

Exhibit 109

-----Original Message-----

From: Hines, Ian IM SIEP-EPT-DE
Sent: Sunday, September 10, 2000 8:55 AM
To: Sears, Richard RA SIEP-EPT-DE; Wilhelm, Chandler CT SIEP-EPT-DE;
Knight, Barry BP SIEP-EPT-DE
Cc: Newberry, Derek D SIEP-EPT-DE
Subject: RE: Reserves

Gents,

Attached revision, maps out a number of the issues raised by Gordon's note and may help with the discussion.

Ian.

-----Original Message-----

From: Sears, Richard RA SIEP-EPT-DE
Sent: Friday, September 08, 2000 4:02 PM
To: Hines, Ian IM SIEP-EPT-DE; Knight, Barry BP SIEP-EPT-DE
Cc: Wilhelm, Chandler CT SIEP-EPT-DE
Subject: RE: Reserves
Importance: High

We need to talk about this next week. I spent some time with Gordