testimony.

4 THE WITNESS: I think anything

5 that is to do with external disclosure and is a

6 material event for the group, in my

7 understanding had to go to the fora.

8 I cannot, in my role cannot make

9 any decision on external disclosures.

10 BY MR. HABER:

11 Q. Now, is there a distinction

12 between a decision to debook reserves and a

13 decision to debook reserves that requires

14 external announcement?

15 A. Anything that has to do with an

16 impact on the reputation of the group or is a

17 clear material event is something that needs to

18 go through the bodies we just talked about.

19 Q. When Shell had debooked the

20 reserves at the end of 2002 in Bonga did that

21 debooking receive the approval of the Group

22 Audit Committee?

23 MR. TUTTLE: Objection.

24 THE WITNESS: I cannot answer that

25 question as I'm not involved in the process.

0473

1 WALTER VAN DE VIJVER

2 The only thing I know is that for

3 the -- before the group reserves auditor issues

4 his final report it involves not only people

5 from EP, but it involves the external auditors

6 and it involves the central controller function

7 on the finance in London.

8 BY MR. HABER:

9 Q. Do you know if the central

10 controller function was involved with the

11 decision to debook the reserves in Bonga at the

12 end of 2002?

13 MR. WARE: Object to form and

14 foundation.

15 THE WITNESS: The only thing I

16 know, they approved Anton Barendregt's notes

17 that incorporated that change. I don't know

18 what discussions or challenge TOOK place at that

19 point in time.

20 BY MR. HABER:

21 Q. When you say "they," who are you
22 referring to?

23 A. The people I just mentioned. The
24 EP people, external auditors, and the rep's from
25 the controller function in London, the deputy
0474

1 WALTER VAN DE VIJVER
2 group controller I know was involved in it, I
3 don't know who else.

4 Q. Does the size of a debooking
5 matter with regard to external communication?

6 MR. TUTTLE: Objection to the
7 extent it calls for a legal conclusion.

8 BY MR. HABER:

9 Q. You can answer.

10 A. I think generally just as it is
11 with financial results there is a level of
12 materiality.

13 I'm not a finance person, but I
14 think finance has rules around materiality and
15 that must apply to reserves as well.

16 Q. When Shell made external
17 communications, say its quarterly reports, did
18 Shell seek legal counsel?

19 A. I don't know.

20 Q. Were you ever involved in meetings
21 concerning quarterly announcements where legal
22 counsel had to pass on the propriety of the
23 announcement?

24 A. No. Only in Project Rockford,
25 later, I was aware that legal counsel was
0475

1 WALTER VAN DE VIJVER
2 involved, but before that, no.

3 Q. I'm talking about before?

4 A. Yeah. Just to clarify.

5 Q. When you spoke with Ms. Boynton
6 what did you say to her?

7 A. That I would go to the office and
8 look at the memo because, clearly, I hadn't seen
9 it.

10 (Van der Vijver Exhibit Number 37
11 was marked for identification.)

12 BY MR. HABER:

13 Q. I'm handing you, Mr. Van de
14 Vijver, what we've just marked as van de Vijver
15 Exhibit 37. It's a one-page document with two
16 e-mails. The last e-mail is from you to
17 Ms. Boynton, it's dated December 2, 2003, with a
18 copy to your secretary, Marian van der Laan.
19 The subject line reads reserves. The Bates
20 number is V00010837.

21 Have you seen this document before
22 today?

23 A. Yes.

24 Q. Did you write this e-mail?

25 A. Yes. This is one of the two rush

0476

1 WALTER VAN DE VIJVER
2 e-mails I wrote before disappearing out of the
3 office.

4 Q. Did you write this e-mail after
5 you spoke with Ms. Boynton or before?

6 A. After.

7 Q. Now, I just want you to look at
8 the sentence that begins, "Indeed, the full
9 consultation needs to happen with all key
10 stakeholders." Do you see that?

11 A. Yes.

12 Q. And it continues. "And I was
13 assured by Frank that he knew what was expected
14 from him."

15 Who are all the key stakeholders
16 you're referring to?

17 A. That's particularly Group Finance.
18 It's external auditors. It's group legal.

19 Don't forget that I based that
20 understanding on the fact that Frank had been
21 group controller himself.

22 Q. Now, the beginning of your e-mail
23 says that you had numerous discussions with
24 Mr. Coopman. And the sentence that we just read
25 into the record you say, "I was assured by Frank

0477

1 WALTER VAN DE VIJVER
2 that he knew what was expected from him."

3 What did you mean by that?

4 A. That he knew who he needed to get
5 involved and what the scope was of what he was
6 working.

7 Q. And he knew it because of, as this
8 document says, numerous discussions you had had
9 with him?

10 A. He knew that I expected to get a
11 proper write-up of the whole issue and I also
12 knew from him that he was going to talk to Judy
13 Boynton. So from that I assumed that the right
14 people were talking to each other.

15 Q. And at this point in time when you
16 wrote this e-mail to Ms. Boynton had you spoken
17 with Mr. Coopman about the script?

18 A. No, but I arranged thereafter, I
19 fired off two e-mails and then I arranged with
20 talking to -- when I then went in the car to
21 Weybridge I arranged with my secretary to get
22 all people in the office early morning, next
23 morning at 7:30, all the people in E&P that had
24 anything to do with it to get properly prepared
25 for the next possible opportunity and getting a

0478
1 WALTER VAN DE VIJVER

2 full picture.

3 Q. Was that the first time you had
4 spoken with Mr. Coopman following the
5 distribution of the script?

6 A. As I recollect, yes.

7 Q. If you look at Ms. Boynton's
8 e-mail to you, the third sentence of her e-mail,
9 which is also dated December 2, 2003, she says,
10 "neither the group controller nor I were
11 consulted about the script before it was written
12 or sent."

13 Did you have an understanding that
14 the group controller and Ms. Boynton needed to
15 be consulted on the work that Mr. Coopman was
16 instructed to do by you?

17 MR. TUTTLE: Objection to form.

18 THE WITNESS: Yes.

19 BY MR. HABER:

20 Q. And why is that?

21 A. Because, as I mentioned earlier,
22 anything to do with an issue like that that
23 involves reserves, the group reserves auditor is
24 all part of that same fora that ultimately needs
25 to make the decisions and the recommendations.

0479

1 WALTER VAN DE VIJVER

2 Q. She goes on to say, "Frank was out
3 of bounds in documenting views without full
4 consultation."

5 Did you agree with her in that
6 assessment?

7 A. Well, I was not sure because I did
8 not know what had happened from her relaying her
9 message to me. It was clear that she felt that
10 it hadn't been done. And when I looked at the
11 script from Coopman it was a script that to me
12 read we had to go out to the market tomorrow.
13 So there was somewhere a disconnect.

14 (Van de Vijver Exhibit Number 38
15 was marked for identification.)

16 BY MR. HABER:

17 Q. Mr. Van de Vijver, I just handed
18 you what's been marked as van de Vijver
19 Exhibit 38. It's a one-page document with two
20 e-mails. The last e-mail is from you to
21 Mr. Coopman, it's dated December 2, 2003. The
22 Bates number is V00010836.

23 Have you seen these e-mails before
24 today?

25 A. Yes.

0480

1 WALTER VAN DE VIJVER

2 Q. If you look at the second e-mail,
3 which is the bottom e-mail, is this your
4 recollection of how Mr. Coopman sent you these
5 script, by e-mail?

6 A. Yes.

7 Q. And that was also on December 2,
8 2003? That's what it says here; correct?

9 A. Yes.

10 Q. Now, the e-mail that you sent to

11 Mr. Coopman of December 2nd, was this the second
12 e-mail that you said you sent that day?

13 A. Yes. There was one to Judy
14 Boynton and one to Frank.

15 Q. Okay. Now, the second paragraph,
16 the first sentence you say, "We are only at this
17 stage flagging issues and creating options, not
18 making a firm recommendation."

19 Did you write this in response to
20 what you had said a few moments ago, that Frank
21 seemed to be making a conclusion about whether
22 to debook or restate?

23 A. Yeah. Well, based other than the
24 feedback I was getting from Judy Boynton, who
25 was the group CFO. I felt that Frank had gone
0481

1 WALTER VAN DE VIJVER
2 outside his authority, which also meant I would
3 have gone outside my authority.

4 And, clearly, having seen the note
5 that was very conclusive, I wanted to make sure
6 that the proper process was being -- was being
7 followed.

8 Q. Now, when you said you would be
9 going outside your authority, is there a
10 structure within Shell that senior executives
11 are required to follow?

12 A. Yes. There are obviously manuals
13 of authorities, but there are also -- there are,
14 of course, rules when it comes to external
15 disclosure. External disclosure decisions
16 cannot be made by me. Ultimately external
17 disclosure decisions are in the combination of
18 the chairman, the vice chairman and the group
19 CFO.

20 Q. Could you go outside your
21 authority or outside the protocol to advise
22 someone of a problem, for instance?

23 MR. TUTTLE: Objection to form,
24 vague.

25 THE WITNESS: Yes, but I --
0482

1 WALTER VAN DE VIJVER

2 probably I could, but I felt that I should just
3 be working the normal structure, the normal
4 process. I think that was the perfect logical
5 way of doing it and that is what I had been
6 doing the last couple of years and that's what I
7 was still doing, bringing up the issues and
8 working them as hard as I could to get the
9 reality of the business up in the organization.

10 BY MR. HABER:

11 Q. Now, in the second sentence you
12 say, "You well know that I have not accepted the
13 latest audit reports."

14 What did you mean by that?

15 A. That I hadn't accepted the Oman
16 report, which recommended that it was okay to
17 keep it another year on the books.

18 And that on Nigeria I was still
19 uncertain about what the final number should be
20 because also the Nigeria audit report did not
21 make a clear recommendation for debooking.

22 Q. When you say you well know that,
23 is that as a consequence of discussions that you
24 had with him?

25 A. Yes. That's what I referred to

0483

1 WALTER VAN DE VIJVER
2 earlier when I received those audit reports on
3 the 17th of November. I immediately walked into
4 the office of Frank Coopman and expressed my
5 discomfort with those audit reports.

6 Q. When you walked into Mr. Coopman's
7 office was anyone else present?

8 A. Not that I recollect.

9 Q. What did Mr. Coopman say in
10 response when you expressed your discomfort with
11 those audit reports?

12 A. That he was going to work it
13 himself.

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

16 A. That as part of the reserves --
17 let's sort of back step. At that time of course
18 there was a Reserves Committee, there was an

19 infrastructure in place that he was leading and
20 Frank, the way he was, he wanted to take
21 ownership himself to further work it in his
22 organization.

23 Q. And was that satisfactory to you?

24 A. Yes. I had confidence in Frank
25 Coopman.

0484

1 WALTER VAN DE VIJVER

2 Q. Now, the Reserves Committee, I
3 know you mentioned that it was created under
4 your tenure?

5 A. Yeah.

6 Q. Who was on this Reserves
7 Committee?

8 A. I cannot be totally sure anymore,
9 but I think it was John Darley was a member,
10 Frank Coopman was a member. The group deputy
11 controller in Judy Boynton's organization was a
12 member and maybe a few others, but we would have
13 to look at the documentation.

14 Q. Do you recall if any technical
15 people were members of this committee?

16 A. Well, John Darley was my technical
17 director, so he was one of the members for sure.

18 Q. Is John Darley a reservoir
19 engineer?

20 A. Yes.

21 Q. Was there a chair of the Reserves
22 Committee?

23 A. That was Frank Coopman.

24 Q. Do you know how it was decided
25 that Mr. Coopman would be the Chair of the

0485

1 WALTER VAN DE VIJVER

2 Reserves Committee?

3 A. No, not in detail, but knowing
4 Frank he felt that he was the right man to do
5 that.

6 Q. Now, in your prior answer you said
7 when you received the audit reports, referring
8 to PDO and SPDC, on November 17th you said I
9 immediately walked into the office of Frank

10 Coopman.

11 Where in relation to your office
12 was Mr. Coopman's office?

13 A. This was in a new office that we
14 were just moved into a new office in Rijswijk
15 and there Frank Coopman's office, for all the
16 right reasons, was just next to my office.

17 Q. Were your offices separated by a
18 Conference room?

19 A. No.

20 Q. Did you often have discussions
21 with Mr. Coopman that were unscheduled?

22 A. Yes.

23 Q. And during these unscheduled
24 discussions did any of these discussions include
25 the reserves exposures issues that we've been

0486

1 WALTER VAN DE VIJVER
2 talking about over the last two days?

3 MR. TUTTLE: Objection to form.

4 THE WITNESS: I cannot recollect
5 the details.

6 BY MR. HABER:

7 Q. When you walked into Mr. Coopman's
8 office to discuss the audit reports how long did
9 the two of you discuss it?

10 A. Oh, very briefly. I think I
11 mentioned before that's the time when I made the
12 comment about to Frank that I really doubted the
13 judgment of Anton Barendregt with his conclusion
14 on the Oman audit. And I had just found this
15 because I had just come back from Oman.

16 Q. Did Mr. Coopman have any response
17 when you commented about your lack of confidence
18 in Mr. Barendregt's judgment?

19 MR. TUTTLE: Objection to the
20 characterization of the testimony.

21 THE WITNESS: No. As I mentioned
22 earlier, he was going to investigate himself.

23 BY MR. HABER:

24 Q. Do you know if he did investigate?

25 A. Well, that's all the things that

0487

1 WALTER VAN DE VIJVER

2 happened in the following weeks or months.

3 Q. Following that conversation did
4 Mr. Coopman ever come back with a response about
5 your opinion of Mr. Barendregt?

6 A. No, but he did agree with bringing
7 in Rod Sidle from the United States to help the
8 whole process of establishing what the real
9 compliance numbers were.

10 Q. Who is Rod Sidle?

11 A. Rod Sidle was a senior reservoir
12 engineer in the United States who was the
13 reserves coordinator for SEPCO for the US
14 organization.

15 Q. Did you know Mr. Sidle while you
16 were in the United States?

17 A. Yes. I actually had met him for
18 the very first time when I was based in
19 Bakersfield.

20 Q. Do you recall what Mr. Sidle was
21 doing while you were in Bakersfield?

22 A. Yeah. At that time he had a
23 general management job. It was an interesting
24 phenomena in Shell oil where people could decide
25 themselves to do a ladder system where they

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2 could decide to either go up a technical ladder
3 or to go up a general ladder. And he was at
4 that stage in Bakersfield he had a general
5 manager's job and then he later moved back to
6 technical discipline again. He was a very good
7 reservoir engineer.

8 Q. Now, in your answer, prior answer,
9 you say that you said that Mr. Coopman did agree
10 with bringing in Rod Sidle from the United
11 States to help. Whose idea was it to bring in
12 Mr. Sidle?

13 A. My idea.

14 Q. And what was the reason that you
15 gave to Mr. Coopman for wanting to bring
16 Mr. Sidle into the process?

17 A. Because he had a very high

18 reputation in the technical community and I knew
19 him from being deeply involved in the reserves
20 in the United States and therefore being
21 familiar with SEC rules.

22 Q. Were you ever advised that people
23 within EP had consulted with him from time to
24 time over the years?

25 MR. TUTTLE: Objection,
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2 foundation.

3 THE WITNESS: No, but that would
4 be very logical.

5 BY MR. HABER:

6 Q. Now, again, looking again at
7 Exhibit 38. The sentence that we were talking
8 about, "you well know that." Are you with me?

9 A. Yes.

10 Q. If you continue, and I'm going to
11 pick up where it says and, "and need far more
12 answers before coming to a recommendation (given
13 the group impact this needs formal signoff by
14 CMD, GAC, et cetera)."

15 Now you had mentioned the Group
16 Audit Committee earlier and Group Finance?

17 A. Yes.

18 Q. Did you understand also when you
19 wrote this that the CMD also needed to approve
20 any debooking or restatement?

21 MR. TUTTLE: Objection to the
22 form, mischaracterization of prior testimony.

23 THE WITNESS: Anything that
24 involves external disclosures also needs to be
25 approved by the CMD.

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2 BY MR. HABER:

3 Q. So I just want to be clear. So
4 it's not the debooking in and of itself, it's
5 the debooking that may require an external
6 disclosure that would need the approval of these
7 various bodies?

8 A. Yes. Yes. It's a materiality

9 issue that we discussed earlier.

10 Q. Okay. The last sentence you say,
11 "I've been absolute clear on this at numerous
12 occasions."

13 Were you expressing frustration
14 with Mr. Coopman?

15 A. Frank and I ever now and then had
16 a few disagreements relating to his "Frank the
17 tank" approach that sometimes he would get a
18 little bit unbalanced and not involve all the
19 right people in the decision-making. And I
20 thought I had made it clear, for instance, on
21 the meeting the 27th of November that he needed
22 to talk to Judy Boynton and needed to involve
23 all the right people.

24 And at least at that stage,
25 without knowing any of the detail of what he had
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2 done or not had done, the Judy Boynton story
3 clearly said that he had not done it.

4 Q. Now, if you look at the first
5 sentence of your e-mail you say, "This is
6 absolute dynamite, not at all what I expected,
7 and needs to be destroyed!"

8 Were you in directing Mr. Coopman
9 to destroy the document?

10 A. No. That's obviously not very
11 good use of words. I never wanted anyone to
12 destroy anything.

13 What I meant to say is that the
14 work was incomplete and it needed to be
15 improved.

16 And that's what I said happened
17 the following morning as soon as I got back when
18 we sat together with the whole team and we
19 exactly planned out who was going to do what and
20 how we were going to get a quality note prepared
21 for the CMD the following week.

22 Q. Do you know if Mr. Coopman removed
23 the -- withdrawn.

24 Do you know if Mr. Coopman in fact
25 destroyed his copy of the script?

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2 A. No, he did not.

3 Q. When you say this is absolute
4 dynamite, what did you mean?

5 A. This sort of refers back to the
6 communication with Boynton about something that
7 is so material and so significant you get a note
8 that sort of says press the button and we go
9 outside to the market, which would be beyond my
10 authority. That's what I meant by dynamite.

11 Q. Okay. Now you said that the next
12 day, December 3rd, you had a meeting?

13 A. Yes.

14 Q. Who attended the meeting?

15 A. That was a meeting in my office
16 that was attended by Frank Coopman, Curtis
17 Frasier, John Darley. I don't know the whole
18 list of names.

19 I know that Nicola Gordon made
20 minutes of that meeting and distributed it
21 because it was the allocation of who was going
22 to do what piece of the note to the CMD. There
23 was going to be a technical part and there was
24 going to be a part that would deal with the
25 legal and financial side of that note.

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2 Q. Was that the only purpose of the
3 meeting?

4 A. Yes. The purpose was to get
5 quality notes with all the right facts and data
6 to deliver to the CMD as quickly as possible.

7 Q. Did -- was the discussion largely
8 technical?

9 A. Well, it was technical but it
10 identified that there needed to be a technical
11 piece to the note, that there needed to be a
12 financial legal part to the note.

13 Q. Who was responsible for the
14 financial part of the note?

15 MR. TUTTLE: Objection,
16 mischaracterization of prior testimony.

17 THE WITNESS: Frank Coopman.

18 MR. FERRARA: Sorry. I think

19 while some of the room may find the objections
20 to be small barriers on the way to progress, we
21 really need to get the objections on the record
22 before the answer comes up. You're welcome to
23 continue to answer to the questions, but let's
24 get the objection on and not have it interrupted
25 so it's on the record, please.

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2 BY MR. HABER:

3 Q. Now, in your answer before you
4 said in response to my question of whether the
5 discussion was largely technical you said it was
6 technical, but it was identified that there
7 needed to be a technical piece to the note, that
8 there needed to be a financial, legal part to
9 the note.

10 Did you understand financial,
11 legal part to be separate parts?

12 A. Yes.

13 Q. So the financial part was the
14 responsibility of Mr. Coopman?

15 A. Yes.

16 Q. Who was responsible for the legal
17 part?

18 A. He would do that jointly with
19 Curtis Frasier, who had a dotted reporting line
20 into himself, as well as to me.

21 Q. When you say "he" are you
22 referring to Mr. Coopman?

23 A. Yes, sorry.

24 Q. Why was there a need to draft a
25 note?

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2 A. To get all the facts on the table.
3 I mean this is part of the process I had been
4 following for a long time with my hunch and
5 instinct that things were not right and
6 ultimately you need to get the facts on the
7 table to make a fact-based decision on what to

8 do.

9 Q. And this note was to be presented
10 to the CMD?

11 A. Yes.

12 Q. Was there a particular scheduled
13 meeting of the CMD that you were planning this
14 note to be presented at?

15 A. The following week, the 9th of
16 December.

17 Q. I believe a few moments ago you
18 said there was a meeting of the Conference on
19 December 3rd?

20 A. Yes.

21 Q. Did you have this meeting before
22 or after the meeting with the Conference?

23 A. Before, because I mentioned it was
24 very early in the morning, 7:30 in the morning.

25 Q. Where did the Conference meet that

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2 day?

3 A. In The Hague.

4 Q. Was there any discussion in the
5 Conference meeting about the reserves issues?

6 A. No.

7 Q. Do you recall if Ms. Boynton was
8 in attendance at the Conference meeting?

9 A. Yes.

10 Q. Do you recall having any
11 discussions with Ms. Boynton at the Conference
12 meeting about the script for Walter?

13 A. No.

14 Q. Did you have any discussions with
15 Ms. Boynton that day about the actions that were
16 decided would be taken in the meeting earlier in
17 the day?

18 A. No. I briefly met her the
19 following day in London on the 4th of December
20 where she advised me that there had been a
21 discussion at CMD in my absence and that it was
22 decided that for the CMD the coming week I would
23 only be responsible for writing the technical
24 piece and that she would look after the

25 financial, legal piece.

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2 Q. How did you react to that?

3 A. Surprised. But for me the only
4 thing was important to get it on the agenda. I
5 didn't really care how it was being done as long
6 as it would get on the agenda.

7 Q. When you say surprised, why were
8 you surprised?

9 A. I was surprised because I had
10 hoped by that time she would have talked to
11 Frank Coopman and there would be clarity on how
12 the work was going to be distributed.

13 Q. Did she explain to you why she was
14 going to be taking the lead on the financial
15 side?

16 A. No. She just mentioned that the
17 discussion had taken place at CMD the day before
18 and that was the recommendation and she was
19 going to -- after I briefly talked to her she
20 said she would issue a little note to clarify
21 that particular decision.

22 Q. Did you ever look at the minutes
23 of that CMD meeting to see what was discussed?

24 A. No, not that I recollect.

25 Q. Did you talk with Mr. Coopman

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2 about the decision that she gave -- that she
3 conveyed to you?

4 A. Yes. I mentioned it to him and
5 left the organization to figure out to get the
6 note, the quality note that at least we would do
7 together. And I assumed Coopman would work with
8 the staff and the staff in Judy's organization.

9 Q. What was Mr. Coopman's response?

10 A. He was, as you would expect from a
11 character like that, he was not very happy.

12 Q. What did he say?

13 A. He thought he was capable of doing
14 that, leading that piece and sharing it with
15 whoever relevant in the organization.

16 Q. Did you get the feeling he viewed
17 it as a challenge to his abilities?

18 A. No, not directly, but he was a bit
19 sensitive individual generally when these type
20 of things happened.

21 Q. Did you view the decision as a
22 challenge to Mr. Coopman's abilities?

23 A. A little bit, but I accepted -- I
24 had the organizational structure and authority.
25 I mean, at the end of the day Judy Boynton was
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2 more senior than Frank Coopman.

3 Q. Did you view it as a challenge to
4 you?

5 A. No, but maybe a little inclination
6 of a bit of mistrust whether I would be able to
7 do it all myself but, fair enough, she is the
8 CFO.

9 Q. I believe earlier you said this
10 meeting occurred in London. Why was it in
11 London?

12 A. I really don't know. I must have
13 had other engagements in London. I cannot
14 recollect.

15 Q. Did she ask to meet with you?

16 A. Yes, but I don't recollect how
17 that sort of happened. Maybe some e-mails. I
18 don't know.

19 (Van der Vijver Exhibit Number 39
20 was marked for identification.)

21 BY MR. HABER:

22 Q. We've just marked as Exhibit 39 an
23 e-mail string, three pages, the last of which is
24 from Mr. Van de Vijver. It's dated December 8,
25 2003 and it's to John Pay with a cc to Frank
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2 Coopman, John Darley, John Bell. The subject
3 line reads: Proved reserves part 1: Draft for
4 comment. The Bates number is V00010881 through
5 V00010883.

6 Have you seen these e-mails before

7 today?

8 A. Yes.

9 Q. If you could just generally tell
10 us the context in which these e-mails were
11 written?

12 A. This was trying to get the note
13 for CMD prepared that we talked about earlier
14 and, obviously, there was a lot of work so there
15 was a lot of backward and forward going to get
16 the document done. And you see here part of
17 the -- see the final top e-mail is some comments
18 that I had on the draft of that particular CMD
19 paper, very depressing, somewhere around
20 midnight when I looked at the note and gave some
21 comments before it was finalized for
22 distribution that same day.

23 Q. And if you look at the second
24 page, the last e-mail, the one on the bottom
25 from Mr. Pay to you, Ms. Boynton, Tim Morrison,
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2 with a cc to Frank Coopman, John Darley, and
3 John Bell, it's dated December 7, 2003?

4 A. Uh-huh.

5 Q. It appears as if this is the first
6 circulation of the draft note; is that correct?

7 A. Yes. That may be correct, yes.

8 Q. Do you recall if there was a prior
9 circulation?

10 A. I do not recollect.

11 Q. Okay. If you look about a third
12 of the way from the top in that first
13 paragraph --

14 A. Sure.

15 Q. -- where you write, "I still feel
16 uncomfortable." Do you see that?

17 A. Yes.

18 Q. The sentence reads, "I still feel
19 uncomfortable with the "increased tightening of
20 the SEC guidelines" as if the SEC is the reason
21 we have a problem today!" Why did you feel
22 uncomfortable with that?

23 A. This was part of my learning where

24 I had the feeling that there was too much
25 emphasis put to relate a lot of the issues we
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2 found to this clarification on the SEC rules
3 that came out somewhere in 2000 or 2001.
4 I recall also sending a note to
5 Rod Sidle to ask for his advice to try to
6 understanding was it basically the problem that
7 the Shell guidelines were wrong and had been
8 long wrong, we now sort of had the benefit of
9 hindsight for a long time, or was it indeed this
10 clarification in 2001 that caused it.

11 Is that answer clear? It may be a
12 little bit long-winded.

13 Q. And what did Mr. Sidle say in
14 response?

15 A. He said that he agreed with me,
16 that he did not believe the clarification was as
17 such the issue, it was the issue that Shell for
18 many years had done the incorrect, incomplete
19 interpretation of the strict SEC rules, because
20 the rules hadn't changed. There was a
21 clarification on the rules, but the rules for
22 the SEC had been like they were since 1976, if
23 I'm correct.

24 Q. The -- does the second sentence,
25 "The reality appears to be with us driving for
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2 aggressive reserves booking as far as we could
3 stretch the SEC rules." Does that reflect what
4 you just said?

5 A. Well, the guidelines were the
6 guidelines, right, and people believed that they
7 were compliant, based on believing that the
8 Shell guidelines were correct. But as we now
9 learned that was not the case.

10 Q. So when you say the reality, what
11 reality were you referring to?

12 A. The learning we were now getting.

13 Q. Now, underneath that, the
14 beginning of what looks like another paragraph

15 set off by a hash you say, "Why can't we be more
16 clear about why the bookings happened, when they
17 happened, as we have done before by breaking it
18 into categories such as known aggressive
19 bookings, new SEC interpretation, and new
20 operational learning?"

21 Why were you asking that?

22 A. Well, I mean a lot of these
23 questions for me were purely trying to get as
24 maximum clarity and transparency in the CMD note
25 that we were finalizing.

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2 Q. Now, going a little bit further
3 down to the sentence that begins, "When looking
4 at SPDC and PDO, is it really valid to portray
5 that we only recently discovered the problem in
6 Oman and Nigeria?"

7 When you wrote that were you
8 referring to all that you had learned from your
9 trips to Oman and Nigeria?

10 MR. TUTTLE: Objection to form.

11 THE WITNESS: This was indeed the
12 whole history of my concerns and exposure list
13 and everything that we talked about many times.

14 BY MR. HABER:

15 Q. Right. And these are all the
16 documents that are some of which are exhibits
17 today which were distributed to many members of
18 the CMD and ExCom; correct?

19 MR. TUTTLE: Objection to form.

20 THE WITNESS: Yes.

21 MR. HABER: This is probably a
22 good time to take a break.

23 THE VIDEOGRAPHER: We are going
24 off the record. The time is 10:46 a.m.

25 (A brief recess was taken.)

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2 THE VIDEOGRAPHER: We are back on
3 the record. The time is 11:02 a.m.

4 (Van de Vijver Exhibit Number 40
5 was marked for identification.)

6 BY MR. HABER:

7 Q. Mr. Van de Vijver, right before we
8 came back on the record we marked as Exhibit 40
9 a multi-page document, 42-page document that's
10 entitled, Note to CMD Oil and Gas Reserves,
11 Proved Reserves. The Bates range is V00010442
12 through V00010484.

13 Have you seen this document before
14 today?

15 A. Yes.

16 Q. And what is this document?

17 A. This is the note to CMD that we
18 talked about earlier.

19 Q. Is it your understanding that this
20 is the final version that went to the CMD?

21 And you can feel free to take a
22 look at it.

23 A. It has my signature on it, but I
24 recall that there were two versions of the note,
25 so I'm not so sure which one I'm looking at.

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2 Q. What is your recollection with
3 regard to what you said that there were two
4 versions of the note?

5 A. I submitted a note to the CMD on
6 the 8th of December, and then I was advised by
7 Judy Boynton at lunchtime that the head of group
8 legal needed to look at the note, even though my
9 head of legal had already seen the note before
10 it was submitted.

11 There was a subsequent sort of
12 emergency meeting that afternoon in Judy
13 Boynton's office which involved Beat Hess and
14 Curtis Frasier and Tim Morrison and also Phil
15 Watts came in, where the conclusion was made
16 that they would look at the notes overnight and
17 would then resubmit it.

18 Q. Now, first of all, the first page
19 of Exhibit 40 bears a signature. Do you
20 recognize that signature?

21 A. Yes. That's my signature, an
22 electronic signature, so I don't actually

23 physically have to do that. My secretary has it
24 on her file so she can on that basis submit
25 notes.

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2 Q. And when a note bears your
3 electronic signature does that indicate the note
4 is final and ready for submission?

5 A. Yes.

6 Q. Now, in your answer you said the
7 note was submitted on December 8th. What do you
8 mean by submitted?

9 A. That's sent electronically by my
10 secretary to the secretary of the CMD,
11 abbreviation DCS, who then has the task of
12 submitting that to my CMD colleagues.

13 Q. So your understanding of the
14 process is when it's submitted it gets
15 distributed to the other members of the CMD?

16 A. Yes.

17 Q. Now, in preparing the note, in
18 your answer you had said that Curtis Frasier had
19 been involved in working on the note; correct?

20 A. Yes.

21 Q. Did Mr. Frasier ever advise you if
22 he had provided drafts of the note to Beat Hess?

23 MR. TUTTLE: Objection,
24 privileged. I'll instruct the witness that he
25 can say yes or no to that, but not disclose the

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2 substance of the any conversations with
3 Mr. Frasier.

4 BY MR. HABER:

5 Q. For the time being that's okay.

6 A. I don't know.

7 Q. Well, yes or no, did he ever say
8 that he --

9 A. No.

10 Q. -- that he sent a draft to
11 Mr. Hess?

12 A. No.

13 Q. Now, at this lunchtime encounter

14 with Ms. Boynton was this a scheduled meeting?

15 A. No. It was an unscheduled
16 meeting. We had sort of what's called a halfway
17 day with the CMD, so it was not a formal CMD
18 meeting but I was just with the CMD members, I
19 don't recollect what it was about. And then in
20 the afternoon normally then we would lunch
21 together and that's when Judy mentioned this
22 fact that Beat Hess needed to look at the note.

23 Q. Did she say -- withdrawn.

24 Did she give any reason why

25 Mr. Hess needed to look at the note?

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2 MR. TUTTLE: Objection, instruct
3 the witness not to answer with respect to any
4 legal advice that Ms. Boynton may have passed on
5 to Mr. Van de Vijver from Mr. Hess.

6 MR. HABER: I'm sorry?

7 MR. TUTTLE: If Ms. Boynton had a
8 conversation with Mr. Hess and related the
9 substance of that conversation to another senior
10 official in Shell, that conversation remains
11 privileged.

12 MR. DOWD: How would he know that?
13 He has to answer what Boynton said. He doesn't
14 know.

15 Do you know whether Hess had a
16 conversation with Boynton before she talked to
17 Walter?

18 MR. TUTTLE: Mr. Dowd --

19 MR. DOWD: Do you know that?

20 MR. TUTTLE: If Ms. Boynton said
21 Mr. Hess told me --

22 MR. DOWD: I'm going to instruct
23 him to answer.

24 MR. TUTTLE: We maintain our
25 objection.

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2 MR. DOWD: Fine. Great. Answer
3 the question. It's baloney.

4 THE WITNESS: Sorry. What's the

5 question?

6 BY MR. HABER:

7 Q. The question is did Ms. Boynton
8 give any reason why Mr. Hess needed to look at
9 the note?

10 A. No.

11 Q. Just so I can be clear in terms of
12 timing, you submitted the note first and then
13 you had the meeting with Ms. Boynton?

14 A. Yes.

15 Q. Did she say if she had looked at
16 the note?

17 A. No.

18 Q. Now in your prior answer you say
19 there was a subsequent emergency meeting that
20 afternoon in Ms. Boynton's office?

21 A. Yes.

22 Q. Now, were you in London at the
23 time?

24 A. No. This was The Hague.

25 Q. Did Ms. Boynton maintain an office

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2 in The Hague?

3 A. Yes. We all had offices on both
4 sides.

5 Q. And you testified that the
6 participants were Curtis Frasier, Tim Morrison
7 and at some point later Phil Watts had walked
8 in; correct?

9 A. Yes. And maybe Beat Hess, I'm not
10 sure. Probably Beat Hess.

11 Q. Were you a participant in that
12 meeting?

13 A. Yes.

14 Q. Do you recall the general
15 substance of that discussion?

16 A. The substance was that Beat Hess
17 would take the lead in reviewing the documents.
18 And there was not a lot of further discussion.
19 The atmosphere was rather tense.

20 Q. And why did you feel the
21 atmosphere was tense?

22 A. It is -- it's never ever happened
23 in my career that a note that I had submitted to
24 CMD would be questioned and someone would want
25 to relook at it.

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2 Q. Did you communicate that to the
3 participants of this meeting?

4 A. They all were -- this is a
5 standard practice in the company, so I assume
6 they all had that understanding because it never
7 happened before, definitely not in my time at
8 CMD.

9 Q. Was there a revised note that was
10 submitted to the CMD?

11 A. The following morning a revised
12 note was issued to the CMD, still under my
13 electronic signature.

14 Q. Did you have an opportunity to
15 review the revised note?

16 A. No.

17 Q. Were you comfortable with the
18 changes that had been made in the note?

19 A. No changes were made in the
20 technical contents of the note.

21 MR. DOWD: Answer the question.

22 THE WITNESS: Sorry.

23 MR. DOWD: Ask the question again,
24 please.

25 BY MR. HABER:

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2 Q. Were you comfortable with the
3 changes that had been made in the note?

4 A. Personally, no, but I accepted the
5 higher authority in the company to make those
6 changes.

7 Q. Now, you said the note changes
8 were made in the technical contents of the note?

9 A. No changes.

10 Q. No changes, right. So what parts
11 of the note were there changes in?

12 A. Changes that watered down the

13 conclusive nature of my note, which originally
14 stated that reserves were noncompliant.

15 There was a table and one of those
16 tables said the following reserves are
17 noncompliant.

18 And it got changed to are likely
19 to be considered as not compliant.

20 Q. Why were you uncomfortable with
21 that change?

22 A. Well, this is a personal
23 perspective. I mean, I thought these reserves
24 were noncompliant. I'm not the expert, I fully
25 recognized that, and that's the way it is.

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2 Q. Did you ever communicate your
3 feelings about the changes to anyone?

4 A. I do not recollect.

5 Q. Now, do you know if the note was
6 submitted in the same format to the other
7 members of the CMD, that is electronically?

8 A. Yes.

9 Q. And I believe you said that there
10 was a meeting of the CMD. Was there a meeting
11 on the same date, December 8th, or was there a
12 two-day meeting?

13 A. No. There was a -- as I said, it
14 was two days of CMD activities. The first day
15 was sort of an off-site type of day and the 9th
16 of December was the formal -- on the Tuesday,
17 the CMD meeting.

18 Q. And that would be Tuesday,
19 December 9th?

20 A. Yes.

21 Q. Before we get to the meeting I
22 want to talk about a couple of things in the
23 note itself.

24 If you turn to page 4.

25 If you look at the --

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2 A. The box.

3 Q. -- the box. Thank you.

4 In terms of bookings, and it shows

5 the time line and there's -- there's a booking,

6 and I understand it is hard to read, but I

7 believe the one I'm looking at has to do with

8 PDO and it says 00, which I take to mean the

9 year 2000. PDO books, and it looks like

10 358 million BOE. Do you see that?

11 A. Yes.

12 Q. During the time that your staff

13 was preparing this note and you were reviewing

14 the note had you seen any audit trail that

15 supported that booking?

16 A. No, not at that time.

17 Q. Did you ever ask anyone on your

18 staff if they had seen an audit trail that

19 supported that booking?

20 A. Yes. And during this period,

21 December, January -- so December 2003,

22 January 2004, I did get some documentation that

23 involved a letter from the Minister of Oil and

24 Gas that referred to that particular booking.

25 Q. Did you ever talk to Mr. Brass

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1 WALTER VAN DE VIJVER

2 about the booking?

3 A. Not during my time at Shell.

4 MR. DOWD: That wasn't the

5 question. That wasn't the question.

6 Did you ever talk to Brass about

7 it? Answer the question.

8 THE WITNESS: Yes. Yes.

9 BY MR. HABER:

10 Q. And when did you speak to

11 Mr. Brass about it?

12 A. In -- somewhere in the second half

13 of March 2004 when I had -- at the time I had

14 left Shell, but I was visited during the weekend

15 by all The Hague based EP ExCom members.

16 Q. And what did Mr. Brass and you

17 talk about?

18 A. Brass, through the sort of chatter

19 we were having at that time, which you can

20 imagine was quite an emotional get together with

21 lots of beer, and Brass mentioned to me a
22 reference to a handshake.

23 Q. What did he say about a handshake?

24 A. It was a handshake from Phil Watts
25 to Remco Aalbers.

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1 WALTER VAN DE VIJVER

2 Q. What was the significance of the
3 handshake?

4 A. That related to the booking on
5 Oman in early 2000.

6 Q. And is that the booking that's
7 reflected in the chart?

8 A. Yes.

9 Q. For the record, who is Remco
10 Aalbers?

11 A. Remco Aalbers was in the same job
12 that John Pay did later. So he was a group
13 reserves coordinator at that time.

14 Q. Did Mr. Brass say from whom he had
15 learned of this handshake?

16 A. No. I think as soon as Lorin
17 mentioned that he felt embarrassed and didn't
18 give me any further detail.

19 Q. Did you ask Mr. Darley about this
20 handshake deal?

21 A. No.

22 Q. Did you ever ask Mr. Pay about
23 this handshake deal?

24 A. Not that I recollect, no.

25 Q. Did you ever talk to Remco Aalbers

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1 WALTER VAN DE VIJVER

2 about this handshake deal?

3 A. No.

4 Q. Had you ever spoken to Remco
5 Aalbers?

6 A. I think I met him once in NAM
7 during one of my site visits, no, I'm sorry,
8 that's the Dutch operating company in the
9 Netherlands in Assen. I don't have any
10 recollection what -- he was doing a technical
11 job there. I don't really know.

12 Q. If you could turn the page to page
13 5 of the document or 447, the Bates number. If
14 you can look at the top of the chart it says,
15 proved reserves which are likely to be
16 considered as noncompliant by the SEC.

17 Is that the language that you were
18 referring to earlier that had been revised or
19 which is now the revised version of the note?

20 A. Yes.

21 Q. Now, if you can turn to page 24 of
22 the note, underneath the box?

23 A. Uh-huh.

24 Q. It says, "the 720 million barrels
25 (Shell share) gap between reserves booked and

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1 WALTER VAN DE VIJVER

2 the base program implies that no realistic
3 projects have been identified to cover this now
4 highly exposed volume."

5 Was this figure a figure that was
6 reached as a result of the study that David
7 Kluesner was working on?

8 A. Yes.

9 Q. And if you look at the next
10 paragraph it says that "major reserves review
11 that SPD carried out in the second half of 2003
12 also identified that a significant number of
13 projects in the base program (together
14 814 million barrels) did not fulfill the
15 recently tightened group reserves guidelines
16 which required VAR 3 or FID for compliance with
17 SEC rules as they are now understood."

18 The major reserves review that's
19 referred there, is that also a reference to the
20 Kluesner work?

21 A. Yes.

22 Q. If you can turn to page 30. The
23 heading says, Other Impacts, and then there are
24 four bullet points with text in a box.

25 Do you recall if what's on page 30

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1 WALTER VAN DE VIJVER

2 in the Bates number that ends 472 was in your

3 note that you submitted to the CMD?

4 A. I cannot recollect.

5 Q. And if you look at the next page,
6 32, that ends Bates number 474, again, under
7 other impacts there's a bullet point and then
8 text in a box.

9 Do you recall if this text was in
10 your note as originally submitted?

11 A. No. The only thing I recollect is
12 that I obviously visited Oman and Nigeria in
13 early 2004 to tell them what the story was.
14 There was a lot of discussion at CMD during
15 January and December about the depth and extent
16 of the external disclosure, given some of the
17 sensitivities on countries where we were
18 operating.

19 Q. Now, at the meeting of the CMD was
20 there a discussion about the note?

21 A. Yes. It is a note to CMD, so that
22 means there was time allocated for the note at
23 the meeting.

24 (Van de Vijver Exhibit Number 41
25 was marked for identification.)

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1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. What we've marked as van de Vijver
4 Exhibit 41 is a multi-page document, 18 pages to
5 be exact. It says, Committee and Managing
6 Directors, Minutes of the Meeting Held in The
7 Hague on Monday 8 and Tuesday 9 December 2003.

8 There are two Bate ranges the
9 first one is V00090869 through V00090886.

10 The second is TT000712 through
11 TT000729.

12 Mr. Van de Vijver, have you seen
13 this document before?

14 A. Yes.

15 Q. Is this a copy of the minutes of
16 the meeting that you were just talking about?

17 A. Yes.

18 Q. The indicator in the upper
19 left-hand corner, the number. It says number

20 2573?

21 A. Uh-huh.

22 Q. What is that number?

23 A. Every CMD meeting gets a number,
24 so that means that was in terms of the company
25 that was meeting 2,573.

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1 WALTER VAN DE VIJVER

2 Q. Do you know if by taking a look at
3 this this is the final version of the minutes?

4 A. The structure of it doesn't say
5 draft anymore, implies that this is the final
6 version.

7 Q. During the discussion of the note
8 how would you describe the mood of the meeting?

9 A. Very tense.

10 Q. Why is that?

11 A. Clearly it was in a very difficult
12 session in terms of questions were being asked.
13 Follow-up meetings were being planned. I mean
14 this was the first of a whole sequence of
15 meetings over the weeks thereafter where we
16 would come back to the same issue again and
17 again.

18 Q. And was this the official start of
19 Rockford?

20 A. Yes. This was the first meeting
21 of the formal launch of Rockford.

22 Q. How did the project get its name?

23 A. I don't know. That's always a
24 mystique.

25 Q. Do you recall if Mr. Watts had

0523

1 WALTER VAN DE VIJVER

2 said anything during this portion of the meeting
3 concerning Project Rockford?

4 A. Well, he chaired the meeting so
5 clearly he would have said things, but I do not
6 recollect any of the details.

7 Q. Now, if you look on the first
8 page --

9 A. Uh-huh.

10 Q. -- of the document it shows the

11 people who were present?

12 A. Uh-huh.

13 Q. Now, for you it shows for item 6
14 through 21 inclusive only. Does that indicate
15 that you were not in attendance for items 1
16 through 5?

17 A. Yes, that's correct.

18 Q. And the same is true with regard
19 to Mr. Brinded?

20 A. Yes. There was at this time there
21 had been a system introduced where some of the
22 agenda items would involve only Watts, van der
23 Veer, and Boynton.

24 Q. Why would those agenda items only
25 involve those three individuals?

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1 WALTER VAN DE VIJVER

2 A. That was something that was
3 discussed in CMD, I think somewhere in 2002
4 where the sort of more routine sort of items
5 would not require the whole of the CMD to be
6 present and was agreed that the other members
7 obviously would be copied on the material and
8 the minutes but would not attend that part of
9 the meeting.

10 Q. Now, at this time was Ms. Boynton
11 a member of the CMD?

12 A. Yes.

13 Q. And I see a new name, R.J. Routs.
14 Who is R.J. Routs?

15 A. Rob Routs took over as group
16 managing director from Paul Skinner who retired
17 a couple of months earlier and he was
18 responsible for the oil products business, the
19 downstream business.

20 Q. When Mr. Routs succeeded
21 Mr. Skinner did you have any private
22 communications with him about the reserves
23 issues?

24 A. Before it would come to CMD? No.

25 Q. If you look at the minutes on page

0525

1 WALTER VAN DE VIJVER

2 12. The second to last sentence says, "Urgent
3 attention was required as time was of the
4 essence."

5 Do you recall a discussion on this
6 topic?

7 A. No, but I do recollect that a plan
8 was put forward about follow-up meetings.

9 Q. Did anyone at the meeting say that
10 time was of the essence?

11 A. I do not recollect.

12 Q. What was the program of future
13 meetings that you have a recollection of?

14 A. There were at least weekly
15 meetings on this -- on Project Rockford, but I
16 would have to look at details in terms of the
17 exact dates.

18 Q. Okay. Now, as I recall, on the
19 first -- on the first day of our proceedings I
20 had asked you a question about the structure of
21 Project Rockford.

22 How do you -- what is your
23 recollection of how that structure worked? And
24 in particular I'm just trying to get an
25 organizational structure?

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1 WALTER VAN DE VIJVER

2 A. Yes. Over time a formal structure
3 was put in place. Project Rockford was led by
4 Phil Watts with the assistance of Adrian Loader.
5 And I at that time recommended as the focal
6 point for EP, John Darley.

7 So there was a structure that
8 involved Legal, Group Finance, and I remember
9 commenting on when that structure was proposed.

10 Q. And when you recommended John
11 Darley for EP focal point he was to report to
12 whom?

13 A. In his role he would report to
14 Phil Watts.

15 (Van de Vijver Exhibit Numbers 42
16 and 43 were marked for identification.)

17 MR. HABER: I'm marking two
18 exhibits, Exhibit 42 and an Exhibit 43.

19 While the witness has an

20 opportunity to look at these documents I will
21 identify them for the record.

22 Exhibit 42 is a two-page document,
23 the first page has two e-mails on them, the last
24 of which is from Philip Watts, to Adrian Loader,
25 Beat Hess, Curtis Frasier, John Darley, Judith
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1 WALTER VAN DE VIJVER

2 Boynton, Tim Morrison, and Mary Jo Jacobi.
3 There's a cc to Jeroen van der Veer, Mr. Van de
4 Vijver, Malcolm Brinded, Judith Boynton, and Rob
5 Routs. It was sent on February 2nd, 2004.
6 The -- that is the last. The subject line reads
7 Rockford Coordination Team. There's an
8 attachment, project team org chart, version 71.
9 It is a document that was produced from the
10 native drives that were produced to us, so there
11 is no Bates number. The summation documentation
12 number in the upper left-hand corner is
13 100485664: Forward Rockford Coordination Team.

14 And I will note for the record
15 there's a footer on the bottom of the first page
16 and that came from our printer because that's
17 just way it prints. It's a default, so it's not
18 part of the document.

19 Exhibit 43 is a series of e-mails,
20 the last of which is from Mr. Van de Vijver,
21 dated February 2nd, 2004. It's sent to Philip
22 Watts with a cc to Adrian Loader, Jeroen van der
23 Veer, Malcolm Brinded, Judith Boynton, Rob
24 Routs, and Beat Hess. There are two Bates
25 ranges. The first is V00370504 through

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1 WALTER VAN DE VIJVER

2 V00370505. The second range is BRINDED 0119
3 through BRINDED 0120.
4 BY MR. HABER:

5 Q. Now, Mr. Van de Vijver, in your
6 answer before we marked these documents you said
7 over time a formal structure took place.
8 Looking at Exhibit 42, is this the structure
9 you're referring to?

10 A. Yes.

11 Q. And if you look at Exhibit 42 at
12 Mr. Watts' e-mail of January 29, 2004, it
13 appears that there was a first team meeting of
14 this group of people that was to begin in
15 February.

16 What team meeting do you
17 understand him referring to?

18 A. The team meeting, the project team
19 as depicted in this chart.

20 Q. Okay. Do you recall attending
21 that meeting?

22 A. No. I was not invited.

23 Q. And why weren't you invited, if
24 you know?

25 A. As per the organizational

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1 WALTER VAN DE VIJVER

2 structure I was not on that list, but I felt
3 totally comfortable with Curtis Frasier and John
4 Darley being there.

5 Q. And why was that?

6 A. I had recommended those names as
7 members to the team from the E&P side.

8 Q. Now, if you look at Exhibit 43,
9 your e-mail of January 30, 2004, you write to
10 Mr. Watts, van der Veer, Brinded, Ms. Boynton,
11 and Mr. Routs, and I'm looking at the first
12 sentence, "I thought the idea was to delegate
13 day-to-day management to a group of very senior
14 and capable leaders in our organization below
15 CMD and, hence, was very supportive of an
16 overall coordination of an effort by Adrian
17 Loader with weekly updates to CMD."

18 Two sentences later you continue.

19 "The proposal put forward still
20 has several CMD members on the actual team and I
21 would advise against that to ensure adequate
22 delegation, balance, and ownership."

23 Did you get any response from
24 Mr. Watts to this e-mail?

25 A. The response you see on the same

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2 page.

3 Q. If you look at his e-mail does it
4 appear as he's responding to your criticism of
5 the organization?

6 MR. TUTTLE: Object to form.

7 THE WITNESS: No.

8 BY MR. HABER:

9 Q. When you say in your e-mail of
10 January 30, 2004, "to ensure adequate
11 delegation, balance, and ownership," what
12 message were you trying to convey to the
13 recipients of this e-mail?

14 A. I was trying to convey just that I
15 was comfortable with putting forward John Darley
16 and Curtis Frasier that I felt it important that
17 there was the right distance also to avoid any
18 perception of conflict of interest on a very
19 sensitive issue.

20 Q. You wrote again to Mr. Watts,
21 again, a cc to a number of people who are
22 recipients on these e-mails, "I note that no
23 change has been made based on my comments. At
24 least had expected a discussion at CMD before
25 this was issued."

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1 WALTER VAN DE VIJVER

2 Why were you expecting a
3 discussion at CMD on the issue?

4 A. Well, I expect that if I would
5 make comments to my colleagues that at least
6 there would be a response.

7 Q. Did you ever have a response from
8 Mr. Watts?

9 A. No.

10 Q. Did you ever get a response from
11 Ms. Boynton?

12 A. No.

13 Q. Did any other member of the CMD
14 respond to your comments?

15 A. No, not that I recollect.

16 Q. And throughout Project Rockford
17 the organizational structure of Rockford

18 remained as depicted in the org chart that's
19 attached to Exhibit 42?

20 MR. MORSE: Objection to form.

21 THE WITNESS: Yes.

22 BY MR. HABER:

23 Q. Now, in the second sentence in the
24 e-mail of February 2nd that you sent to
25 Mr. Watts you said, "In order to 'contain' the
0532

1 WALTER VAN DE VIJVER
2 overall senior management on this within EP."

3 What did you mean by putting the
4 word contain into quotes?

5 A. That I wanted to make sure we had
6 a clear focal point accountability in E&P. And
7 John Darley had convinced me that he was able to
8 take the task and he would utilize Curtis
9 whenever he was not available, so I was
10 perfectly happy with them working together as
11 they felt comfortable.

12 MR. HABER: We have to change the
13 tape, so if you can just hang around probably
14 two or three minutes we can try and get this
15 done.

16 MR. DOWD: Thank you.

17 THE VIDEOGRAPHER: This marks the
18 end of tape one in Volume III of Mr. Van de
19 Vijver. We are going off the record. The time
20 is 11:50 a.m.

21 (A brief recess was taken.)

22 THE VIDEOGRAPHER: This marks the
23 beginning of tape two, Volume III in the
24 deposition of Mr. Van de Vijver. We are back on
25 the record. The time is 11:56 a.m.
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1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. Mr. Van de Vijver, if you could
4 just look at the org chart on Exhibit 42 for one
5 second. The top of the organization says PX and
6 then Watts/Loader. Do you see that?

7 A. Yes.

8 Q. What is PX?

9 A. PX is a reference indicator of

10 Adrian Loader.

11 Q. What does that stand for?

12 A. Group planning and public affairs,
13 if I'm correct.

14 Q. So the organization chart shows
15 that everyone underneath Mr. Watts and
16 Mr. Loader report up to them and then they are
17 the focal point that reports to the CMD?

18 A. Uh-huh.

19 Q. I'm sorry. You have to verbalize
20 an answer?

21 A. Yes. Yes.

22 Q. Okay. Do you know if Anton
23 Barendregt had ever commented on the note for --
24 the note to the CMD that was submitted on
25 December 8th?

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1 WALTER VAN DE VIJVER

2 A. I don't know. As you recall from
3 looking at the document themselves there were
4 many contributors to the document. It says on
5 the bottom EPS, EPT, and EPF. So that is the
6 planning group, the technology group, and the
7 finance group. So I wouldn't know who the
8 individuals were that contributed.

9 (Van de Vijver Exhibit Number 44
10 was marked for identification.)

11 BY MR. HABER:

12 Q. I just handed the witness what
13 we've marked as van de Vijver Exhibit 44, it's a
14 multi-page document. A series of e-mails with
15 an attachment called Storyline.

16 The last e-mail is from Mr. Van de
17 Vijver, it's dated December 28, 2003 to Frank
18 Coopman, John Darley. Subject line reads:
19 Rockford. The attachment, as I said, says
20 Storyline-Full PowerPoint. The Bates range is
21 HAG00205769 through HAG00205786.

22 Mr. Van de Vijver, have you seen
23 this document before today?

24 A. Yes.

25 Q. And if you could take a look at

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1 WALTER VAN DE VIJVER

2 the storyline there's handwriting on this
3 document. Do you recognize this handwriting?

4 A. Yeah, that's mine.

5 Q. Can you explain to us what a
6 storyline is and especially in this context?

7 A. If I recollect this correctly it
8 was part of preparing the material to take to
9 the Group Audit Committee and CMD, of course.

10 Q. And was there to be a presentation
11 called storyline that was to be made to the CMD
12 and Group Audit Committee?

13 A. Well, storyline is sort of
14 typical, short of Shell speak. That's when
15 people prepare for making a presentation.

16 Q. Do you know if this document was
17 ever finalized?

18 A. Presentations were made in the
19 end, but I don't know how much it contained of
20 this particular material.

21 Q. If you look in the first page of
22 the summary on page 771, what does the
23 handwritten note in the upper right-hand corner
24 say?

25 A. "What to do with 10/03 Shell

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1 WALTER VAN DE VIJVER

2 guidelines." That means what to do with the
3 Shell guidelines that were issued in
4 October 2003, very recently.

5 Q. Why were you asking that question?

6 A. Well, I think it comes back here
7 with me now having been present in quite a few
8 of the meetings with my teams, et cetera, I'm
9 basically asking the question do we really need
10 to have Shell guidelines.

11 Q. Did anyone ever respond to that
12 question?

13 A. I cannot be sure, but I think John
14 Darley did respond to that.

15 Q. Do you recall what Mr. Darley had
16 said?

17 A. That he agreed with my thinking,
18 but I cannot be sure. I think that sort of
19 evolved over time.

20 Q. Over time, you mean over the time
21 of Rockford?

22 A. Yes.

23 Q. How long -- how long did Rockford
24 last?

25 A. Rockford continued for quite a
0537

1 WALTER VAN DE VIJVER
2 long time, all the way until I left the company,
3 because it also involved not just coordinating
4 of whatever work needed to be done to get to a
5 final conclusion on the numbers and the
6 disclosures to the market, but also as it
7 related to communication with the SEC.

8 Q. And you were fired from your
9 position in the company in March of 2004?

10 A. Yes.

11 Q. I believe on Wednesday when we
12 talked about what had happened you had said that
13 it was unexpected; correct?

14 A. A total utter shock.

15 Q. Had anyone ever communicated to
16 you prior to the time that you were told you
17 were going to be let go that you should be
18 worried about your position?

19 A. I was personally very worried
20 about my position prior to my first interview
21 with Davis Polk.

22 Q. And when was that interview?

23 A. That was -- the interview I think
24 was on the 10th of February 2004.

25 Q. Did you ever communicate your
0538

1 WALTER VAN DE VIJVER
2 concern about your position to anyone?

3 A. Yes. What happened was that
4 during the weekend I got a phone call from
5 Curtis Frasier advising me that I needed to have
6 a lawyer because quote unquote as Curtis said,
7 "Phil and Judy are out to poison you."

8 Q. And that's what caused you concern
9 about your position?

10 A. Yes. Immediately when it happened
11 I went to visit the former group chairman of
12 Shell, Lo van Wachem, and expressed my deep
13 unrest with having to have a personal lawyer and
14 the process the company was getting into.

15 Q. And what did he say to you?

16 A. He considered it totally
17 inappropriate that that would happen in the
18 company and he told me to calm down.

19 Q. When you say that you went to him
20 immediately after the call from Mr. Frasier, do
21 you recall when this meeting occurred?

22 A. During the weekend, so on a
23 Sunday. So on a Sunday I went to visit
24 Mr. Wachem.

25 Q. Was this at his home?

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1 WALTER VAN DE VIJVER

2 A. Yes.

3 Q. Do you recall how long that
4 meeting lasted?

5 A. About half an hour. This was of
6 course not a planned visit but he lives very
7 close to me.

8 Q. After the meeting did you feel
9 reassured ?

10 A. No, not yet, because I was also
11 advised that I had to be in London, I think it
12 was on the 10th of February for this interview,
13 and I had to actually cancel a planned visit
14 that I had during the day to Egypt at the very
15 last minute.

16 Q. When Mr. Frasier had called you
17 where were you?

18 A. At home.

19 Q. Was there an analyst presentation
20 in the United States at or about that time
21 that --

22 A. I had just come back from the
23 analyst presentation.

24 Q. Okay. So prior to these

25 discussions and the communication with

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1 WALTER VAN DE VIJVER

2 Mr. Frasier had you spoken to anyone else about
3 concerns you were feeling about the security of
4 your position?

5 A. No, but I did mention to Jeroen
6 van der Veer a couple of times that I felt
7 uncomfortable with the atmosphere at CMD and I
8 also asked him at numerous occasions whether it
9 would not be appropriate for me to meet Aad
10 Jacobs.

11 Q. You say that you met with Mr. Van
12 der Veer a couple of times. Do you recall what
13 times?

14 MR. TUTTLE: Objection to the
15 characterization of the testimony.

16 THE WITNESS: This was all after
17 the 8th of December or the 9th of December 2003
18 when Project Rockford started.

19 BY MR. HABER:

20 Q. Okay. So in your prior answer you
21 said I did mention to Jeroen van der Veer a
22 couple of times that I felt uncomfortable with
23 the atmosphere at CMD.

24 Do you recall what times in
25 particular? I'm looking for dates?

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1 WALTER VAN DE VIJVER

2 A. Yeah. My memory is very good, but
3 trying to remember exact dates, I can't. I
4 can't. I'm sorry.

5 Q. Did you ever speak to Mr. Van der
6 Veer before you were fired?

7 A. Yes. Actually, the Friday before
8 I was fired Jeroen van der Veer wanted to see me
9 when I was just about to go off to Oman for my
10 visit. And Jeroen was talking a bit around
11 about way, but the final question from him was
12 whether I would have any difficulty reporting to
13 him as the chairman of CMD, because it was
14 likely that Watts would not stay.

15 Q. What did you say?

16 A. I said, yes. I said this issue
17 for me was never anything personal about Watts.
18 I would throw in my own glasses if that was what
19 it was about. I said I wanted to run EP and
20 that was all.

21 MR. DOWD: Excuse me. Is it yes
22 you would have difficulty reporting to him?

23 THE WITNESS: No. No. I'm sorry.
24 I didn't answer the question correctly.

25 MR. DOWD: Can we go over that
0542

1 WALTER VAN DE VIJVER
2 again, Jeff?

3 BY MR. HABER:

4 Q. The question I asked was did you
5 ever speak to Mr. Van der Veer before you were
6 fired?

7 A. The answer is yes.

8 Q. And then I asked what did you say
9 and -- I should say before that your response --
10 you said, actually, the Friday before I was
11 fired Jeroen van der Veer wanted to see me when
12 I was just about to go off to Oman for my visit
13 and Jeroen was talking a bit around about way,
14 but the final question from him was whether I
15 would have any difficulty reporting to him as
16 the chairman of CMD, because it was likely that
17 Watts would not stay.

18 Then I asked what did you say?

19 A. I said no.

20 Q. Did you ever communicate to him
21 your concern about the security of your position
22 during that meeting?

23 A. Not -- that meeting we just talked
24 about Friday, no.

25 Q. Yes.

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1 WALTER VAN DE VIJVER

2 A. But I had talked about the
3 security of my position after that first
4 interview by Davis Polk, which I considered
5 totally hostile and unjustified.

6 Q. And why did you feel that way?

7 A. Because I was confronted with
8 three e-mails that were -- the famous destroy
9 e-mail. The sick and tired e-mail. I think the
10 third e-mail was fooling the market. Those were
11 the three e-mails I was confronted with in a
12 very hostile manner, and I left the meeting
13 wondering what was going on. And after that
14 meeting I called Jeroen van der Veer. I then
15 next day I visited Jeroen van der Veer and I
16 also talked to Hennie de Ruiter and I talked to
17 Marteen van den Bergh, and they all calmed me
18 down and told me my position was not at stake.

19 Q. Can we go back to the storyline
20 for a couple of minutes. If you can turn to
21 page 775?

22 A. Yes.

23 Q. Can you decipher what your
24 handwritten notes note says on the second bullet
25 point?

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1 WALTER VAN DE VIJVER

2 A. "Increase expectation reserves
3 lead to immediate increase in proved reserves
4 [probabilistic method]."

5 Q. And the handwritten notes on the
6 bottom?

7 A. "Weakened OU governance and asset
8 based organizations in OUs," meaning operating
9 units.

10 Q. Taking the first handwritten note,
11 why did you put that note on this document?

12 A. That was a clarification of my
13 understanding what had happened, because the
14 reserve addition bonuses in both those countries
15 were linked to expectation reserves.

16 Q. And the last bullet note that you
17 added, why did you put that in there?

18 A. Well, this is sort of the
19 recurring theme of my tenure, that I felt
20 operating units were not adequately managed and
21 that there had been a fragmentation in a lot of
22 the organizations, what was called an asset
23 based organization, leading to the central

24 technical and professional excellence eroding.

25 Q. If you can just turn back to page

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1 WALTER VAN DE VIJVER

2 773. The very bottom. The dash mark that says,

3 "pressure on staff to obtain approved reserves

4 replacement ratio (RRR of 100 percent)

5 particularly in 2000."

6 Who did you understand to be

7 exerting pressure on the staff to obtain a

8 proved reserves replacement ratio of

9 100 percent?

10 A. The EP leadership team at that

11 time.

12 Q. And that would include Philip

13 Watts?

14 A. Yes.

15 Q. If you would turn to the last page

16 there's some more of your handwriting. Under

17 the bullet point, basic technical flaws at OU

18 level. The middle subpoint there's some

19 handwriting?

20 A. "And consistency check between

21 reserves and long-term forecasts."

22 Q. Why did you insert that?

23 A. Because what I meant to say there

24 that obviously business plans focus on

25 production. And as you produce you reduce your

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1 WALTER VAN DE VIJVER

2 reserves. And what we found in our analysis in,

3 I recall in Oman, for instance, there was no

4 ability to tie back the production forecast to

5 individual assets and their individual reserves.

6 It's a quality issue of the overall business

7 performance.

8 Q. And if you look at the bottom of

9 the page you add two bullet points. What's the

10 first one?

11 A. "Oman Nigeria support efforts

12 2002, 2003."

13 Q. And the last one?

14 A. "New operating model strengthens

15 technical function."

16 I think as we recalled earlier if
17 you don't to the technical work the reserve
18 audit can do all he can do, but he doesn't have
19 the quality.

20 Q. If you can turn to Exhibit 1,
21 which is your letter dated March 22, 2004. If
22 you can turn to page 3 again. You say that in
23 the paragraph that begins in November 2003, I
24 want you to focus at the bottom of that
25 paragraph now.

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1 WALTER VAN DE VIJVER

2 You say, "My efforts to effect
3 full disclosure were continually challenged,
4 even up until the day before the analyst
5 presentations in early February 2004."

6 How were your efforts to effect
7 full disclosure challenged?

8 A. It was an extreme battle to
9 finalize the presentation to the analysts in
10 2004. Where I was very keen to give as much
11 regional breakdown of where the exposures had
12 now materialized the debookings were taking
13 place and also wanted to put it in a historic
14 context about when these bookings were first
15 made.

16 Even at the end -- at the
17 presentation I made to Conference as sort of
18 final draft version of the analyst presentation
19 there was quite a hostile environment because I
20 wanted to flag, for instance, that on -- during
21 that analyst presentation that if you make a
22 change in proved reserves, if you take the
23 terminology correctly, if you take away proved
24 reserves then the probable reserves can also not
25 exist because of this part of a buildup. I

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1 WALTER VAN DE VIJVER

2 wanted to flag that as a result of the proved
3 reserves there would also be an impact on the
4 probable reserves. I'm getting a little bit
5 technical, but that's just way it is.

6 Forgetting about it it is not

7 about challenging the total technical resource
8 thing, this is all about classification.

9 Q. Who was challenging your efforts
10 to effect full disclosure?

11 A. This whole process was a very
12 difficult process with investor relations and
13 whoever was close to investor relations.

14 Q. Would that include Ms. Boynton?

15 A. Yes.

16 Q. Would that include Simon Henry?

17 A. Yes.

18 Q. Would that include Tim Morrison?

19 A. I cannot be sure.

20 Q. Other than the people I
21 identified, did it also include Mr. Watts?

22 A. Yes.

23 Q. How was the investor relations
24 group of people challenging your efforts to
25 effect full disclosure?

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1 WALTER VAN DE VIJVER

2 A. There were many cycles to finalize
3 the presentation. Originally just after an
4 announcement was made it would be the intention
5 that there would just be a group presentation, a
6 group presentation meaning a presentation that
7 would be done by Phil Watts and Judy Boynton.
8 And then subsequently it was decided that there
9 would be a dedicated EP presentation that I
10 would do where I would provide the EP details of
11 the reserves recategorization.

12 There were a lot of discussions,
13 as you could see, also in the early note to the
14 CMD about whether we were using the word Brunei,
15 yes or no, Oman yes or no, all about providing
16 the detail and also the historical context about
17 when some of these bookings were made, which in
18 the end is a business process.

19 Q. Well, in this letter were you
20 trying to convey what was happening was more
21 than just business process?

22 A. There was a lot of pressure at

23 that time. I mean, and understandably so, it
24 was a difficult subject, but it -- it did
25 require extreme efforts from my side to
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1 WALTER VAN DE VIJVER

2 ultimately get what I wanted to get out to the
3 market.

4 Q. Can you think of any specific
5 examples of where Ms. Watts had thrown a
6 roadblock, for instance, in your efforts to make
7 this disclosure?

8 MR. TUTTLE: You mean Mr. Watts?

9 BY MR. HABER:

10 Q. I'm sorry, Mr. Watts. My
11 apologies.

12 A. I recollect there was a lot of
13 resistance initially to show a plot that
14 indicated when the original bookings were made
15 and some of the debookings or recategorizations
16 we were posing at that time.

17 Q. What was Mr. Watts' position?

18 A. I think the position, and
19 ultimately he is the boss, that there were still
20 ongoing discussions also with the SEC at that
21 time around restatements and revisions and many
22 other communications, so there was a tension on
23 what could be shown and what could not be shown.

24 Q. Can you think of any other
25 examples?

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1 WALTER VAN DE VIJVER

2 A. No. I mean during the whole
3 process there was a lot of challenge before we
4 finalized our numbers on what should be in, what
5 should be out. Are there offsets, yes or no, et
6 cetera.

7 Q. Can you think of any examples
8 involving Ms. Boynton where she erected
9 roadblocks to your efforts to make full
10 disclosure?

11 MR. TUTTLE: Objection to form.

12 MS. SENNETT: Objection to the
13 form of the question.

14 THE WITNESS: No, not specific,

15 because it was always difficult to know who
16 provided the feedback because it was funneled
17 through the IR organization. So I would not be
18 able to personalize where some of these comments
19 would come from.

20 BY MR. HABER:

21 Q. During your tenure as a member of
22 the CMD do you recall any presentations on IR
23 program for the particular year or for the
24 upcoming year?

25 A. Yes. That would come up on a

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1 WALTER VAN DE VIJVER

2 regular basis to the CMD.

3 Q. And do you have an understanding
4 as to why that would come up on a regular basis?

5 A. The understanding was that that
6 was one of the things CMD members will do and
7 there would be a discussion on who would be
8 doing what type of presentations or meetings.

9 (Van de Vijver Exhibit Number 45

10 was marked for identification.)

11 BY MR. HABER:

12 Q. We've marked as van de Vijver
13 Exhibit 45 a document which is a Note For
14 Information, IR plan for 2002. The cover page
15 says CMD January 15, 2002, IR plan for 2002.
16 Its Bates number is LON00940595 through
17 LON00940608.

18 Have you seen this document before
19 today?

20 A. Yes.

21 Q. And did you receive it in the
22 manner in which you testified earlier about it
23 being submitted and then circulated
24 electronically?

25 A. You would always receive wherever

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1 WALTER VAN DE VIJVER

2 you were a hard copy of the prereading for a
3 follow-up CMD meeting.

4 Q. If you look at the first page that

5 is with writing on page 596 it -- underneath the
6 four items listed it says, "IR has developed a
7 proposal for the first three elements of a 2002
8 plan based on the December group strategy
9 reviews and feedback from other IR events
10 throughout 2001."

11 It then goes on to say, "Input was
12 also received from a U.S. investor perception
13 study conducted in Q3 2001 and advisors Fergus
14 McCloud and Finsbury." Do you see that?

15 A. Yes.

16 Q. What U.S. investor perception
17 study is being referred to here?

18 A. I cannot recollect.

19 Q. Do you remember any discussion
20 about such a study?

21 A. No. Is it covered further? I
22 don't recollect.

23 Q. Who was Fergus McCloud?

24 A. Fergus McCloud was a former well
25 respected analyst. I'm not so sure from what --

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1 WALTER VAN DE VIJVER
2 which bank anymore, but who was hired by Steve
3 Hodge to assist in the preparation of analyst
4 presentations. If I'm fully correct then today
5 he is still head of IR at BP.

6 Q. So at the time he was also at BP?

7 A. No. No. He was in between jobs.

8 Q. So he served as a consultant?

9 A. Yes.

10 Q. The other person mentioned is
11 Finsbury. Do you know who that is?

12 A. Not totally sure, but I think they
13 are sort of consultancy that helps with
14 presentation and skills and formatting, also a
15 consultancy.

16 Q. If you turn to page 3 of the
17 document which has the Bates number 600 at the
18 end. If you take a look at the bullet points,
19 the proposal is proposing targeting investor
20 relation activities, and the first bullet point
21 says, "top five investors in U.K., U.S., E.U."

22 Why were the top investors in the U.S. being
23 targeted?

24 A. I don't know. I assume they were
25 the largest shareholders in the group.

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1 WALTER VAN DE VIJVER

2 Q. Did the CMD discuss the U.S.
3 market at all?

4 A. The CMD as a body had a global
5 responsibility, so that would include the United
6 States.

7 Q. I'm referring -- let me be a
8 little more specific. I'm referring with regard
9 to investor relations activities?

10 A. Yes. In a similar vein as
11 investor relations activity in Europe or
12 anywhere else.

13 Q. Do you know if this proposal
14 that's reflected in Exhibit 45 was approved by
15 the CMD?

16 A. I do not recollect. You would
17 have to look at the minutes.

18 Q. So that would be reflected in the
19 minutes?

20 A. Yes. If there is no comment in
21 the minutes then it means it's supported.

22 Q. Supported meaning approved?

23 A. Yes.

24 (Van de Vijver Exhibit Number 46
25 was marked for identification.)

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1 WALTER VAN DE VIJVER

2 BY MR. HABER:

3 Q. I've handed the witness what we've
4 marked as Exhibit 46. It's an e-mail from Simon
5 Henry to Frank Coopman and a number of other
6 people with a cc to Judith Boynton, dated
7 August 30, 2002. The subject line reads: Note.
8 And the attachment is a Note For Information,
9 Investor Relations Program Enhancement Status
10 Update.

11 I will note that this was produced
12 in native format on the native drive that was

13 produced to us and as with one of the other
14 documents, I would also note there is a footer
15 that came from our printer that is not part of
16 the document. Again, this is just way the
17 default on the printer is set. I'm sorry, it's
18 already been redacted.

19 Have you seen this document before
20 today?

21 A. No, not that I recollect, but it
22 does show a note, at least in draft form for
23 something that went to CMD, the attachment, but
24 I don't see the e-mail, the e-mail note.

25 Q. Do you recall having a discussion

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1 WALTER VAN DE VIJVER
2 at the CMD in or about the end of August in 2002
3 where investor relations program was discussed?

4 A. No.

5 MR. HABER: At this time then we
6 have nothing further.

7 MR. DOWD: 30 minutes all right?

8 MR. FERRARA: I think there may be
9 the need to ask some additional questions, so
10 perhaps 45 minutes would give everybody the
11 opportunity to kind of collect their thoughts
12 and prepare for that.

13 MR. DOWD: All right. 45 minutes.

14 THE VIDEOGRAPHER: We're going off
15 the record. The time is 12:37 p.m.

16

17 (Whereupon, at 12:37 p.m., a lunch
18 recess was taken.)

19

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1 WALTER VAN DE VIJVER

2 AFTERNOON SESSION

3 (1:26 p.m.)

4 THE VIDEOGRAPHER: We're back on

5 the record. The time is 1:26 p.m.

7 EXAMINATION BY COUNSEL FOR ROYAL DUTCH/SHELL

9 BY MR. FERRARA:

10 Q. Mr. Van der Veer, first I want to

11 thank you --

12 A. Van de Vijver is the name.

13 Q. Sorry. Van de Vijver. Well, my
14 client is Mr. Van der Veer so I sometimes get
15 them confused. I may call you Walter if you
16 permit that on the record?

17 A. Sure.

18 Q. First I want to thank you for
19 appearing here for the past two-and-a-half days.
20 I understand that these are difficult sessions
21 and not one that folks who are not lawyers are
22 used to dealing with, and we appreciate it.

23 We also appreciate that you have
24 agreed to continue to be available for discovery
25 in these proceedings as if you were still a

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1 WALTER VAN DE VIJVER

2 party to them.

3 We also appreciate that you have
4 agreed to become or be available at a trial of
5 this case in the event that a trial occurs. And
6 in light of those things the questions that I
7 have to ask you at this point are limited.

8 First, I just want to be clear
9 that while you've been very articulate in the
10 course of these two-and-a-half days, English is
11 not your first language; is it?

12 A. That's true.

13 Q. So I'm going to ask you a series
14 of questions where I'm going to use a word that
15 has appeared, unfortunately, in some of these
16 documents is word is lie or lying.

17 A. Uh-huh.

18 Q. Now, for purposes of having this
19 record be as clear as my ability to make it, I
20 would like to have an understanding that when I

21 use that word in these questions I'm referring
22 to two things:

23 First, a misstatement of fact,
24 that would be a lie.

25 Second, a half truth. And by that
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1 WALTER VAN DE VIJVER
2 I mean an omission to state a fact that is
3 necessary to be stated in order to make what has
4 been stated not appear misleading.

5 So when I ask about a lie I'm
6 incorporating a misstatement or a half truth.

7 Is that an agreeable definition
8 for lie for purpose of my question?

9 MR. HABER: Objection to form,
10 calls for a legal conclusion.

11 BY MR. FERRARA:

12 Q. Sorry. Do you understand what I
13 mean by lying if I use that term?

14 A. I understand what lying means, but
15 I find your definition rather complex.

16 Q. Then let's -- let me make sure
17 it's clear. I'm talking about misstatements and
18 half truths. Is that clear to you?

19 A. Yes.

20 Q. Okay. So if I say lying and I ask
21 you a question about lying it will include in
22 your answer a misstatement or a half truth?

23 MR. HABER: Objection to form.

24 MR. DOWD: I object. Let's just
25 let his answers speak for themselves.

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1 WALTER VAN DE VIJVER

2 THE WITNESS: I really don't get
3 it. Can you please ask your questions?

4 BY MR. FERRARA:

5 Q. I think this is important, so
6 perhaps we should spend --

7 MR. DOWD: You may, but I don't
8 think he should forecast what his answer is
9 going to include until you ask the question.

10 MR. FERRARA: Sorry.

11 MR. DOWD: I don't think that's

12 fair and I object to it and I'm not going to let
13 him answer that kind of question.

14 MR. FERRARA: You're welcome to
15 object to it.

16 MR. DOWD: I will. And I will
17 also tell him whether he can answer or not.
18 We're not going to, you know --

19 MR. FERRARA: Sorry. Why don't
20 you complete your objection. Have you completed
21 your objection?

22 MR. DOWD: Yes.

23 BY MR. FERRARA:

24 Q. Perhaps you could share with me,
25 Walter, what you understand a lie to be?

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1 WALTER VAN DE VIJVER

2 A. A lie is not telling the truth
3 or -- I think that's as short as I can be.

4 Q. Okay. We'll accept that for
5 purposes of my question. You testified earlier
6 in the course of your examination that your
7 memory is good. Do you recall that?

8 A. Yes.

9 Q. And your memory is good; is it
10 not?

11 A. Yes.

12 Q. I would like you to focus if you
13 would on the period of time when you were chief
14 executive officer of E&P, which I believe you
15 said was approximately June of '01 until March
16 of '04; correct?

17 A. Yes.

18 Q. And I would particularly like you
19 to focus on the period June '01 to what we have
20 defined to be the beginning of Project Rockford,
21 that period of time. Is that understood?

22 A. That for me is November 2003;
23 correct?

24 Q. That's fine. So we'll be focusing
25 on the period June of 2001 to November of 2003

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1 WALTER VAN DE VIJVER

2 in all of my questions; is that understood?

3 A. Yes.

4 Q. Okay. During that period, Walter,
5 do you ever have a recollection of lying to EP
6 ExCom, the CMD, or Conference with respect to
7 any business plan that was submitted by the E&P
8 organization for their consideration?

9 A. No.

10 Q. Do you ever recall during that
11 period of time lying about a business plan in
12 any session that you attended where there was
13 present either a Shell investor, securities
14 analyst, or a member of the financial press?

15 A. No.

16 Q. We talked in Exhibit 20 about what
17 has been euphemistically called "caught in the
18 box parameters;" do you recall that?

19 A. Yes.

20 Q. And do you recall what those
21 caught in the box parameters are?

22 A. Yes.

23 Q. Have you ever lied to an investor,
24 a securities analyst or member of the financial
25 press about Shell's estimate of a 15 percent

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1 WALTER VAN DE VIJVER
2 ROACE return during your tenure as CEO of E&P?

3 A. No.

4 Q. So any time when you address the
5 subject of ROACE in the context of a meeting
6 where an investor and analyst or member of the
7 financial press was present you told the truth?

8 A. Yes.

9 Q. With respect to the second
10 parameter of the so-called caught in the box
11 metaphor, and here I'm referring to the
12 production growth rate, in any session where
13 there was present an investor of Shell, a
14 securities analyst or a member of the financial
15 press, did you ever lie about Shell's projected
16 3 percent production growth rate?

17 MR. HABER: Objection.

18 MR. DOWD: Just answer the
19 question.

20 THE WITNESS: No.

21 BY MR. FERRARA:

22 Q. At any time when you advised an
23 investor, securities analyst, or a member of the
24 financial press that Shell's production growth
25 rate was 3 percent were you telling the truth?

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1 WALTER VAN DE VIJVER

2 A. Yes.

3 Q. With respect to what we've been
4 calling RRR or reserve replacement ratio, each
5 and every time that you can recall -- no.

6 Withdraw that.

7 Each and every time that you spoke
8 to an investor in Shell, a securities analyst,
9 or a member of the financial press where you
10 articulated what Shell's reserve replacement
11 ratio was, were you telling the truth?

12 A. Yes.

13 Q. Did you ever lie in any of those
14 fora about what the reserve replacement ratio
15 was?

16 MR. HABER: Objection.

17 THE WITNESS: No.

18 BY MR. FERRARA:

19 Q. Thank you. We talked over the
20 past three days about proved reserves; do you
21 recall that?

22 A. Yes.

23 Q. And did you ever advise the CMD,
24 EP ExCom or Conference that any reserved
25 previously reported by Shell as proved should be

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1 WALTER VAN DE VIJVER

2 debooked that wasn't debooked?

3 A. No.

4 Q. So in each and every instance that
5 you can recall recommending that a resource,
6 whether it be proved or expectation, should be
7 debooked it was?

8 A. I did not make personally those
9 recommendations.

10 Q. To the extent that a

11 recommendation was made by you to debook a
12 reserve, to your knowledge it was done though?

13 A. Yes.

14 Q. Are you aware of any
15 recommendation made to CMD or Conference to
16 debook a reserve that wasn't debooked during the
17 period June of '01 through November of '03?

18 MR. HABER: Objection.

19 THE WITNESS: No, but just to
20 clarify again, I did not personally make those
21 recommendations.

22 BY MR. FERRARA:

23 Q. I understand.

24 During the time when you were
25 chief executive officer of EP ExCom did you
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1 WALTER VAN DE VIJVER
2 believe that Shell's reporting of proved
3 reserves was consistent and compliant with
4 Shell's proved reserves -- Shell's guideline for
5 reporting proved reserves?

6 A. Yes, until November 2003.

7 Q. Did you believe during that same
8 period of time that Shell's guidelines were in
9 all material respects consistent with the SEC
10 guidelines, to the extent you knew what the SEC
11 guidelines were?

12 A. Yes.

13 MR. HABER: Objection.

14 BY MR. FERRARA:

15 Q. Did anyone ever tell you while you
16 were chief executive officer of Shell that Shell
17 was materially out of compliance with SEC proved
18 reserve reporting guidelines?

19 A. No.

20 Q. We've talked a good deal over the
21 past two-and-a-half days about exposure catalogs
22 and exposure lists; do you recall that
23 testimony?

24 A. Yes.

25 Q. With respect to those exposure
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1 WALTER VAN DE VIJVER

2 lists that were created during your tenure, and
3 I understand they took different form, was there
4 ever an instance when you advised EP ExCom, CMD,
5 or Conference that any of the exposures listed
6 on that catalog should be debooked and they were
7 not?

8 A. No. I merely kept challenging my
9 staff to get the best most accurate numbers.

10 Q. We've talked throughout the course
11 of these three days about pressure. Pressure
12 being exerted on members of Shell's staff by
13 other members of Shell's staff. Do you recall
14 testimony to that effect during the course of
15 the past three days?

16 A. Yes.

17 Q. And you recall that on two or
18 three occasions you have testified that you felt
19 the object of pressure to act or not act in a
20 particular way; correct?

21 A. Yes.

22 Q. Did you ever tell a lie to CMD,
23 Conference, EP ExCom, a Shell investor, a Shell
24 securities analyst, or a member of the financial
25 media because of the pressure you received to
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1 WALTER VAN DE VIJVER
2 lie?

3 MR. HABER: Objection to form.

4 THE WITNESS: No.

5 MR. FERRARA: If you would like to
6 tell me what the objection to the form is I'll
7 straighten it out. Is it a compound question?

8 MR. HABER: Yes.

9 MR. DOWD: He answered it. Let's
10 move on.

11 MR. FERRARA: No, no. I want to
12 make sure. I will go through them one at a time
13 if you would like.

14 MR. HABER: Ask him if the answer
15 was no to all of those.

16 BY MR. FERRARA:

17 Q. Was the answer no to each of
18 those, that is you did not lie with respect to

19 each of those?

20 A. Yes.

21 Q. Walter, did you ever make a
22 recommendation with respect to the operations or
23 business of E&P to ExCom, the CMD, or Conference
24 that you personally did not believe in, that you
25 personally did not believe was the correct
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1 WALTER VAN DE VIJVER

2 recommendation?

3 A. No.

4 Q. So each and every time you
5 recommended a course of action with respect to
6 the operations or prospects of this company you
7 believed that it was in the best interest of
8 Shell to do it in the way that you were
9 recommending it?

10 A. Yes.

11 Q. Did you ever submit a business
12 plan to ExCom, CMD, or Conference that you did
13 not think was real?

14 A. No, but I would always give the
15 context of the stretch or not that would be in
16 that plan.

17 Q. I understand.

18 During your tenure as CEO of E&P
19 did anyone inside or outside Shell ever ask you
20 to lie to a Shell investor, member of the
21 securities analyst community, or a member of the
22 financial media?

23 A. No.

24 MR. FERRARA: I want to thank you
25 for responding to those questions. I don't have
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2 any further questions at this time, but I would
3 like to hear if there are other questions that I
4 might want to come back to seek clarification
5 on, but I'm done.

6 MR. GOLDSTEIN: I would like to
7 suggest we just take a break. I think I can
8 shorten it.

9 MR. DOWD: What do you want to do,

10 Joe?

11 MR. GOLDSTEIN: I want to go off
12 the record for a minute because I think based on
13 the questions Ralph asked I can shorten it.

14 THE VIDEOGRAPHER: We are going
15 off the record. The time is 1:43 p.m.

16 (A brief recess was taken.)

17 THE VIDEOGRAPHER: We are back on
18 the record. The time is 1:59 p.m.

19 MR. FERRARA: We have no further
20 questions.

21 MR. GOLDSTEIN: No further
22 questions.

23 MS. SENNETT: I would just like to
24 confirm in light of the agreements that
25 Mr. Ferrara outlined at the beginning of his

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1 WALTER VAN DE VIJVER
2 questioning that based on your representation
3 that you will continue to cooperate in further
4 proceedings we will not ask any questions on
5 behalf of Judy Boynton today, either.

6 MR. GOLDSTEIN: I would like to
7 add the same representations.

8 MR. DOWD: We don't have to
9 cooperate with you, we'll cooperate with Shell.
10 I'm just kidding.

11 (Laughter.)

12 MR. HABER: Again from plaintiffs'
13 side we're done. I want to thank you very much,
14 Mr. Van de Vijver, for sitting through these
15 last two-and-a-half days. We wish you a good
16 trip back.

17 THE VIDEOGRAPHER: This marks the
18 end of the deposition of Mr. Van de Vijver. The
19 total number of tapes used today was two. We're
20 going off the record. The time is 2:00 p.m.

21 (Whereupon, at 2:00 p.m., the
22 deposition was concluded.)

23 - - - - -

24

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1 WALTER VAN DE VIJVER

2 ACKNOWLEDGMENT OF DEPONENT

3
4 I do hereby acknowledge that I have
5 read and examined the foregoing pages of the
6 transcript of my deposition and that:

7
8 (Check appropriate box):

9
10 () the same is a true, correct and
11 complete transcription of the answers given by
12 me to the questions therein recorded.

13
14 () except for the changes noted in
15 the attached errata sheet, the same is a true,
16 correct and complete transcription of the
17 answers given by me to the questions therein
18 recorded.

19
20
21
22
23 _____
24
25 DATE

SIGNATURE

0574
1 WALTER VAN DE VIJVER

2 CERTIFICATE OF NOTARY PUBLIC

3
4 I, Paula G. Satkin, the officer before whom
5 the foregoing proceedings were taken, do hereby
6 certify that the witness whose testimony appears
7 in the foregoing proceeding was duly sworn by
8 me; that the testimony of said witness was taken
9 by me in stenotype and thereafter reduced to
10 typewriting under my direction; that said
11 proceedings is a true record of the testimony
12 given by said witness; that I am neither counsel
13 for, related to, nor employed by any of the
14 parties to the action in which these proceedings
15 were taken; and, further, that I am not a
16 relative or employee of any attorney or counsel
17 employed by the parties hereto, nor financially

18 or otherwise interested in the outcome of the
19 action.
20 My commission expires October 31, 2010.

23 PAULA G. SATKIN
24 Notary Public in and for the
25 District of Columbia

0575

1 ERRATA SHEET
2 IN RE: ROYAL DUTCH/SHELL
3 RETURN BY:

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0576

1 ERRATA SHEET
2 IN RE: ROYAL DUTCH/SHELL
3 RETURN BY:

4	PAGE	LINE	CORRECTION AND REASON
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(SIGNATURE)

Walter van de Vijver
Groot Haesebroekseweg 1
2243 EA Wassenaar
The Netherlands

March 22, 2004

Dear Colleagues:

Much has been written in the press in the past few weeks about the Royal Dutch Shell Group and about me. Much of it does not tell the story accurately, especially regarding my role. Unfortunately, although the Company has all of the facts, it seems unable to tell the complete story in the midst of the immense pressure of the public and regulatory reaction to the reserves recategorisation. Because I care deeply about the Company and I cherish my 24-plus years of dedicated service, I want to describe for you my role in the reserves matter, which, thus far, has not been accurately portrayed within the Company or in the public.

From the inception of my tenure as head of E&P, I worked diligently to diagnose the health of the business (thereby also discovering the reserves exposure), regularly communicated my findings within the Company, lobbied for appropriate public disclosure, and did my best to mitigate the reserves exposure (both in terms of forward reserves replacement and in terms of non-compliance of past bookings). My regular communication within the Company about the reserves exposure included formal submissions and presentations to the Committee of Managing Directors ("CMD"), additional discussions and correspondence with my CMD colleagues, and informal discussions about the various issues within E&P with members of the Supervisory Board of Royal Dutch. As the magnitude of the reserves exposure became apparent in late 2003, I led the charge to communicate the issues fully within the Company and lent my full cooperation and support to Project Rockford. I persisted in my calls for full and prompt disclosure to the Conference and the public despite efforts by the Chairman and the CFO to delay and limit disclosure.

Efforts to Examine The Reserves Issue

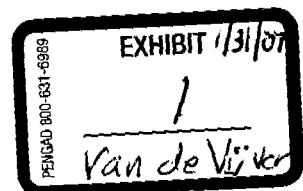
Let me first describe to you the context and background from which the reserve issues arose and provide the details of my continued efforts to inform and update my superiors, including the Chairman.

Soon after coming to office as head of E&P in June 2001, I observed that the health of the E&P business was not as robust as the Company-determined performance targets set under the former E&P CEO. In fact, E&P was in a far worse state in mid 2001 than was ever portrayed by my predecessor to senior management or the Conference. My predecessor was rewarded with the chairmanship of the Company, presumably at least in part linked to the healthy state of the E&P business. My predecessor did not leave me any files or information, aside from some materials related to year 2000 close-out of business and staff appraisals.

There was a whole range of issues that emerged during my initial due diligence period in E&P that all required my urgent attention, ranging from optimistic plans to poor portfolio choices, to significant issues in Oman and Nigeria, to an ineffective organisation. The first manifestation of the poor health of the E&P business was the downgrade in the Company's

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production growth target from 5% per year to 3% per year. Work began, at my direction, in the fall of 2001 to identify and understand all the potential problems in E&P.

By closeout of 2001 reserves in February 2002, we had identified a number of exposures regarding the Company's proved reserves (both outlook and historical exposures) and we advised CMD. In mid 2002, E&P initiated the centrally driven Global Hydrocarbon Resource Base Review as part of E&P's Technical and Operational Excellence ("T&OE") initiative and created the Exposures Catalog to create more transparency around the Company's reserve base. In Q4 2002, E&P began to try to get a sense of the potential problems in Nigeria and Oman. I instructed the E&P regional directors to start looking at the reserves calculation issue from the bottom up to determine what was really happening. At the end of 2002, E&P instructed outside counsel (Cravath) to perform a formal license review with respect to the Company's Nigerian properties. It was through my efforts to understand what was happening in Oman and Nigeria that I first became aware, in late 2002, of exposures on our booked proved reserves side in mature areas (rather than those in frontier areas/projects). As planned, reserve audits on Oman and Nigeria were carried out in the second half of 2003. During Q3 2003, a major overhaul of the control framework on reserves management was completed and this was shared with CMD in August 2003 (and the Group Audit Committee in October 2003).

Then, in Fall 2003, the Group Reserves Auditor reported on the Nigerian reserves, issuing an unacceptable rating. "It was found that SPDC's annual proved oil reserves submissions during the years 1999-2002 have been 'managed' as a total sum only, without taking heed of the underlying individual field estimates." The auditor stated that he expected to have a "good overview" of the maturity of the project by the end of the year 2003. Finally, in November, 2003, the Group Reserve Auditor filed his Oman audit report, issuing an unacceptable rating. Both audits were significantly enhanced in terms of quality by the (central) E&P initiated bottom-up reviews that were ongoing at the time of the audits. At the end of December 2003, E&P began looking at other areas to determine if there were similar problems elsewhere.

My Communications Throughout the Process To CMD and Others

My efforts to examine the reserve legacy issues and determine the scope of the problem were not conducted in secret. As I have described above, I diligently kept the CMD chairman and others informed throughout this entire process. Let me now give you the details of my communications about these issues. First, E&P reported on the reserves issues and exposures regularly to CMD as part of quarterly results and the yearly planning cycle. Second, in February 2002, in connection with the closeout of the 2001 reserve report, the CMD was advised of the various exposures regarding the Company's proved reserves (both outlook and historical exposures).

Then, in July 2002, with my approval, E&P submitted to CMD a catalog of reserves-related exposures (the "Exposures Catalog"). This CMD note (like subsequent CMD notes described below) was a comprehensive document that covered both exposures and potential forward reserves opportunities to offset these exposures and to increase future reserves replacement, including license extensions, new waterflood activity, and overall T&OE activities. In its July 2002 meeting, the CMD discussed reserves booking in light of tightening SEC requirements. It was also recognized that some booking practices had been too aggressive in the past.

As part of the closeout of 2002 reserves, E&P flagged issues to the CMD related to reserves. The Company believed it was materially compliant in the aggregate in its reserves classifications. There was also an understanding that the inclusion of gas fuel and flare would provide an opportunity to mitigate any non-compliance on other assets. The extent of the Nigeria and Oman reserves issues was not yet known.

In July 2003, E&P, again at my direction and with my approval, submitted to CMD an updated Exposures Catalog and a Note for Discussion, this time specifically advising the CMD that up to 220 million bbl of oil reserves would potentially need to be debooked in 2003 in Nigeria and that reviews of Nigeria and Oman reserves were in progress. The CMD was also informed that Gorgon remained the largest single potential exposure (560 million boe).

In November 2003, I informed CMD about the unacceptable results of the Nigeria and Oman audits. E&P was still trying to assess the extent of the potential problem, which for the first time began to appear potentially material. In December 2003, I prepared a detailed report for submission to the CMD, in which I specifically advised the CMD that a combination of recent audit report findings and the gradual application of tighter internal E&P guidelines reflecting a stricter interpretation of the SEC rules on reserves booking suggested that E&P was overstating proved reserve volumes by some 2.1 to 3.6 bln boe. However, before I could submit my CMD note, the Chairman, CFO and others reviewed and edited the note. They apparently were concerned about the conclusive nature of the note. During the editing process, and in the related discussions into early February 2004, I continued to push for maximum transparency to give our stakeholders full disclosure on the past-bookings (including with respect to regions, countries, timing, volumes, and probable reserves impact). My efforts to effect full disclosure were continually challenged, even up until the day before the analysts presentations in early February 2004. Any suggestion that I advocated less than full disclosure (e.g., as suggested in the *International Herald Tribune* on March 19) is totally wrong and misinformed.

Throughout this entire process, my attempts to bring the reserve issues to management's attention were met with resistance. The atmosphere between myself and the Chairman became gradually more tense as I identified issues in E&P. He started to claim that E&P was now under my watch. The Chairman tightly controlled what information went to the Conference until his very last day in office. This obviously increased my frustration level in trying to move forward with the reserves issues and to focus on the future of the Company.

Notwithstanding the lack of encouragement and support from the Chairman and the CFO, I was determined to get to the bottom of the understanding of our reserves base, as I already described above, but my efforts took time. For example, it took longer than anticipated to get the bottom-up reviews in Oman and Nigeria. The initial results regarding the audits in Nigeria and Oman described above appeared in October and November 2003. My concerns grew at that time as the magnitude of the noncompliant booked reserves was beyond what I expected it to be. I spoke with the CFO and others about the reserves exposure on numerous occasions. When the results of the Oman and Nigeria studies came out in late 2003, I made the decision to prepare a note to CMD.

The bottom line is that it was clear to me by early December 2003 that we had an external disclosure issue and that we needed to restate our prior year 20-F supplemental information

on reserves. After some further delaying tactics by the Chairman and CFO, the issue came firmly on the table at the CMD meeting on December 8, 2003. The work, even then, was not complete. Based on the outcome of the Oman and Nigeria studies, we triggered a global portfolio review which ultimately led to the 3.9 billion boe recategorisation.

It is the responsibility and role of the Chairman and/or the CFO to alert the Group Audit Committee to business control weaknesses or external reporting issues. Because the unspoken rule within the Company is that you are not supposed to go directly to individual Board members or to the Group Audit Committee, I had to rely on the Chairman and the CFO to advise the GAC and assumed that happened in early December.

The Company's Review By Outside Counsel and My Forced Resignation

When the Company began its internal review of these issues in February 2004, following the Company's public announcement of the recategorisation, I cooperated fully with the outside lawyers hired by the audit committee. Davis Polk interviewed me at length on two occasions and advised me that my assistance was crucial to their efforts. At no time during those interviews did the attorneys say that they had any concerns that I had engaged in wrongdoing or had mishandled anything. In fact, Davis Polk told me that their review of the facts and circumstances showed that I had discovered the reserves exposure and had been diligent about communicating about it internally.

Notwithstanding my many efforts to examine the reserves issue I had inherited from my predecessor at E&P, my efforts to determine its scope, my efforts to continually inform the CMD and others throughout the process, and my cooperation in the internal review in 2004, on March 3, 2004, without warning, the Board asked me to decide between suspension and acquiescing to its "request" for resignation, thus essentially forcing me to resign from my executive and board positions. I still have not been informed about the basis for the Board's finding of no confidence. Although I was made aware in early February that some of my e-mails (see below) had been taken out of context and thus were receiving significant attention, by the time of my interview with Davis Polk in late February, their focus had shifted to the historical events that led to the overbookings and the overall process that led to the recategorization announcement of January 9, 2004. I am still confused as to why so much attention early in the internal inquiries was focused on my colorful language rather than my role in identifying, mitigating and disclosing the reserves exposure. As you may know, Debevoise was scheduled to make a presentation to the Board on the afternoon of March 3, 2004 regarding the findings of its investigation as presented to the SEC. I understand that the Debevoise findings and presentation to the SEC were very supportive and complimentary of my efforts in connection with the reserves matter. Had the Board had the benefit of the Debevoise presentation, I believe that there could not have been a basis for a finding of no confidence in me.

Some of My Communications Have Been Presented Out Of Context

It is my understanding that the Board's decision to ask for my resignation was based on a report to the audit committee by Davis Polk that contained many facts about me that were taken completely out of context. However, I have not seen a copy of that report and my requests for a copy have been refused. In essence, their report presented a number of memos or emails I had written during 2002 and 2003 about the reserve issues without providing the context I have described above.

If they had provided the entire context, it would have been clear to the Board, as I hope it is now clear to you, that my only intention throughout 2002 and 2003 was to get the CMD and others to accept the reality that the reserves were overbooked and – once my colleagues at E&P and I could finish gathering all of the details about the reserves at various projects like Nigeria and Oman – the reserves might have to be recategorized or debooked.

For instance, in an email dated November 9, 2003 to the Chairman, I wrote that I was “becoming sick and tired about lying about the extent of our reserves issues and the downward revisions that need to be done because of far too aggressive/optimistic bookings in the past, aside from the embarrassment of having booked reserves prematurely.” I was not suggesting, and did not believe, that the Company had been intentionally misrepresenting its reserves. Rather, my comment was an outburst of frustration with the Chairman for what I perceived as a personal attack. I had been working hard on the reserves issue since 2002, leading the charge on evaluating, and communicating about, the potential problems and had taken care to be professional in sticking to the facts and not laying blame on the Chairman for the booking problems. However, in my 2003 mid-year review, the Chairman made what I perceived to be an insinuation that I was responsible for the LKH issue in the Gulf of Mexico. I strongly resented the suggestion, which was unfounded, as the LKH problems were totally unrelated to my tenure in the U.S. In forwarding information to the Chairman supporting my position, I vented my frustration with him.

Another example taken out of context relates to a draft report by the CFO for E&P. At the end of November 2003, I asked Frank Coopman to prepare a status report based on the then-existing non-final data. Upon receiving Coopman’s report in early December, I considered the report to be incomplete and prematurely conclusive, a view with which the Group CFO concurred, as indicated in an email she sent to me. Therefore, by an email dated December 2, 2003, I instructed Coopman to destroy the report. As clearly demonstrated by the remainder of the language in my email and by my prior and subsequent efforts and reports, I was in no way trying to conceal information about the reserves issue, but instead was simply trying to make sure the process was conducted responsibly and included all the technical facts before considering the accounting/disclosure issues. Indeed, nothing was concealed. The first part of the technical analysis had not yet been completed (and was not completed for first review until December 8, 2003).

Looking at these e-mails in isolation, I can see that they may create a wrong impression. However, everyone who knows me is all too familiar with my “rapid-aim-fire” direct, no-nonsense communication style, which is intended to show my passion for a subject without wanting to be taken seriously on the detailed text. In hindsight, I do realise that I should have been more cautious with the words I chose, but when placed in context they exhibit my frustration with trying to get to grips with the issues at hand and being amazed about how business had been done before my tenure at E&P.

Accomplishments at E&P

The numerous reserve issues at E&P were examined and addressed individually between late 2001 and early 2004, but they were not the only issues requiring my attention at the time. A wide variety of improvement areas were addressed during my tenure as E&P CEO. E&P saw many successful changes during that time, including:

- completion of the largest ever re-organisation in E&P, which would enable more direct ownership/accountability, increased standardization/sharing/speed/simplicity of the E&P operating model and would deliver significant internal synergy and costs benefits;
- implementation of changes to the E&P leadership team;
- agreement reached as to E&P's forward focus areas;
- changes to E&P's aspired portfolio and aspired investment;
- creation of E&P global projects and E&P global exploration;
- creation of the T&OE group (re-establishing functional excellence and technical competence);
- changes to the staff resourcing model to facilitate appropriate staff moves and competence development;
- changes to external business promises to make projects milestones/costs and production growth more realistic;
- "hobby projects" were either scaled down or de-manned;
- changes to integrated support activities to Oman and Nigeria;
- North Sea synergy was worked in earnest for the first time since 1994;
- successful new projects were launched and are still underway in Russia, West-Africa, the North Sea, and Kazakhstan; and
- building sustainable external relationships, crucial for future growth.

Regarding reserves issues, the focus during 2001 and most of 2002 was on the early bookings on projects that were only reaching FID in 2001/2002/2003 but had already been booked before the end of 2000, thereby creating a total disconnect between bookings and investment activity, and understandably raising my frustration level. During that time steps were taken to ensure that these premature bookings would not re-occur through various changes, including the tightening of the Shell guidelines. Additionally, a process was initiated starting in early 2002 to flag all issues on reserves to the CMD at least twice a year. The concern over reserves related not only to potentially non-compliant past bookings of reserves but future additions as well.

I hope it is clear to you, my friends and colleagues, that I have been honest, forthright, and professional in my service to the Company. Unfortunately, that part of the story has not been told and the press has therefore not reported it. The facts, as the records of the Company show and as I have explained to you here, overwhelmingly demonstrate that I inherited a serious legacy reserves issue, acted promptly and diligently to examine its scope, reported to

the CMD and others (including some members of the Supervisory Board of Royal Dutch) throughout the process, and encountered difficulty with the Chairman and CFO along the way.

Having been forced to resign in the midst of the immense pressure the Company is under due to the reserves issues, I have only my good name and reputation to preserve. I trust you will find this note helpful.

Respectfully,



Walter van de Vijver

Unknown

From: Van De Vijver, Walter SI-MGDWV
Sent: 29 December 2003 11:47
To: Darley, John J SIEP-EPT; Coopman, Frank F SIEP-EPF
Subject: FW: Revisions and restatements

Looks that we are more in hindsight mode no. 2!

-----Original Message-----

From: Morrison, Tim TDR SI-FC
Sent: 29 December 2003 11:42
To: Van De Vijver, Walter SI-MGDWV
Cc: Hess, Beat W SI-LG; Boynton, Judith G SI-MGDJB
Subject: RE: Revisions and restatements

I think the difference to be borne in mind is whether the information is new to the enterprise or not. There is an underlying assumption that information held by the enterprise is processed in a competent and timely fashion so as to enable correct financial or reserves reporting.

There are 2 kinds of hindsight -

1. that which looks back from a perspective that was simply not possible at the original time, which may genuinely create new knowledge about the reservoir's production & recovery capabilities; and
2. that which is actually a better analysis of information available at the time using techniques and knowledge that were also available at the time. The latter is no more than correction of error and leads to restatement of the originally disclosed information.

The first kind of hindsight requires an appropriate control framework to have been operating effectively. The second type may well arise when processes have not operated as designed. There is not much difference between information we did know and information we should have known (because it was available at the time).

The RRR is simply an outcome. It is what it is.

A very negative RRR driven by revisions would imply a very high flow of new information in the period.

Restating prior periods for error takes the negative adjustment out of the current period RRR. It pushes the RRR impact back to an earlier period, of course, either in the form of a revision in the year in which the change should originally have been made or a correction to the bookings in the year the booking was originally made if the original booking was erroneous. (Points 7 & 8 below).

Whether we actually have to recalculate all prior tables (either initially or subsequently) is a matter for discussion as you will see from the draft note to GAC/Conference.

The view set out in the draft note is that on 1/1/03 the company had good faith reasons for considering the aggregate 1/1/03 proved reserves number disclosed in the Form 20F to be materially compliant with SEC guidelines.

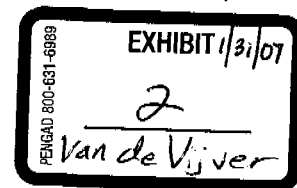
Tim Morrison
Group Controller
 Shell International Ltd
 Shell Centre, London SE1 7NA

Tel: +44(0)20 7934 5456
 Email: tim.morrison@shell.com

-----Original Message-----

From: Van De Vijver, Walter SI-MGDWV
Sent: 28 December 2003 20:04
To: Morrison, Tim TDR SI-FC

1



Cc: Hess, Beat W SI-LG; Boynton, Judith G SI-MGDJB
Subject: RE: Revisions and restatements

Tim,

Many thanks.

What about the materiality test when taking the possible argument a bit further:

Assuming that all revisions can be argued to be based on new learning in 2003 (which automatically may imply to be errors in the past with the benefit of hindsight!) or new developments in 2003, can annual changes indeed lead to a RRR of minus 1500 MMboe for 2003 ie minus 100 % without the need for prior years recreation of what the reserves should have been based on benefit of hindsight? This with the background that we consider our 1/1/03 story on balance valid/SEC compliant?
 Walter

-----Original Message-----

From: Morrison, Tim TDR SI-FC
Sent: 28 December 2003 19:46
To: Van De Vijver, Walter SI-MGDWV
Cc: Hess, Beat W SI-LG; Boynton, Judith G SI-MGDJB
Subject: Revisions and restatements

Walter,

Judy said you would like a few bullet points on determining when a change is a revision and when a restatement. What follows is work in progress and not necessarily determinative of what will be applied to the changes under review. This will be covered in the final paper to GAC/Conference.

1. Revisions and reclassification are one category of annual changes to reserves permitted under FAS69. Others are purchases and sales, improved recovery and extensions & discoveries.
2. Revisions are revisions of previous estimates based on new information such as development drilling, production history or a change in economic factors. The concept is to match changes in the reserves balances to real changes during the period.
3. A change caused by an error in calculation, failure to use available data or a misapplication of rules is an error requiring a restatement, not a revision.
4. General accounting guidance on the correction of errors requires restatement of the affected year(s) if the error is material.
5. If the error does not relate to a prior year, it means that one of the change category lines needs to be adjusted. If it affects an earlier period then opening and closing balances both change.
6. Whether or not published tables for all affected years all need to be changed is a separate issue. Only the most recent such publication may need adjusting.
7. If a change, which would have been a revision in a year in the year it arose, is made late, it will become a restatement in that later year. (In such a case it would appear as a revision in the restated table for the year in which it should have been made). This is particularly relevant for reserves which started out compliant but became non compliant some time before 2003.
8. A restatement which reverses a booking which should never have been made will show up in the year in which the booking was made as a lower level of addition to reserves (in whichever line of the table the relevant reserves appeared).
9. While restatements which are not material are normally included in revisions, once a restatement is being made for a period, all errors requiring adjustment would be expected to be included in the restatement. Thus even an amount which, taken on its own might have been included in revisions, will be included in the restatement.

The following wording comes from the draft Appendix to the GAC Note which Beat Hess has produced:

"Changes in Reserve Estimates

Annual Changes. Under FAS 69, issuers are required to disclose annually certain changes in reserve estimates that, generally, result from new information or new developments during the year. The specific categories are set out in Annex C and include (i) revisions of previous estimates based on new information, such as development drilling, production history or a change in economic factors, (ii) purchases and sales of minerals in place, (iii) extensions and discoveries from new drilling and (iv) production.

Corrections of "Errors". FAS 69 does not provide a basis for making other changes to proved reserves, such as those based on a mathematical error or a change to reflect a correction of the application of accounting or SEC rules. However, APB 20 provides guidance on this question in the context of financial statements prepared under GAAP and we believe that the SEC would likely apply those principles to information required by an accounting rule such as FAS 69. Under APB 20, all revisions that are not based on new information or new developments are treated as "errors". They include (i) mathematical mistakes, (ii) mistakes in the choice or application of accounting principles or (iii) an oversight or misuse of facts that existed at the time the information was prepared.

Where the correction of one or more errors is not material to (i) the current period, (ii) current trends and (iii) the prior period in which the error occurred, it generally may be reflected in the current period. In other cases, it would be reflected as a restatement of the information for the period in which the error occurred."

We have also been working on a succinct specification of restatement to deal in a practical way with the issue of changing SEC guidelines and the distinction between raw data and analysed information. The current version is:

"The following brief guideline is to assist with the classification of the items under consideration for adjustment in the current exercise and to provide guidance for any future such changes.

An error potentially requiring restatement arises where there is a difference between the proved reserves actually reported and the number which would have resulted if the SEC rules and guidance, as publicly available at the time the report was finalised, had been correctly applied to the economic and physical information known and understood at the time of the report.

'Known and understood information' means the information held within the company which has been subject to timely and proper analysis, within an appropriate system of procedures and reporting controls, so as to permit an authoritative judgement to have been made about the quantity of the reserves to be categorised as proved.

If information on which previous analysis has been based proves to have been manifestly incorrect or the analysis is manifestly flawed, then an error potentially requiring a restatement is likely to have arisen. A judgement about future events which is reasonable at the time when made but is not borne out by events is not an error for this purpose.

[The word manifestly is designed to avoid endless discussion on marginal cases e.g. whether a piece of new analysis is simply the application of better technology/science to create new facts or the rework of an old piece of analysis to correct flaws in it. Delete from final version]

If the error is material, either individually or when aggregated with other errors, then a restatement is made. SEC guidance on materiality should be observed. The restatement is the amount of the difference

specified in para 2."

Hope this is helpful to your thought processes.

Tim Morrison
Group Controller
Shell International Ltd
Shell Centre, London SE1 7NA

Tel: +44(0)20 7934 5456
Email: tim.morrison@shell.com

Incoming mail is certified Virus Free.
Checked by AVG anti-virus system (<http://www.grisoft.com>).
Version: 6.0.567 / Virus Database: 358 - Release Date: 24/01/2004

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100214396: First meeting with Walter

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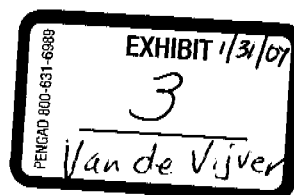
From: Bell, John J SIEP-EPB-P
To: Brass, Lorin; Leonard, Mark; Mair, Jim; Wood, Andy; Claessen, Fons; Leijten, Serge; Lismont, Bart; McKay, Aidan; Nauta, Jaap
CC:
BCC:
Sent Date: 2001-05-08 14:58:27.000
Received Date: 2001-05-08 14:58:27.000
Subject: First meeting with Walter
Attachments:

Gents,

A quick summary of our (Mark, Serge, Aidan, Fons, Lorin, John) meeting with Walter :

We spent from 1315 through to 1515 with Walter. We covered Lorin's introduction and deepened out the issues with the EPB-P team. Key points of comment/discussion;

- he quickly appreciated the production challenge and its many dimensions.
- he asked why are we where we are ? Our answer was four parts : exploration performance, growing new OUs has been problematic, projects are slow, opportunities have been focussed in core OUs big 8. He noted this but hung up the conversation mid sentence.
- he picked up on the aggressive targets for production in BP00, commenting particularly about the significant early contribution from strategic options. This suggests a much more vigorous /rigorous challenge may come from him/ExCom on this years plan.
- he implicitly questioned the deliverability of the current plan and there was an inference that he saw the plan as an "EPB plan" rather than recognising EP ExCom ownership
- he asked questions around exploration's contribution to our project portfolio (Andy, he is looking to see an overall project/prospect portfolio). He also expressed a pretty strong view that exploration should be treated as a separate segment in our business segmentation, given how vital it is to the business
- he showed concern at the trends around reserves replacement.
- he showed some concerns at our lack of focus (illustrated by the chart showing 90% of our NIAT comes from 10 countries and the remaining 10% from 30 others!). The prioritisation message seemed to strike a chord.
- I believe he sees the gap around our EP objective/goal and hopefully will take the opportunity to set out his vision
- he showed keen interest in the cost promise and our current projected undershoot on opex.



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100214396: First meeting with Walter

Page 2 of 2

My feeling was that he recognises a need to prepare for "spinning the problem away" at the right moment (December analyst briefing ?) and would be prepared for a "3 month hit" on our reputation/stock price (a la BP and their climb down on production targets).

- he was somewhat lukewarm on the benefits of segmentation but sympathetic to the move of PSVs and the difficulties of moving away from \$ 14/bbl this year.

Overall, he listened well and kept his commentary generally to facts and questions on facts - relatively few opinions given. My biggest take away was his view (almost the first thing he said) of the (lack of) realism in the current plan. Also some hint from his "grunts & sighs" that he gave a slight sense of being boxed in by i) cost promise, ii) production promise iii) current high oil prices. iv) Group Needs - who said it was an easy job?

Suggest we do not circulate these notes further.

John

Confidential

Unknown

From: Van der Veer, Jeroen J SI-MGDJV
Sent: 25 June 2001 09:19
To: Van De Vijver, Walter SI-EP-CEO
Cc: Watts, Phil B SI-MGDPW
Subject: RE: Visit to PDO

Walter,
- thanks for this additional info about these important aspects
- huge task for us!

Kind regards,
Jeroen van der Veer

-----Original Message-----

From: Van De Vijver, Walter SI-EP-CEO
Sent: 22 June 2001 11:01
To: Watts, Phil B SI-MGDPW; Van der Veer, Jeroen J SI-MGDJV
Subject: FW: Visit to PDO

fyi, the overall health of the company was below my expectation.
Regards,
Walter

-----Original Message-----

From: Middendorp, Ellen M SI-MGDPW On Behalf Of Van De Vijver, Walter SI-EP-CEO
Sent: 21 June 2001 17:22
To: Megat, Zaharuddin Z SEPI-EPM
Cc: Sprague, Bob RM SI-SEPI-EPN; Warren, Tim T SEPI-EPA; Dubnicki, Carol C SIEP-EP-HR; Brass, Lorin LL SIEP-EPB; Darley, John J SIEP-EPT; Rothermund, Heinz HC SEPI-EPG; Gardy, Dominique D SIEP-EPF; Cook, Linda LZ SIG-GP
Subject: Visit to PDO

Dear All,

I visited PDO on 16/17 June as part of my familiarisation with the large OU's.

The programme covered brief presentation by various staff. Meeting young high potential expat and Omani staff and a visit to the Ministry of Oil & Gas (MOG). Having worked there from 1987-1991 the company still looked very familiar!

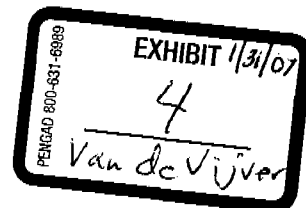
Below are some observations from my visit focussing on:

- 1) Company 'health'
- 2) Omanisation
- 3) Future growth
- 4) Shell support

- 1) Company 'health'

Overall Shell's financial take from Oman has dramatically increased with the O LNG start-up and this directly translates in increased sensitivity/exposure in the country. Not meeting the production target from 1997-2000 and being behind the 850,000 b/d target year-to-date is an extremely sensitive issue for Shell's and MOG's reputation in the country.

There is a mixed bag of good and bad news in PDO but for me the



VIJVER 0057

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highlights
are:

positive

- progress in exploration (new gas reserves in Central Oman, carbonate stringers in South Oman),
- overall gas 'engine' (from exploration towards monetisation),
- T 50 initiative (studies to target 50% recovery factor).

worrying issues

- level of fatalities,
- Omanisation progress at senior levels,
- core business performance (production, drilling, unit costs, new opportunities),
- managing external relationships.

For many years infill drilling, tie-ins of small satellites and deferment management was the game to play in order to meet production targets with strict capital discipline of UTC. Given the maturity of this modus operandi the organisation needs to rise to a new level:

- new developments are more complex (Al-Noor, stringers, EOR, water flooding, tight gas reservoirs),
- more focus needed on total unit costs (incl. capex/exploration DDA) and other economic screening criteria (NPV/VIR) for programme optimisation,
- increased complexity of T 50 execution robustness and credibility,
- world class reservoir management will be key to success.

The company is slowly coming to grips with this whilst at the same time the government (as 60% majority shareholder in PDO) is demanding increased engagement and transparency around PDO's activities and plans. Perceived or real underdelivery (not meeting cost and production targets, downward pressure on growth promises, Al-Noor reality versus initial hype, etc) will not help this situation.

At the same time the company is driving hard to implement SAP, an important activity to modernize the company and to allow for the next level of productivity improvement.

2) Omanisation

There was basically no change in visibility/profile of Omani staff in the organisation from 10 years ago. Although there are plenty of 'excuses' around this, the reality is that we should feel extremely bad about this and that somehow we have to change the whole talent process (from recruitment, coaching/monitoring, developing/challenging, broadening to overall line accountability to make it happen). With the 100% Omanisation in 2007 not too far out anymore we need to get moving on what it will take, in terms of Group X-posting, regional exchanges and and resourcing for new growth opportunities, to get there also considering the license extension beyond 2012. I did see some high potential young Omani's, many of them confused about development prospects (what to aspire to and how to get there beyond 'generalities') and about X-posting opportunities.

3) Future growth

It is imperative that 2001 production is achieved given the 90/10 robustness context with contingent funding to get there. Looking ahead my impression is that the company is insufficiently prepared to tackle the future challenges.

In simple terms, the overall operation is more complex than 10 years ago and the available horsepower in PDO is less than 10 years ago. This needs to be addressed:

- gap at senior level (SG 2 and above) to provide internal check and balance and to provide direction and urgency for action.

- under-resourcing in petroleum engineering and in well engineering (number and quality), plus possibly in operations/engineering (execution and translating concepts into integrated solutions)

Execution of sophisticated waterfloods in Lekhwair, thermal projects in Qarn Alam and Mukhaizna and miscible gas injection in the Harweel carbonate stringer cluster is a major undertaking!

Without these projects, however, PDO will not be able to grow beyond 850,000 b/d.

4) Shell Support

We need to assist PDO with the above challenges and as a result support Shell's leading presence in the country for a prolonged period.

Good progress is and has been made on some issues:

- working the Omani government relationship and listening to their needs,
- addressing the morale in the organisation (aided by recent remuneration change),
- realisation of drilling performance stortcomins and T 50 focus,
- sustainable development drive.

One disappointing background issue has been the very visible struggle that expat staff had in securing new positions (Zylker, Van Alkemade, Willekes, Naylor, West) which also created anxiety with the young staff ('who cares?', 'PDO the right company to work in?').

Irrespective of the 'level playing field' of open resourcing, the 'system' should be managed. I would suggest that a review is carried out soonest by PDO and EPT/EPM/HR to adequately resource the company (internally as well as through global practices and STEP/SEPTAR) for the future.

Walter

P.S. (I am sure that some of the comments are not unique to PDO, whilst I also recognise that I do not adequately recognise the level of support provided to date nor will the above be totally new or original. The bottomline is

that many of our old giant and flexible assets are becoming really old and tired (Yibal, Brent, etc..) and more difficult to optimise!).

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Checked by AVG anti-virus system (<http://www.grisoft.com>).

Version: 6.0.567 / Virus Database: 358 - Release Date: 24/01/2004

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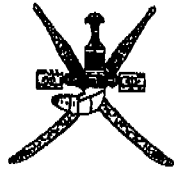
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Sultanate of Oman
Ministry of Oil & Gas
Muscat



مكتب الوزير
 Minister's Office

سلطنة عُمان
 وزارة النفط والغاز
 مسقط

Copy Crocher/mogal/man

URGENT

It is a pity that he
 wrote this letter.
 Please recommend the
 appropriate response
 (written/oral).

Thamir Walth

No : 4/14/2397/2001
 Date : 09-10-2001

Mr. Walter van de Vijver
 Group Managing Director
 Royal Dutch / Shell Group of Companies
 CEO Exploration & Production.

After Compliments,

Thank you very much for your letter of 1st October 2001. On behalf of the government I thank you for the attention given to our problem of production as was discussed during our meetings.

There were a number of issues that were mentioned that many of us believe are responsible to the sudden and unexpected decline in PDO black oil production. I think it is appropriate to record some of our concern while allowing PDO management to come up with a comprehensive "recovery plan". Many of us strongly believe that the following factors are either responsible or contributed to the production "crisis". These include, but not limited, to the following factors: -

- 1) The Asset management Style.
- 2) Reserve booking methodology
- 3) Score Card
- 4) Contracts and Contracting Management.
- 5) Human Resource Management.

Some of the above factors are some-what inter-connected, for example reserve booking vs. scorecard.

Reference to your letter, therefore, I am concerned that you are still putting a lot of emphasis on reserve booking and score card: the very factors that many of us blame for the current crisis.

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EXHIBIT 1/31/07

5

Van de Vijver

PENGAD 800-631-6089

Sultanate of Oman
Ministry of Oil & Gas
Muscat



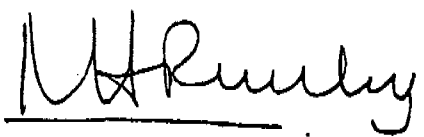
سُلْطَانَةُ عُومَانِ
وَزَارَةُ النِّفْطِ وَالْخِزَانَةِ
مَسْفُوط

If the emphasis of 815 kbpd is a realistic production (in PDO's view) then the government agree. However if the focus is on the score card; then we would like to revisit the whole issue of scorecard. Similarly on reserve booking. While we appreciate and thank you for making a pre-payment of 30 M\$ against future de-booking of reserve, MOG will scrutinize strictly the 2001 reserve bookings (old oil) that do not contain a comprehensive development and exploitation programs.

I will therefore like to discuss further these two issues in order to avoid any negative impact/influence they may have towards our goal for recovery. I will further discuss our thoughts with Steve and John Crocker.

Once again we thank you for visiting us in Oman and hope to see you here soon.

Best regards,


Dr. Mohammed bin Hamad Al Rumhy
Minister of Oil and Gas.



CC: H.E. Ahmed A. Macki
Minister of National Economy & Deputy Chairman
Of Financial Affairs & Energy Resources Council.

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HAG00120099

Shell International B.V.



copy Muzul Mark

H.E. Ahmed bin Abdul Nabi Macki,
Minister of Finance and National Economy
Muscat
Sultanate of Oman

H.E. Dr Mohammed bin Hamad Al-Rumhy
Minister of Oil & Gas
Muscat
Sultanate of Oman

1st October 2001

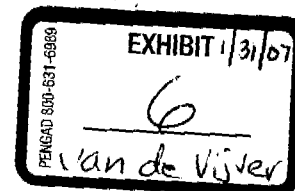
Your Excellencies,

After compliments,

I wanted to write without delay to confirm my understanding of the issues we discussed during my recent visit, and to outline the approach I intend to take with respect to supporting and ensuring the rapid turn around of the currently poor performance of PDO.

To start with the latter, it was a great surprise and unpleasant shock to me personally to find that the PDO company which I had served with pride 10 years ago is today facing such difficulties. The company's world-leading reputation was earned over many years of professional excellence, and I hate to see it called into question by recurrent failures to deliver and by unexpected shortfalls. I can well understand the depth of frustration which this recent unpredictability has caused for those planning Government expenditure.

Now that the management of PDO have come to see and understand the problems more clearly, they have started the task of restoring the integrity and accountability of the business processes in the company. We will work closely with them to monitor the progress of these efforts, and will stand by to provide additional resources where required. I will personally expect to receive regular reports from Steve and Abdulla, as well as from John Crocker, so that I can be reassured things are moving in the right direction.



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Amongst other elements, this process will require them to strip away over-optimism and extrapolations based on past-performance, and replace them with more rigorous analysis. It will also require a more comprehensive and coherent approach to the acquisition and interpretation of reservoir data. We should expect costs to rise in future, as PDO has to manage the challenges of producing more difficult oil, but this should happen on a planned basis, where risks are fully assessed (and mitigated where possible) and opportunities optimized. At the moment, the uncertainty ranges are all too wide. The management have to get to a point where all shareholders can be confident that the annual targets will be achieved, and at the same time long-term sustainability assured. In particular, we will expect them to demonstrate that they have followed a rigorous process for the maturation of reserves for production later in the programme.

Notwithstanding all the concerns I have expressed, both above and directly to PDO management, I believe we need a balanced approach. If we treat PDO as if it is incapable of top quality performance, this might lead to further deterioration of morale and a downward spiral. I firmly believe there are many excellent things going on in PDO, and that with strong leadership and the right support from Shell and Government all the current problems can be overcome. I have asked John Crocker to maintain very close contact with Your Excellencies and your respective officials to ensure that there is regular checking of alignment between us on how the challenges should be tackled.

I come now to the detail of our discussion. On the basis of the presentations I received in PDO, the current best estimate of production for 2002 is 815 kb/d on a capex budget of \$975 mln. I am not, however, prepared to give up at this stage on the previously stated target of 830 kb/d, as I believe there may be upside opportunities through the study work to be done in Shell and progressive resolution of the various current uncertainties, improvements in operational reliability and performance as well as the business improvement initiatives already under way in PDO. As we discussed, I would recommend that the situation be reviewed at the March Board, and only then a decision taken as to whether some further adjustment of the production target is needed. In order to have the right balance of incentives, I would recommend that PDO's scorecard be approved on the basis of 815 kb/d in 2002 representing 'Threshold', with 830 kb/d being 'Above Target'.

As mentioned in our meeting, I have reviewed the position with respect to the possible de-booking of reserves in Haima West and Yibal. From my perspective, the top priority is to ensure the integrity of the process. While there is an element in the reward structure by which the Private Shareholders receive money from the Government for bookings, it is absolutely critical for our integrity that the process is professionally followed without distortion.

The conclusion I draw from what I saw is that the original reserve bookings were reasonable on the basis of the best information available at the time, but that it is now clear there will be some de-booking at the conclusion of the present studies. Taking into account the wider circumstances, I agree it would be appropriate to make a pre-payment of \$30 mln in respect of probable de-bookings. When the studies are complete, this figure should be netted off against the first actual de-bookings from each field. I understand from my briefings that the current expectation for this year is that there will be a net booking of around 35 mln bbls of New Oil and 300 to 350 mln bbls of Old Oil. We agreed that the \$30 mln would be subtracted from the actual reserves additions bonus due to the PSH after completion of the proper process.

I also committed to prioritise Shell resources in order to deliver enhanced support to PDO, partly through teams based in the Netherlands and partly through selective strengthening of the staff in PDO. Clearly, we need to get these staff into PDO as soon as possible so that they can start to contribute, following due process but without any delay. In order to support this strengthening, I would like to ensure that the terms for expatriate Shell staff in Oman are at least as good as for those working in other countries, and hope we may count on the Government's support in preventing a gap opening up again in future. I was also grateful for your reassurance that we would be free to focus entirely on our support to PDO's efforts, without the complication of trying to evaluate and pursue alternative approaches to the management of PDO's fields. I recognize that you need to see positive signs that the efforts are bearing fruit, and that it would be necessary to consider other approaches if they did not.

I close by thanking Your Excellencies for the time you made available for our discussions. I hope to have better news and see a brighter outlook when I next visit.



Walter van de Vijver
Group Managing Director
Royal Dutch/Shell Group of Companies
CEO Exploration & Production

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Unknown

From: Ewart, Pauline M SI-MGDPW on behalf of Watts, Phil B SI-MGDPW
Sent: 22 August 2001 12:07
To: Van De Vijver, Walter SI-MGDWV
Subject: RE: Production
Sensitivity: Confidential

Walter,

You will have to put your Group hat on and ask whether the hard 2% is better than saying 2 - 3% (which includes 2) for the sake of not having to precipitate a change that could be very damaging for the Group.

Phil Watts

-----Original Message-----

From: Van De Vijver, Walter SI-MGDWV
Sent: 22 August 2001 11:19
To: Watts, Phil B SI-MGDPW
Subject: RE: Production
Sensitivity: Confidential

Phil,

Thanks for the additional input.

We have again the great risk for wishful thinking and for creating a rod for our own back going forward. There is no way that I can get back to the 5 % growth even in a 100 % success case with the various big ticket items (Brasil, FLNG, Sakhalin, etc) also as they will come post 2005.

The outlook is basically flat for the nearterm window (2001-2004) when considering the basic base portfolio activities plus the committed projects (post FID), but starts declining again from 2005 onwards. With the addition of expected projects

(PoS of 1) we will get to aai of 2 % (not 3%). This includes Brasil, Angola block 18, Ehra, Holstein, Bonga SW, Kashagan, Sakhalin

(i.e FID expected before end 2003). We only get to some 3 % with future discoveries and strategic options (from Bangestan, Salym, Saudi, Kudu FLNG/Sunrise FLNG, etc to the various "hoped for " entries in Libya and Caspian.) All this using the same numbers that I shared on monday.

We can obviously "over-engineer" all of this and we need to find the external story that can not be translated into technical

incompetence (e.g. business environment related and capital discipline related).

Interesting to note is also that I believe that we are experiencing "pay-back time" for our past successes. Our successful DTL,

RIL and new technology application (e.g. completions, UBD) has accelerated production and is now leading to more rapid declines in our mature areas.

We desperately need an acquisition!

The "one summary slide" is being prepared.

Regards,
Walter

-----Original Message-----

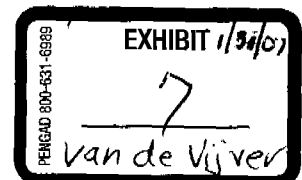
From: Ewart, Pauline M SI-MGDPW On Behalf Of Watts, Phil B SI-MGDPW
Sent: 22 August 2001 10:35
To: Van De Vijver, Walter SI-MGDWV
Subject: Production
Sensitivity: Confidential

Walter,

I had a chat with Steve Hodge yesterday using the two hand drawn charts we discussed on Monday. It was important for him to internalise the data and thinking framework before our discussion at CMD on 28/8. To cut a

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long story short his key observations were:

(1) The '02 disappointment

- though we have to be up front about this, it is important that this does not form the basis of an assessment of technical incompetence

(2) 2 or 3%

- there is a massive difference between saying 2 or 3%
- this is not versus 5% the previous 5% needs to be disaggregated so that there is continuity in the "bankable growth" and the extra strategic options
- "2 - 3%" as an expression gives a defensible comparison with Exxon. (We need to see the Exxon statement and how they presented it.)

(3) Recent Past

- He found this useful in two forms
 - (i) How did we do over the last 10 years?
 - (ii) How did we do versus the competition over the last 3 years (implicitly knocking the competition)?

This was only a discussion on the progress to date. I look forward to the CMD papers at the weekend.

Phil Watts

Chairman of the Committee of Managing Directors
Royal Dutch/Shell Group of Companies
Shell Centre London SE1 7NA
Tel: +44 (020) 7934 5556 Fax: +44 (020) 7934 5557
Internet: Phil.B.Watts@Sl.shell.com

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Version: 6.0.567 / Virus Database: 358 - Release Date: 24/01/2004

V00020051

DB 00816

Van De Vijver, Walter SI-MGDWV

From: Van De Vijver, Walter SI-MGDWV
Sent: 11 September 2001 00:01
To: Watts, Phil B SI-MGDPW
Subject: RE: Presentation

Sensitivity: Confidential

Phil,

Many thanks for your input. You will find that your comments will have been incorporated in the update that will be shown tomorrow.

The Q & A's are still evolving as well as the press release, also as they are linked to what we ultimately want to expose externally.

I have been struggling with my principles and integrity over the last couple of months whilst going through the due diligence of EP and

the new business plan as it came together.

There are several things that should really worry us:

- core business issues in places such as Exploration, PDO, Expro and Australia
- value erosion in our base businesses and optimism in strategic option delivery
- lack of ownership and accountability topdown in EP
- portfolio shift to more low return/high risk businesses
- increased competition, also wrt to growth targets and wrt earning a P/E premium

- no oil to gas shift

I do not even want to think what it would be without global capital allocation processes etc that you put in place!

We can continue reconciling last year's plan with this year's plan but need to get some reality in it all:

- GISCO is a real problem in its renegotiated form (irrespective of the whole issue of production translation of a financial deal)
- 2002 gap is dominated by Saudi, GISCO, Fletcher divestment and Expro but we can explain it by including Woodside
- 2005 gap becomes meaningless if we try to do it in too much detail as we do not have like for like comparisons. For instance, we thought we had a gap in US but when looking at it more closely the gap consists of:
 - no support for onshore exploration/acquisition option (so that is now gone as a strategic option)
 - Area numbers were incomplete so that gap (some 20,000 boe/d) is gone
 - Auger/Mars are now expected to decline faster due to 97-00 production above target and due to increasing Mars GOR

(plan was to get waterflood going this year but apparently still not approved by BP), that is what RTL can do for you! So bottomline is that the US underperformance in 03/04 is now only some 20,000 boe/d. Unfortunately gain has been offset by latest

Volume 2 submissions from other OU's

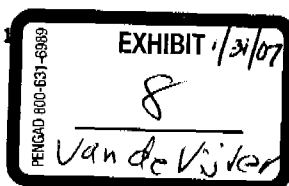
- We can give credible explanations for gaps (after looking through the various management adjustments) that will work externally.

Overall the OU submission for 2005 is very close to that of last year. The problem is with "new OU" project delivery and with strategic options/exploration follow-up.

We will show 2002 and 2005 gaps and external growth gaps tomorrow at CMD.

We will tell a confident story to the analysts. At EP Excom today there was significant discomfort with the 3 % growth target and with the 15 % ROACE promise. This is, as you know, because our current plan does not achieve these targets whilst you normally want to have some "headroom" between internal plans and external promises. I am going to succeed with EP but at CMD we will need to own the external commitment for EP against the back ground of today's realities. The external environment will help us to have some reasonably logic explanations for the shortfall in promise.

Regards,
Walter



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6. 2002 expected to be below 2002 promise and below 2001 LE (corrected and uncorrected for GINCO and Fletcher)
- UK operational performance
 - slippage in strategic projects
- (note external promise was 7% growth from 2001 to 2002)
7. drift of Business Plan issues:

- shortage of tangible/bankable projects when compared to BP/EM
- increased investment for base business
- no real switch from oil to gas
- overall value erosion
- (cost pressures, base declines, NBD costs)
- mature production areas on the increase (Gabon, Oman, UK, GOM incl. early DUL)
- reduced strategic option potential

8. of Business Plan: 2-3% growth rate

- need acquisitions for higher growth rates (assets and companies)
- reaction production flat (2001-2004/2005) with ongoing projects (post-FID) and "base" business activity
- 2% growth with pre-FID projects/^{plan} develop of existing discoveries / near field potential
- 3% growth based on "risky" success with strategic options and later exploration

post-2005

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Nigeria > doubles production from 2001 to 2005

- proved reserves replacement will be below

1 unless we maximize Sahelien Karamba
Kudu et.

10. Analyst statement

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9. Next steps

EXHIBIT

Van der Vijver

9

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Excom Meeting
4 February 2002
Note for Discussion
Proved Reserves Replacement 2001

Achievements

	Unit	Proved Reserves 1.1.2001	Proved Reserves 31.12.2001	Actual Production 2001	Proved RRR	HCC-RRR (excl. A&D)
Oil/NGL	mln m ³	1552	1506	129	65%	58%
Gas	mrd sm ³	1593	1580	93	86%	42%
Total BOE	bln boe	19.5	19.1	1.4	74%	52%
AOSP	bln boe	0.6	0.6	-	-	-

- ♦ The total barrel of oil equivalent proved hydrocarbon reserves replacement ratio (HC-RRR) in 2001 is 74%. (2000 69%). The three years average proved HC-RRR is 67% (2000 102%, excluding AOSP) and the three years average proved developed HC-RRR is 79% (down from 109% in 2000)
- ♦ The numbers above include a 6% contribution resulting from the Sakhalin consolidation.
- ♦ For 2001 the target RRR in the EP scorecard was 79% excluding A&D, or an addition of 1120 mln boe at target production. The actual addition was 710 mln boe, or 52% RRR at actual production, well below the scorecard target (range 50-110%). Performance by Region (DRAFT) is as follows:

	EPN	EPA	EPM	EPG	Options	
Target (excl A&D)	511	228	101	156	123	1120
Actual (excl A&D)	519	111	6	74	0	710
Delta	8	-117	-95	-82	-123	-409
A&D	47	295	-20	-15	0	307
Actual (incl A&D)	566	407	-14	59	0	1018

- ♦ The Options Proved Reserves target for 2001 consisted of Salym and NA Gas
- ♦ In EPN the negative revisions from Canada and Aera and the overall disappointing results from the UK were balanced by upward revisions in the Netherlands and Denmark and large first bookings in the USA
- ♦ In EPM results are suffering mainly from Gisco, Egypt (Obaiyed revised FDP) and PDO where new bookings are not likely to occur in the medium term.
- ♦ In EPA China (no booking in Changbei) and Brunei (legacy debookings) were outweighed by positive bookings in Malaysia and Woodside
- ♦ In EPG SNEPCO (Bonga SW) and Brazil (despite 6 discoveries) could not book reserves, only to be compensated by gas additions in SPDC and revisions in Venezuela

Issues

- SPDC, PDO and Abu Dhabi, representing 18% of EP's production, cannot book reserves for the foreseeable future as it is doubtful that the already booked reserves can be produced within the remaining license period. The reserves exposure in these OUs is over 1 bln bbls, and sensitive to OPEC constraint.
- Major new projects are very slow to book (particular gas related and MRH) and much of the 2002 RRR depends on it (Kudu, NLNG 4/5, Whale).

Attachment: External Auditors Report on end 2001 Proved Reserves

Excom Note 4-2-2002 Proved Res Repl 01.doc 1

31/01/02

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NOTE - 30 January 2002

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From: Anton A. Barendregt Group Reserves Auditor, SIEP EPB-GRA
 To: Lorin Brass Director, EP Business Development, SIEP EPB
 Copy: Walter van de Vijver EP Chief Executive Officer, SIEP
 Dominique Gardy Chief Finance Officer, SIEP EPF
 Excom Members SIEP EPA, EPB-X, EPG, EPM, EPN, EPT, EP-HR
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REVIEW OF GROUP END-2001 PROVED OIL AND GAS RESERVES SUMMARY PREPARATION

In accordance with prescribed US FASB accounting principles, SIEP staff have prepared a summary of Group equity proved and proved developed oil and gas reserves for the year 2001. The summary (Att. 3) forms part of the supplementary information that will be presented in the 2001 Group Annual Reports and has been prepared on the basis of information provided by Group and Associated companies. The submissions by these companies (excluding those by Shell Canada) are based on the procedures laid down in the Group 'Petroleum Resource Volumes Guidelines' which in turn are based on (but not identical to) the FASB definitions. Shell Canada's submissions are subject to their own procedures and reviews.

The end-2001 Group share Proved Reserves is summarised in the following table. The figures include the Canadian oil sands reserves (reportable as mining reserves) and the minority reserves in some consolidated companies (together 150 mln m3oe*).

Oil mln m3 Gas bln m3	1.1.2001 Proved Tot'l	2001 Prod'n	1.1.2002 Proved Tot'l	Repl.Ratio (RR) Tot'l	1.1.2001 Proved Dev'd	1.1.2002 Proved Dev'd	Rep. Ratio Dev'd
Oil+NGL	1646	129	1601	65%	711	689	83%
Gas	1593	93	1580	86%	737	729	91%
Total Oil Equivalent *	3189	219	3132	74%	1425	1394	86%

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

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

A first time booking for the Bonga SW field (SNEPCO Nigeria) was not accepted by EPB-P staff because the proposed volumes (21 mln m3oe) were technically not mature and did not fulfil present reserves guidelines. This view is fully supported. Further reserves additions in Angola block 18 (where marginal reserves were booked for the first time last year) were also disallowed by EPB-P because the project is economically still marginal, while gas disposal could become a show stopper. This view is also supported. Without any material change in this latter project, reserves may need to be de-booked next year.

Group reserves guidelines have been reviewed against industry practice during 1998 and this has resulted in a 200 mln m3oe increase in Group share Proved reserves in mature fields in recent years. However, recent clarifications of FASB reserves guidelines by the US Security and Exchange Commission (SEC) have shown that current Group reserves practice regarding the first-time booking of Proved reserves in new fields is in some cases too lenient. The Group guidelines should be reviewed. First time bookings should be aligned closer with SEC guidance and industry practice and they should be allowed only for firm projects with technical maturity and full economic viability.

The widespread use of reserves targets in score cards affecting variable pay is seen to affect the objectivity of staff in some OUs when proposing reserves additions. Reserves coordination staff in EPB-P have been alert to this and have successfully met the challenges with which they were faced. However, a shift in score card emphasis from reserves booking to successfully meeting project milestones is recommended.

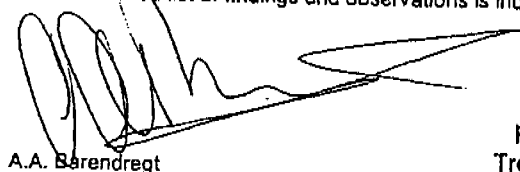
Awareness of Group and SEC reserves booking guidelines was seen to be less than desirable at senior levels in OUs and in support functions in the centre (RBDs, SDS, SEPTAR). This should be improved by issuing appropriate high level guideline summaries, organisation of workshops etc.

After some corrections, very good correspondence was obtained between annual production volumes as reported through the separate Finance (Ceres) and SIEP reserves systems. Both of these are reported (separately) in the Group annual report.

During 2001 I made Reserves Audit visits to a total of seven Group OUs. Audit opinions on these varied between 'satisfactory' and 'good'. As far as observed, most audit recommendations appear to have been followed in this year's submissions.

The overall finding from the audit visits and from the end-year review in SIEP is that the SIEP statements fairly represent the Group entitlements to Proved Reserves at the end of 2001. There is a possibility of a minor overstatement of Group Proved reserves in some fields where historically booked reserves are not fully in line with recent SEC guidance. However, this overstatement is likely to be offset by reserves in areas where current Proved reserves are probably too conservative (e.g. Brunei). The 2001 changes in the Proved Reserves can be fully reconciled from the individual OU submissions.

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



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Attachments 1-7

Attachment 1 Main Observations End-2001 Reserves
Attachment 2 Significant Reserves Changes
Attachment 3 Group Proved Reserves Summaries
Attachment 4 Production Reconciliation Ceres vs. Reserves Submissions
Attachment 5 Proved Reserves Maturity – by OU
Attachment 6 Main Observations 2001 Reserves Audits
Attachment 7 Reserves Audit Plan 2002

REVIEW OF GROUP END-2001 PROVED OIL AND GAS RESERVES SUMMARY PREPARATION

MAIN OBSERVATIONS

1. Reserves Summary

The 1.1.2002 Group share Proved Reserves can be summarised as follows:

Oil mln m3 Gas bln m3	1.1.2001 Proved Tot'l	2001 Prod'n	1.1.2002 Proved Tot'l	Repl.Ratio Total	1.1.2001 Proved Dev'd	1.1.2002 Proved Dev'd	Repl.Ratio Dev'd
Oil+NGL	1646	129	1601	65%	711	689	83%
Gas	1593	93	1580	86%	737	729	91%
Total Oil Equivalent*	3189	219	3132	74%	1425	1394	86%
Canada Oil sands	95		95				
Minority reserves	48		55				
Net Group m3oe	3046		2982				

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

The Replacement Ratios mentioned above are with respect to total Group share reserves, i.e. including the Canadian oil sands and Minority reserves.

A full overview of end-2001 Proved and Proved Developed Reserves is presented in Attachment 3.1-2.

2. Significant reserves changes

Significant reserves changes during 2001 were as follows:

Acquisition of assets from Fletcher Challenge Energy led to Group share reserves increases in New Zealand (+35 mln m3oe) and Brunei (+5 mln m3oe). In the USA, the Pinedale (Rocky Mountain) gas acquisition added 10 mln m3oe. This was partly offset by a net divestment in Pakistan (-3 mln m3oe) and by a revision of the Oman Gisco gas processing agreement (-16 mln m3oe).

Technical reviews led to reserves additions in the Netherlands (+23 mln m3oe), in the USA (+24 mln m3oe), in Denmark (+11 mln m3oe) and in Sakhalin (+3 mln m3oe), whilst reductions were seen in New Zealand (-11 mln m3oe), Canada (-9 mln m3oe) and Egypt (-5 mln m3oe). New fields were booked in the USA (+10 mln m3oe) and Brunei (+5 mln m3oe). New field developments added developed reserves in the USA (+26 mln m3oe), Australia (+21 mln m3oe), SPDC (+17 mln m3oe of gas and NGL), Philippines (+13 mln m3oe) and Iran (+6 mln m3oe).

The reserves increase of +23 mln m3oe in the Netherlands was booked in the Groningen field. Field performance over the last ten years had allowed gradual increases in Proved developed reserves, but total Proved reserves were maintained unchanged. Booked undeveloped reserves (e.g. as a result of very low pressure compression) became thus indefensibly low and this has now been rectified.

Further maturing of gas utilisation and development in SPDC (Nigeria) is allowing gradual increases in Proved developed and total gas reserves. Proved condensate (NGL) reserves do also increase, but these have to be largely offset by corresponding reductions in Proved oil reserves because of the overall constraint in offtake rate and licence duration (see also below).

A tabulation of these and some other changes is given in Attachment 2.

3. Shell Canada's Athabasca Oil Sands

The 95 mln m3 oil volumes from Shell Canada's Athabasca Oil Sands Project (AOSP) are not strictly oil and gas reserves as defined by the US Securities and Exchange Commission (SEC). Hence, they will be excluded from the Group's submission of Proved oil and gas reserves to the SEC. They are also mentioned separately in the Group Annual Report.

4. Angola block 18

A total of five discoveries were made in the Angola block 18 area during 1999 and 2000. Preliminary economics showed development to be marginal to unattractive and the 1.1.2001 booking of Proved reserves could only be justified through a notional small scale creaming project in the two largest accumulations. One further appraisal well and sidetrack during 2001 allowed in principle an increase in these reserves by an enlargement of the 'proved area'. However, a VAR3 review in December 2001 showed project economics still to be 'marginal at best', while the continued lack of a viable gas disposal solution was seen as a potential show stopper. Hence, a further increase in reserves was not accepted by EPB-P and the possibility was recognised that, without further changes, the project reserves may have to be de-booked next year. This view is also supported.

5. SNEPCO fields

A significant increase in Proved reserves (+19 mln m3 oil, +2 bln sm3 gas) was proposed by SNEPCO (Nigeria) through a first time booking of reserves in their new discovered Bonga SW field (one discovery well in 2001). After a review of the available evidence and following advice from the Group Reserves Auditor and SEPSCO's Reserves Manager, the reserves coordination function in SIEP EPB-P has declined to accept this proposal. Considerations were that the project is still immature (failed a VAR2 in Sept 2001) and is not properly defined (no dynamic simulation studies, well targets, forecasts or cost estimates), while its development is uncertain (other fields could be developed in its stead). In addition,

the seismic response is generally of insufficient quality to support a large enough area as (SEC defined) 'proved area' on which to base Proved reserves. This view is fully supported.

It was furthermore noted that SNEPCO, upon seeing the Bonga SW reserves addition not accepted, withdrew a negative correction to Bonga Main reserves (-2 mln sm³ oil, -2 bln sm³ gas), emanating from a 2001 study which showed these volumes to be non-productible within the prevailing PSC licence. In addition, the technical basis for the reserves in the Erha field, at its first time booking in 1999, was said by SNEPCO staff to be of lower quality than that for Bonga SW. A SEC reserves audit is planned for 2003. Advancement of this audit is being considered.

6. Production licence duration constraints

Externally reported Proved and Proved Developed Reserves need to be confined to those volumes producible within the duration of current production licences, or their extensions if there is a right to extend. With progressing maturity, a number of OUs are seeing their possibilities for increasing Proved Reserves severely curtailed because any increase in field volumes cannot be produced within (generally constrained) future offtake profiles and licence durations. With ongoing annual production, these OUs will in fact see their remaining Proved reserves decline in future years until either offtake rates can be increased or until licence extensions have been agreed with Authorities. OUs most affected by this are SPDC (Nigeria), Shell Abu Dhabi and PDO (Oman) and, to a lesser extent, Malaysia, Syria, Denmark and Venezuela. At present, some 300 mln m³oe Proved field volumes (10% of the Group Proved Reserves portfolio) are reported by OUs as being non-productible within existing licences.

For a proper estimation of Proved reserves (which have to fulfil the criterion of 'reasonable certainty') it is important that OUs faced with the above constraints make realistic assumptions regarding their future production profiles. The selected build-up and plateau levels should preferably be in line with base case Business Plan assumptions and with profiles used for the SEC 'Standardized Measure' submission. In addition, post-plateau tail-end profiles should be technically defensible. It is noted that PDO still maintain a 850 kb/d plateau in their forecast, in spite of recent problems in maintaining that production level. SPDC seem to have included LNG trains 4&5 in their condensate forecast, while the associated gas reserves have not yet been included in gas reserves because of lack of market definition.

At present, the Group reserves guidelines do not provide any guidance about what assumptions to take for future forecasts in these cases. This should be rectified. Following that, the assumed forecasts should be reviewed with the OUs concerned.

During this year's reserves submission and accumulation process, the critical information about OU assumed production profiles could in some cases only be made available to the auditor after repeated requests and in a late stage, thus leaving insufficient time for a comprehensive review. This should be remedied in future submissions by ensuring that full life cycle production profiles are requested from and made available by OUs in an early stage.

7. Group Guidelines – mature fields

Group Guidelines for externally reported Proved reserves (Ref. 3) have historically been somewhat different from Proved reserves definitions as applied by the oil industry (Refs. 1, 2). The reason for this was that the Group have long based their Proved reserves estimates on probabilistic methods, using the 85% confidence level criterion. This was found to lead to too conservative estimates in mature fields (in comparison with industry practice) and the guidelines were therefore changed for these fields in 1998. The updated guidelines prescribe that, in mature fields, externally reported Proved and Proved Developed Reserves should be brought closer to, or made equal to Expectation Reserves. Significant Group share Proved Reserves additions (+200 mln m³oe) have thus been booked by many OUs between 1998 and 2000.

A method of visualising the relative positions of OUs is through plotting the ratio between Proved and Expectation reserves versus average OU maturity. The latter is defined as cumulative production as a fraction of total life cycle Expectation Ultimate Recovery. Plots showing the OU positions for Developed and Undeveloped Oil+NGL and Gas reserves are presented in Attachments 5.1-5.2. From this it can be seen that most mature OUs show Proved / Expectation ratios close to 1 for their developed and undeveloped reserves. Most notable exceptions are:

- BSP, where Proved reserves have to be agreed with the Government (a reserves audit is planned for 2002),
- SEPCo, where undeveloped proved reserves are depressed because of low SEC proved areas in Pinedale, Brutus and Mars
- BEB, who tend to maintain unrealistically high Expectation reserves (much of it to be SFR),
- Expro UK, where uncertainties in undeveloped reserves are large in Schiehallion and some tight gas fields.

8. Group Guidelines – first time booking of new fields

Group guidelines for fields at the other end of the maturity spectrum, i.e. new discoveries, have historically been less well defined. Probabilistic P85 estimates were generally used (which for sparsely appraised fields tended to be larger than the SEC guidelines allowed), but there was often no clarity as to the appropriate moment when first-time booking of reserves could be made. This situation improved somewhat in 1993 when the requirement for technical and commercial maturity was first introduced in the Group reserves guidelines. This was later strengthened by adding the requirement that large or frontier projects should 'in principle' first pass a VAR review (preferably VAR3 – Concept Selection) before any reserves could be booked. Large projects of a downstream nature (e.g. LNG plants), which would not be subjected to a VAR review, would 'in principle' need to wait until FID.

The experience since the introduction of these new guidelines has been that the large established OUs (SEPCo, Shell UK Expro, NAM) tended to follow these guidelines, generally deferring first time bookings for new fields until at least a proper Development Plan had been prepared and commercial viability had been assured. The approach followed by smaller OUs and SDS has in some cases been more aggressive, even to the point where technically and/or commercially immature projects, some of those not even passing VAR2 or VAR3 reviews, were put forward as reserves. The main drive behind this appears to be a lack of awareness or indeed a disregard for the guidelines, coupled with a strong drive from score card reserves targets.

The SEC Proved reserves guidelines, which all oil- and gas producing companies with a stock listing in the USA must adhere to, prescribe that there must be a 'serious commitment' by the company to develop the reserves concerned. According to recent SEC clarifications (Refs. 4, 5) this should mean AFE, FID, the signing of fabrication or sales contracts or at least a firm plan that is likely to become implemented. The SEC often reminds the industry that individuals responsible for Proved reserves reporting and certification may be subject to 'potential civil liability' in case of non-adherence of their rules. They also reserve the right to challenge reserves submissions by companies and to force companies to re-state their Proved reserves when necessary.

The observation can also be made that, for first reserves bookings, industry practice tends to follow the SEC guidelines more closely than some of the Group cases mentioned. Examples are BP (who have not yet booked any reserves for Angola Block 18), Exxon and also SEPCo, both of whom tend to book Proved reserves only at or close to FID.

The auditor's conclusion is therefore that a tightening of the Group guidelines with respect to the timing of first reserves bookings is required. Particularly large or frontier developments must have successfully passed appropriate milestones (VAR3 review or a serious financial or contractual commitment) before first reserves bookings can be made for the project. This implies that economic viability must pass project screening (i.e. not just commercial viability) since only project viability can assure that the project is likely to become implemented. It also implies that identified show stoppers must have been resolved since these bring implementation in possible jeopardy. Smaller new fields in mature areas should have at least a documented Development Plan, with identified well targets and robust economics, before reserves can be booked. The guideline documents should be adapted accordingly.

The tightening of guidelines for first time booking of Proved reserves should not lead to a drive to book in first instance Expectation reserves only and let Proved reserves follow later (cf. SK-8 volumes booked by SSPC). If no Proved reserves can be booked then the development is technically or commercially not yet mature and no reserves, neither Proved nor Expectation, should be thus booked (Ref. 3). Exceptions to this could be made for smaller projects within existing mature fields.

It should be understood that tightening of the first time booking guidelines, necessary as they are from a SEC perspective, may affect reserves already booked in some major new fields (cf. Ormen Lange – Norway with 17 bln sm3, NAM's Waddensee reserves with 4 bln sm3, Angola with 12 mln m3 and possibly Gorgon – Australia with 86 bln sm3 Group share Proved reserves).

9. Reserves Addition targets in Score Cards

Group Proved Reserves receive increasingly close attention by Group Management. Reserves addition targets are set annually, both to OUs and to SIEP Directorates and these are reflected in individual and collective score cards affecting variable pay and bonuses of staff involved. This is leading to a noticeable increase in attempts to book reserves which are not technically or commercially mature and which do not fulfil Group reserves guidelines, cf. the new field bookings in Angola and Nigeria.

It is the auditor's opinion that the setting of reserves targets through variable pay score cards represents a potential integrity issue in the reserves estimation process. Objective judgment cannot always be assured if the pay of staff is influenced by the volumes of reserves that are booked. Although the Group reserves reporting system does provide for a variety of checks and balances (most notably that by the EPB-P reserves coordination), their effectiveness cannot always be complete, particularly not for the smaller reserves changes (cf. Erha field). Nevertheless, it was seen that the objectivity of the EPB-P staff was beyond question and that they successfully met the challenges with which they were faced.

A notable effect of setting reserves addition targets seems to be that they become targets in themselves and thus seem to deflect attention away from the real target, which should be advancement of development.

The recommendation is therefore to de-emphasise specific reserves addition targets in score cards and to strengthen targets relating to advancement of field development, e.g. the passing of clearly identifiable project milestones. These could be specific VAR reviews (with e.g. VAR3 becoming the milestone at which reserves can be booked, see also below) or other project decision points (e.g. FID).

10. Awareness of Group guidelines

The annual updates of the Group reserves guidelines documents are generally distributed to staff responsible for reserves estimation and reporting in the OUs and NVOs. This distribution tends to exclude staff at senior levels, both in the OUs and in the central support functions (RBDs, SDS, SEPTAR etc). There is evidence that this has led to a lack of awareness of the principles and constraints in the reserves booking process in these functions. It is recommended that this be remedied, e.g. through workshops, high level guideline summaries etc.

11. Criterion for commerciality

According to present Group guidelines, Proved reserves should fulfil the criterion for commerciality, i.e. a positive NPV for a sufficiently wide range of uncertainty scenarios, including the Proved case. This criterion is more lenient than that for economic viability, which is used for project screening. The distinction between the two criteria was introduced in 1993 in order to avoid too rapid reserves swings for projects that had become marginal. However, first-time reserves bookings had to 'demonstrate positive profitability' before they could be booked (Ref. 6). This requirement has gradually become ignored and uneconomic projects that only pass the commerciality test have been allowed as first-time bookings (cf. Angola block 18). This implies that reserves are being booked for projects that, being uneconomic, are not likely to be implemented, which is in conflict with SEC requirements (see above). The requirement that first-time bookings can only be made for projects that are economic (and thus likely to become implemented) should therefore be re-enforced in the guidelines:

The two criteria (for commercial and economic viability) used to be based on the same oil price assumption (\$14/bl MOD flat). This was changed in 2001 when the price assumption for project screening was raised to \$16/bl MOD flat (publicly announced in 2001), whilst that for reserves commerciality was kept at \$14/bl. This introduced an inconsistency

because the reserves commerciality criterion could now, under some conditions, become less lenient than that for projects. During reserves audits it was found that this has created confusion among staff in some OUs and from this perspective it would be desirable if the two price assumptions would be made equal again. It is the auditor's understanding that a revision from \$14/bl to \$16/bl is being considered. The effect on reserves is likely to be limited in most cases, except for PSCs and other 'innovative contracts', where booked reserves volumes would reduce because they tend to be inversely proportional to the assumed oil price.

12. Annual production – consistency between Ceres and Reserves

Group share annual hydrocarbon production is reported separately through the Ceres system by Group Finance and through the reserves submissions accumulated by SIEP. Both reports find their separate ways into the Group annual report and it is therefore important that the two reports are consistent. OUs are strongly advised (and indeed forced by a joint submission sheet) to coordinate their respective submissions to Ceres and reserves. However, the experience is still that inconsistencies continue to arise. Where significant, these inconsistencies have been addressed and a good match between the two has been obtained, see Attachment 4.

A remarkable observation is that in previous years any consistency errors tended to occur in the reserves submissions, but this year most of them occurred in the Ceres returns. One explanation is that known errors in previous quarters' Ceres returns had not been corrected, thus affecting the year-end total. The improved guidelines for reserves submissions (bringing clarity on e.g. conversion factors) could provide a further explanation.

13. SEC Reserves Audits

SEC Reserves Audits are carried out by the Group Reserves Auditor in all OUs every 4-5 years. All audits carried out during 2001 resulted in either 'satisfactory' or 'good' opinions (3 and 4 OUs respectively). A summary of audit findings is presented in Attachment 6. As far as can be observed, most audit recommendations appear to have been followed in this year's submissions. The forward Audit Plan is given in Attachment 7.

14. Electronic Workbooks

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

Recommendations to SIEP Reserves Coordination:

Action pointers?

1. Change the Group reserves guidelines such that first reserves bookings for large and/or frontier projects can only be allowed after either successfully passing a VAR3 or another clear milestone implying project viability and commitment. Smaller fields in mature areas should as a minimum have a documented FDP.
2. In the Group reserves guidelines, include guidance on assumptions to use in future production profiles when these become important for OUs with constrained production licence durations. With such guidance, review the present assumptions used by e.g. SPDC and PDO. *? who*
3. De-emphasise reserves addition targets in individual and collective score cards and strengthen targets for reaching project development milestones (VAR reviews, FID, etc). *// both*
4. Spread the awareness of reserves booking principles and constraints to senior levels in OUs and central support functions (RBDs, SDS, SEPTAR etc), e.g. through workshops or high level summaries. *// OS*
5. A revision of the oil price assumption for reserves commerciality (\$14/bl MOD flat) to bring it back in line with that for projects' economic viability screening (\$16/bl MOD flat) is encouraged.
6. Ensure that proved future production profiles for licence constrained OUs are made available to the auditor in a timely manner, in order to allow him to assess the validity of Proved reserves.

References

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

Attachment 2

SIGNIFICANT 2001 PROVED AND PROVED DEVELOPED RECOVERY CHANGES
(Shell Group share)

MAJOR TECHNICAL REVISIONS					
Country	Oil+NGL (10 ⁶ m ³)		Gas (10 ⁹ sm ³)		Description
	Dev'd	Total	Dev'd	Total	
Netherlands				+23	Groningen review
Australia	+3		+18		Perseus devmt
Nigeria (SPDC)	+11		+6		Commissioning of gas plant
Nigeria (SPDC)		+15			Condensate devmt Soku + Nun River (offset by oil, see below)
Philippines	+2		+11		Malampaya on stream
USA (SEPCo)		+9		+1	Holstein FID (first booking)
USA (SEPCo)	+7	+2	+2	+1	Brutus development
USA (SEPCo)	+5	+3	+2	+2	Mars field performance and drilling results
USA (SEPCo)	+4		+1		Crosby development
USA (SEPCo)	+4		+1		Oregano development
USA (SEPCo)		+9		+7	Various field reviews and drilling results
Denmark		+7		+0	Halfdan FDP approved (improved recovery)
Argentina	+0	+0	+6	+3	San Pedrito development
Netherlands			+6		Small fields development
Iran	+6				Soroosh on stream
Brunei (BSP)		+2		+3	Bugan discovery / appraisal
Malaysia		+0		+5	Lower abandonment pressure E11/F13W (offset by licence)
Denmark	+3	+3	+1	+1	Proved growth to Expectation (audit recommendation)
Russia Sakhalin		+3			Review (new reservoir model + external reserves audit)
Egypt		-1		-4	Obaiyed field performance
Canada	-0	-1	-6	-9	Sable review
New Zealand	-2	-2	-9	-9	Maui C sands revision
Nigeria (SPDC)		-17		+6	Field reviews and forecast review (backed out by NGL)
Total Major Techn'l	+43	+32	+39	+30	

OTHER MAJOR CHANGES					
Country	Oil+NGL (10 ⁶ m ³)		Gas (10 ⁹ sm ³)		Description
	Dev'd	Total	Dev'd	Total	
New Zealand	+7	+10	+16	+25	Acquisition of Fletcher Challenge equity (Maui + Pohokura)
New Zealand			+6	+6	Re-instatement of pre-paid Maui gas
USA (SEPCo)		+0		+10	Pinedale acquisition
Brunei (FCE)		+1		+5	Fletcher Challenge acquisition
Abu Dhabi	+5	+6			Introduce ADCO NGLs as reserves
Malaysia		-0		-4	E11/F13W reserves pushed beyond licence
Pakistan			-3	-3	Dissolution of PSP, acquisition in Bhit, Bhadra fields
Abu Dhabi	-4	-5			Oil profile adjusted for OPEC cuts (licence constrained)
Oman (Giseco)	-4	-4	-16	-17	New GISCO contract, incl PSC effects
Total Other Major	+4	+8	+3	+18	

OTHER MINOR CHANGES AND TOTAL					
	Oil+NGL (10 ⁶ m ³)		Gas (10 ⁹ sm ³)		Description
	Dev'd	Total	Dev'd	Total	
Other Minor Chgs	+60	+44	+43	+32	
Grand Total Chgs	+107	+84	+85	+80	
Production	-129	-129	-93	-93	

Attachment 3

Country Name	OIL + NGL (10*6 m3)						All volumes net Shell Group Share											R/P Tot (%)	Replmt Ratio TotRes (%)	Replmt Ratio DevRes (%)
	Proved Reserv 1.1.2001	Revised and Reclassified	Improved Recovery	Estims and Discor- ences	Purch- ases in Place	Sales in Place	Prodn (avail. for sales) 2001	Proved Reserv 1.1.2002	Beyond end of licence	Proved Dev'd Reserv 1.1.2001	Transf. Undev'd Dev'd	Revis- ions	Prodn (avail. for sales) 2001	Proved Dev'd Reserv 1.1.2002	Minority Reserv incl. 1.1.2001	Minority Reserv incl. 1.1.2002				
Australia (SOA)	29.04	1.21					3.55	26.7		11.08	2.66	2.1	3.55	12.29			9	34%	134%	
Australia (WPL)	17.04	2.41	8				2.18	18.07		5.81	1.91	1.51	2.18	6.85			8	147%	157%	
Brunei	69.36	4.48	1.25	2.74			5.59	72.24		34.88	3.6	2.77	5.59	35.66			13	152%	114%	
Brunei (FCE)		1.11				89	0.4	95				35	0.4	31			24	245%	875%	
China	5.97	1.44					1.36	6.05		5.77	56	35	1.36	4.87			4	106%	67%	
Malaysia	26.85	2.81	1.27	991			3.46	29.36	14.84	13.76	2.58	72	3.46	13.6			17	57%	35%	
New Zealand	5	3.81	23			10	1.46	9.96		2.26		4.82	1.46	5.63			7	400%	300%	
New Zealand (Pacten)	74	74					27	1.63		62		62	27	1.05			6	704%	43%	
New Zealand (SPW/ex-FCE)						1.9	0.2	3.54				2.18	0.2	2.15			110	233%	226%	
Philippines	3.5	1.18	23				0.2	3.54				1.33	0.2	2.15			16	78%	137%	
Thailand	15.35	72					34	15.14		4.02	1.15	14	34	4.37			16	78%	137%	
Angola	11.85						11.85													
Argentina	3.54	1.08		0.7		2.26	14	1.39		1.84	47	1.71	14	46			10	143%	88%	
Brazil (Pacten)	92						0.9	4.33		92		0.9	0.9	83			9	0%	0%	
Cameroon (Pacten)	5.17	0.4	0.6	1.6			1.1	4.33		5	27	0.6	1.1	4.12	1.03	87	4	24%	20%	
Congo (OR - Zaire)	3.04	1.11					1.9	3.05		2.11		0.5	1.9	1.98			17	106%	26%	
Gabon	18.94	36	17				0.2	2.22		17.08	58	24	2.22	14.68	4.74	4.06	5	16%	25%	
Nigeria (SNEPCO)	89.54	43					89.54													
Nigeria (SPDC)	434.17	1.97					14.54	417.66	83.96	116.88	14.69	79	14.54	116.74			29	14%	96%	
Venezuela	35.55	3.15					2.53	36.17	6.77	11.28	2.82	1.17	2.53	12.75			14	125%	158%	
Abu Dhabi	97.7	1.04					5.45	93.29	99.32	81.18	1.21	64	5.45	77.58			17	19%	34%	
Bangladesh																				
Egypt	5.88	1.03		0.3			81	4.08		3.47	0.2	3	81	2.98			5	123%	40%	
Iran	31.59	1.87					33.46													
Oman (POO)	179.4	9.43	6.22	1.51			16.4	162.3	48.7	80		2.2	16.4	65.6			10	4%	13%	
Oman (GSC)	18.48	3.27					2.95	12.65		18.78		3.72	2.95	10.48	2.77	1.9	5	120%	145%	
Pakistan																				
Russia (Sakhalin Assoc.)	15.1	13.79					1.31			5.89		4.57	1.31				0	1053%	349%	
Russia (Sakhalin Consol.)		30.94					30.94													
Syria	15.72	1.91					2.81	14.82	1.7	11.35	1.82	1.35	2.81	8.49		13.92	5	68%	17%	
Australia	23	0.2		0.1			0.0	23		19	0.2	0.3	0.0	21			8	100%	167%	
Canada	56.87	48		0.1	0.1	0.1	3.73	53.17		26.88	8	3.23	24.52	21.08	12.49	11.26	18	15%	27%	
Canada (AOSP)	95.4	6.73	9.27				95.4													
Denmark	43.54	6.73	9.27				7.54	52	10.89	32.95	4.78	5.96	7.54	36.15			7	212%	142%	
Germany	3.85	25					30	2.97		2.91		29	30	2.87			3	75%	89%	
Netherlands	4.98	1.52					59	4.04		3.69		0.9	59	3.01			7	56%	15%	
Norway	33.76	1.52					5.19	29.09	28	23.58	3.58	26	5.19	22.21			6	29%	74%	
UK	102.25	6.21	1.35	2.69			18.06	87.59		75.58	7.51	4.13	18.06	60.86			6	29%	74%	
USA (Aara)	89.03	5.43	0.8				6.71	56.55		57.25	5.83	4.05	6.71	52.73			8	67%	27%	
USA (SEPCO)	97.17	4.78		22.14	47	48	107.34			55.87	19.97	9.58	17.11	68.26			8	158%	173%	
USA (TMR)	90						87	0.1		61		61	0.1				0	9700%	6000%	
Total excl Can. AOSP	1,550.35	23.36	20.93	30.42	13.26	3.85	129.82	1,505.64	227.46	710.72	84.62	22.14	128.82	688.67	21.03	32.18	12	85%	63%	
Grand Total	1,645.75	23.36	20.93	30.42	13.26	3.85	129.82	1,601.04	227.46	710.72	84.62	22.14	128.82	688.67	42.11	32.38	12	85%	63%	

Country Name	GAS (10 ⁹ SM3)							All volumes net Shell Group Share											R/P Tot (%)	Replmt Ratio TotRes (%)	Replmt Ratio DevRes (%)
	Proved Resv 1.1.2001	Revised and Reclassified	Imprvd Recovery	Estims and Discor- enances	Purch- ases in Place	Sales in Place	Prodn (avail. for sales) 2001	Proved Resv 1.1.2002	Beyond end of licence	Proved Dev'd Resv 1.1.2001	Transf. Undev'd Dev'd	Revis- ions	Prodn (avail. for sales) 2001	Proved Dev'd Resv 1.1.2002	Minority Resv incl. 1.1.2001	Minority Resv incl. 1.1.2002					
Australia (SOA)	176.917	391					2.408	175.41		18.051	13.548	453	2.408	29.844			73	37%	581%		
Australia (WPL)	40.194	376					1.511	39.049		8.002	5.928	552	1.511	12.971			26	25%	428%		
Brunei	99.699	1.547	48	3.257			4.722	100.161		37.929	1.785	1.885	4.722	36.677			21	112%	73%		
Brunei (FCE)		1.393			4.801		349	5.646				2.672	348	3.124			16	172%	996%		
China																					
Malaysia	171.791	6.396	4.675	23			5.99	184.31	58.513	50.965	2.123	2.595	5.99	44.503		2.825	27	25%	4%		
New Zealand	14.811	3.912	1.713		25.430		4.363	13.887		10.529	14.065	4.363	20.251				8	533%	373%		
New Zealand (Pacten)	1.256	1.755								1.448		1.448									
New Zealand (SPW/ex-FCE)					5.26		489	4.771						2.955			10	1076%	604%		
Philippines	16.914	3.03	1.151				0.44	17.718			10.755	3.214	0.44	10.711			403	1927%	24443%		
Thailand	6.169	1.581	0.07				0.29	7.334		2.633	13	254	0.29	2.788			17	367%	50%		
Angola																					
Argentina	9.389	301	0.16	3.163		0.6	146	12.831		0.06	6.043	0.06	146	5.907			82	2321%	4101%		
Brazil (Pacten)	5.141						0.43	4.798		5.141				4.798			14	0%	0%		
Cameroon (Pacten)																					
Congo (OR - Zaire)																					
Gabon																					
Nigeria (SNEPCO)	7.02							7.02													
Nigeria (SPDC)	95.71	5.779					2.286	89.173		34.014	10.291		2.286	47.039			39	25%	454%		
Venezuela																					
Abu Dhabi	4.825	344					4.24	4.745		2.262		136	4.24	1.973			11	81%	32%		
Bangladesh	27.881	5.241		2.587			2.96	22.772		13.026	299	1.517	2.588	11.089			9	89%	8%		
Egypt																					
Iran																					
Oman (POO)																					
Oman (GSC)	55.207	14.136					5.707	35.364		44.76		14.116	5.707	24.937	8.281	5.305	6	248%	247%		
Pakistan	9.868	0.06			1.816	5.124	219	5.323		1.158		2.939	219				29	1518%	1342%		
Russia (Sakhalin Assoc.)																					
Russia (Sakhalin Consol.)																					
Syria	704	1.186					196	312		337		0.5	186	211			7	100%	37%		
Austria	1.636	14		0.93			204	1.345		1.634	0.02	0.48	204	1.152			7	23%	98%		
Canada	84.699	8.486	779		314	234	6.341	70.771		96.726	689	5.186	6.341	58.776	18.088	14.982	11	120%	73%		
Canada (AOSP)																					
Denmark	20.352	2.265	247				3.187	26.173	2.288	18.45	3.464	2.137	3.187	20.898			9	63%	176%		
Germany	56.588	3.235					4.425	54.899		44.352	164	1.388	4.425	41.479			12	75%	35%		
Netherlands	399.051	21.804	1.08	1.851			16.095	420.1		200.347	5.617	876	16.095	190.789			25	151%	40%		
Norway	89.781	924					1.818	88.897	10.555	36.892	0.05	0.04	1.818	35.045			49	51%	7%		
UK	90.806	339	258	4.408			12.351	91.261		67.46	7.194	5.027	12.351	81.801			7	41%	54%		
USA (Aara)	1.267	0.14	0.01				0.04	1.411		906	0.06	0.07	0.04	318			8	150%	1137%		
USA (SEPCo)	96.317	3.973					0.09	95.244		66.406	10.915	5.995	16.411	66.675			0	9895%	6783%		
USA (TMR)	1.142						0.13	1.272		693				68.013			0	9895%	6783%		
Total exd Can. ADSP	1.292,822	3,798	3,083	27.15	47,493	6,811	92,86	1,579,948	71,356	717,016	79,580	3,008	93,06	728,552	26,889	23,116	17	86%	91%		
Grand Total	1,597,872	3,278	9,065	27.15	47,493	6,811	92,86	1,579,948	71,356	717,016	79,580	3,008	93,06	729,357	26,893	23,116	17	86%	91%		

Attachment 4

OIL + NGL									
Country	Original CERES		Org1 Resvs Subm'n	Differ- ence	Final CERES		Final Resvs Subm	Differ- ence	Comment
	mln bbl	10 ⁶ sm ³			mln bbl	10 ⁶ sm ³			
Australia (SOA)			3.55				3.55		
Australia (WPL)			2.18				2.18		
Australia Total	36.078	5.74	5.73	.01	36.070	5.74	5.73	.01	Rounding error? - not corrected
Brunei (BSP)			5.59				5.59		
Brunei (FCE)			.04				.04		
Brunei Total	36.47	5.64	5.63	.01	36.47	5.64	5.63	.01	Rounding error? - not corrected
China	8.516	1.36	1.36	-.01	8.533	1.36	1.36		Q1 error in Ceres - corrected
Malaysia	21.78	3.46	3.46		21.78	3.46	3.46		OK
New Zealand			1.46				1.46		
New Zealand (SPMvex-FCE)			.27				.27		
New Zealand Total	10.875	1.73	1.73		10.875	1.73	1.73		OK
Philippines	165	.03	.03		165	.03	.03		OK
Thailand	5.91	.94	.94		5.91	.94	.94		OK
Argentina	907	.14	.14		907	.14	.14		OK
Brazil (Shell Oil Wtg)	56	.09	.09		56	.09	.09		OK
Cameron (Shell Oil Ety)	6.956	1.11	1.1	.01	6.956	1.11	1.1	.01	Ceres figure incorrect (Govt penalty in Dec) - not changed
Congo (DR)	1.123	.18	.18		1.123	.18	.18		OK
Gabon	20.105	3.2	3.22	-.02	20.259	3.22	3.22		Error in Ceres - corrected
Nigeria (SPOC)	91.42	14.54	14.55	-.01	91.42	14.54	14.54		Reserve submission corrected
Venezuela	15.888	2.53	2.53		15.888	2.53	2.53		OK
Abu Dhabi	34.306	5.45	5.45		34.306	5.45	5.45		OK
Egypt	5.125	.81	.81		5.125	.81	.81		OK
Oman	103.14		16.4				16.4		
Oman Greco	16.091		2.56				2.56		
Oman Total	119.231	18.96	18.96		119.231	18.96	18.96		OK
Russia (Sakhalin Holding)	8.255		1.31				1.31		
Kazakhstan (Tamer)									
Russia Total	8.255	1.31	1.31		8.255	1.31	1.31		OK
Syria	17.669	2.81	2.81		17.669	2.81	2.81		OK
Austria	2	.03	.03		2	.03	.03		OK
Canada	20.321	3.23	3.23		20.321	3.23	3.23		OK
Denmark	47.423	7.54	7.54		47.423	7.54	7.54		OK
Germany	2.003	.32	.33	-.01	2.003	.32	.33	-.01	Error in Ceres - not corrected
Netherlands	3.71	.59	.59		3.71	.59	.59		OK
Norway	32.641	5.19	5.19		32.641	5.19	5.19		OK
UK	113.574	18.06	18.06		113.574	18.06	18.06		OK
USA (SEPCo)			17.11				17.11		
USA (Aara)			6.71				6.71		
Shell Oil (TMR)			.01				.01		
USA Total	149.891	23.83	23.83		149.891	23.83	23.83		OK
Total	810.102	128.81	128.83	-.02	810.273	128.83	128.82	.01	

GAS									
Country	Org1 CERES		Org1 Resvs Subm'n	Differ- ence	Final CERES		Final Resvs Subm'n	Differ- ence	Comment
	10 ⁹ sm ³	10 ⁹ sm ³			10 ⁹ sm ³	10 ⁹ sm ³			
Australia (SOA)			2.408				2.408		
Australia (WPL)			1.511				1.511		
Australia Total	3.919		3.919		3.919		3.919		OK
Brunei (BSP)	4.722		4.722		4.722		4.722		OK
Brunei (FCE)	0.231		.348		0.348		.348		Error in FCE Ceres - corrected
Brunei Total	4.953		5.07	-.117	5.07		5.07		
Malaysia	5.99		5.99		5.99		5.99		OK
New Zealand			4.363				4.363		
New Zealand (SPMvex-FCE)			.489				.489		
New Zealand Total	4.852		4.852		4.852		4.852		OK
Philippines	.044		.044		.044		.044		OK
Thailand	.429		.429		.429		.429		OK
Argentina	.146		.146		.146		.146		OK
Brazil (Shell Oil Wtg)	.343		.343		.343		.343		OK
Nigeria (SPOC)	2.381		2.266	.115	2.266		2.266		Error in Ceres - corrected
Bangladesh	.424		.424		.424		.424		OK
Egypt	2.582		2.585	-.017	2.585		2.585		Error in Ceres - corrected
Oman Greco	5.707		5.707		5.707		5.707		OK
Pakistan	.219		.219		.219		.219		OK
Syria	.186		.186		.186		.186		OK
Austria	.204		.204		.204		.204		OK
Canada	6.337		6.341	-.004	6.337		6.341	-.004	Error in Resvs submission - corrected
Denmark	3.187		3.187		3.187		3.187		OK
Germany	4.425		4.425		4.425		4.425		OK
Netherlands	16.066		16.066		16.066		16.066		OK
Norway	1.818		1.818		1.818		1.818		OK
UK	12.351		12.351		12.351		12.351		OK
USA (SEPCo)			16.441				16.441		
USA (Aara)			.054				.054		
Shell Oil (TMR)			.013				.013		
USA Total	16.514		16.508	.006	16.508		16.508		Error in Ceres - corrected
Total	93.037		93.064	-.027	93.056		93.06	-.004	

Attachment 4 - 2001 Production reconciliation - Ceres vs Reserves

02Jan31-Note-bt, Att. 2-4

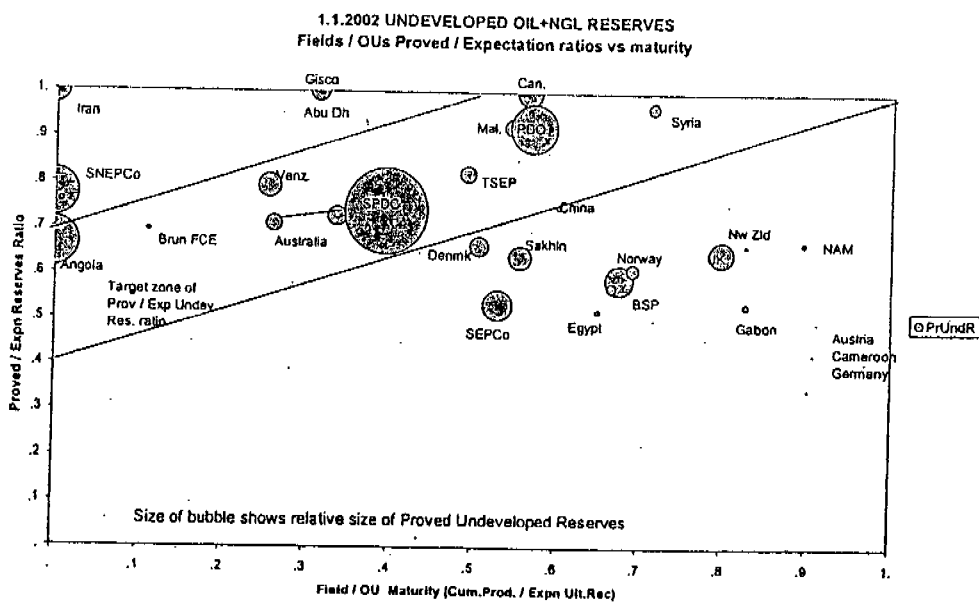
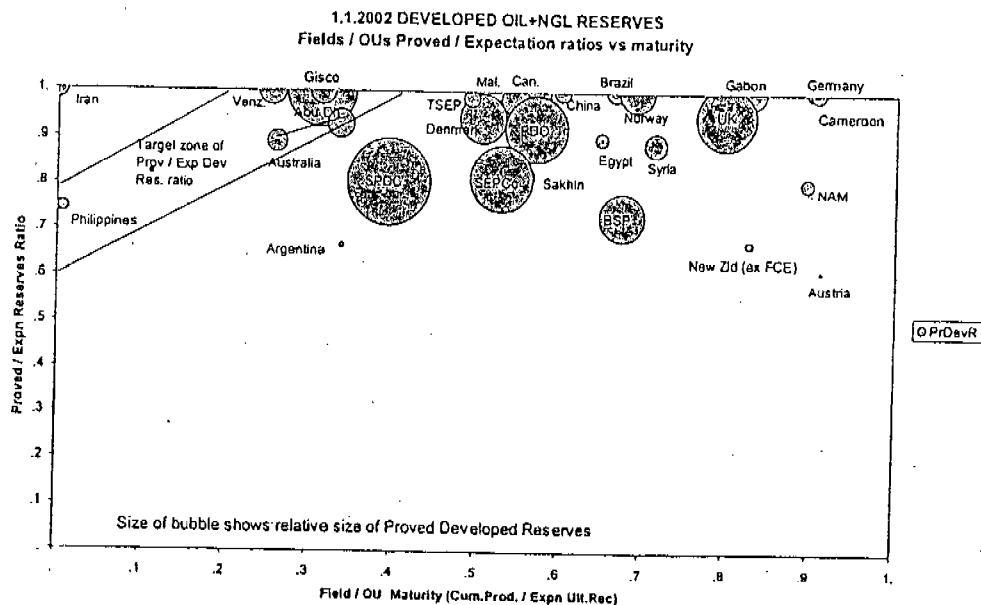
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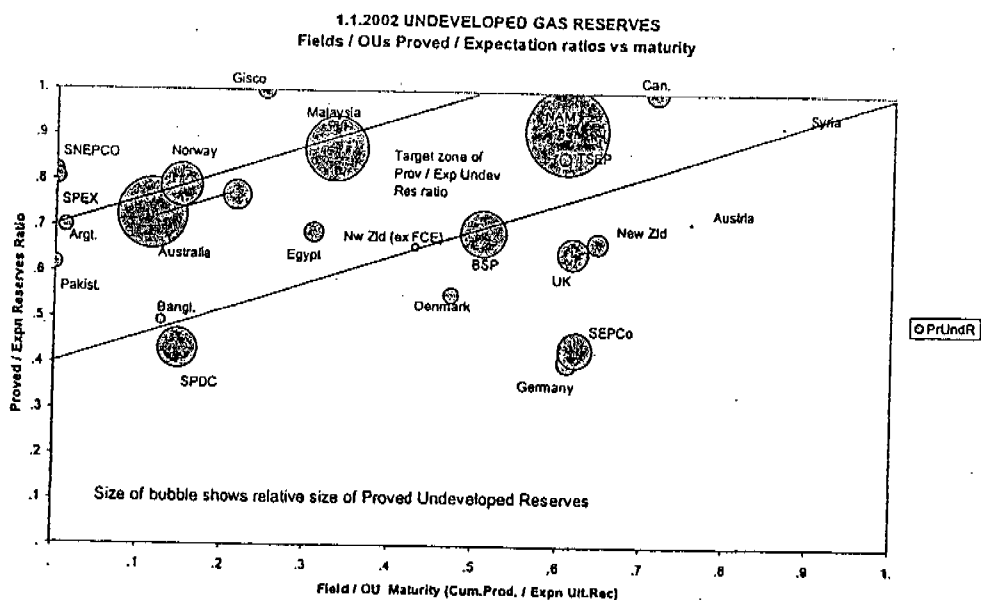
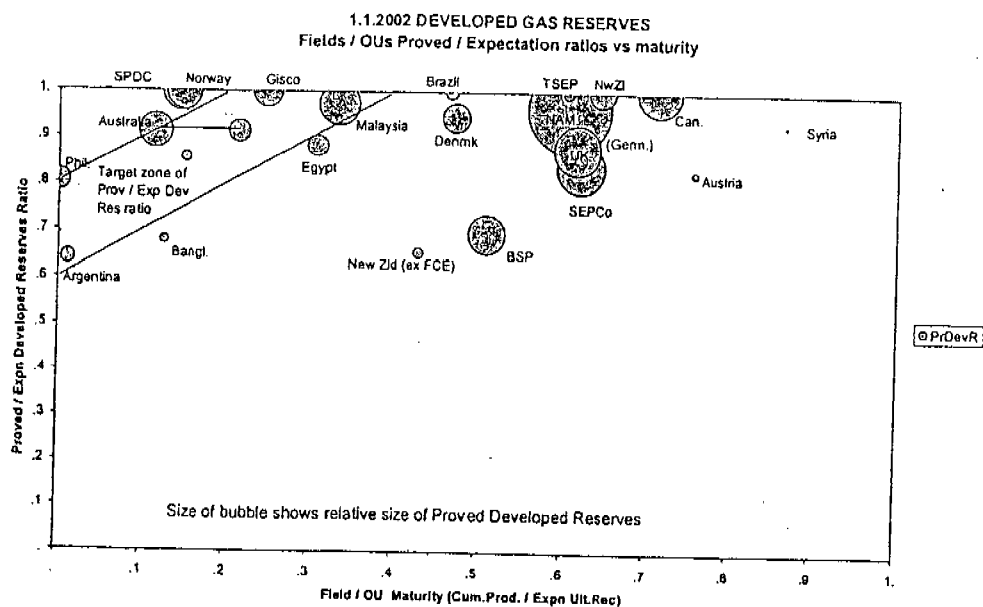
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Attachment 5.1



Maturity of Proved Oil+NGL Reserves - by OU

Attachment 5.2



Maturity of Proved Gas Reserves - by OU

2001 RESERVES AUDITS - MAIN OBSERVATIONS

UK (Shell Expro): Shell UK Expro follow very well established and documented procedures in their annual reserves reporting process. An example is the strict discipline enforced by Shell Expro's data base, which contains activities based reserves, forecasts and cost estimates. The Expro guidelines contain a strong recommendation that all Proved developed reserves must be set equal to Expectation developed estimates, regardless of field maturity. This approach is too rigorous for newly developed fields where uncertainties can still be considerable. There is thus a possibility of a slight overstatement of Proved Developed reserves. Proved undeveloped reserves are low compared to Expectation in some fields, but these uncertainty margins are justified. Overall audit opinion is good.

Netherlands (NAM): NAM follow well prescribed procedures in their annual reserves reporting process, as shown through annual reserves challenge sessions, the high-quality reserves data base and the comprehensive ARPR documentation. Proved volumes in the Waddenzee fields, which are affected by the Dutch government moratorium on drilling, can be maintained as reserves (current guidelines, no restriction on licence duration), but need continuous review. Some fields contain too low Proved vs Expectation ratios. The method of booking NAM/Shell share reserves in UGS fields should be reviewed critically. Overall audit opinion is good.

Germany (DSAG/BEB): BEB is commended for their well organised data base of reserves data, with flexible facilities to satisfy all reserves reporting requirements. BEB procedures for declaring Proved and Proved Developed reserves are in line with Group guidelines. However, reported Expectation reserves tend to contain highly uncertain and poorly supported elements, which should be re-classified as SFR. Group internally reported Expectation reserves are therefore likely to be overstated. There is a possibility of a slight overstatement of Proved (Developed and Undeveloped) reserves in some new gas fields due to the too rigorous use of Expectation / P50 volumes, rather than P85 volumes in these fields. Overall audit opinion is good.

Denmark (SOGU): SOGU follow well prescribed and documented procedures in their annual reserves reporting process, as shown by their well organised spreadsheet system of tracking reserves volumes components and their changes. Since Maersk's Proved Reserves estimates tend to be too conservative and often not up-to-date, SOGU have devised a commendable method of allowing these to 'grow' towards Expectation levels with increasing field maturity. Some assumptions in this method are still somewhat conservative, thus leaving scope for increasing the Proved Developed Reserves. Overall audit opinion is good.

New Zealand (SPM/STOS): STOS prepare well-documented annual reserves evaluations in their producing fields. There is an urgent need for a reserves update for Maui gas, where negative field evidence in the last few years (drilling, production performance) has made a downward correction highly likely. STOS have also identified an urgent need for a field review in Kapuni, where significant additional gas could be present. Take-or-pay gas paid for but not taken by the gas buyers in Maui should be retained in reserves until actually produced and not excluded as at present. Overall audit opinion is satisfactory.

China (SECL): Undeveloped reserves should be based on a full (not a partial) set of future development activities and their uncertainties. This could lead to an increase in undeveloped reserves. A properly documented audit trail note should be prepared. Overall audit opinion is satisfactory.

Austria (RAG): RAG reserves still appear to show remnants from the previous Mobil reserves guidelines. Many undeveloped reserves volumes are not yet based on identified future well activities. There also appear to be some undocumented 'legacy' reserves, which may need to be de-booked after study. The quality of the audit trails should be improved by properly documenting critical stages of the reserves estimation process. Overall audit opinion is satisfactory.

In addition, a brief review was made of the reasons underlying the 17 mln m3 increase in Group share Proved reserves booked at end 2000 by SVSA in Urdaneta West. This represented a significant increase (+78%) of SVSA's reported Proved reserves and was deemed a subject for review by the Group reserves auditor. Documentation received during 2001 showed that these reserves additions were based on increasing the number of drainage points and lowering well inflow pressures through artificial lift in the tight Icotea/Misoa and Cogollo/Rio Negro reservoir, thus maximising oil recovery within the reservoir abandonment pressure window. Management commitment to this additional development was already given during 2000 and activities were started during 2001. Hence, these reserves additions could be supported.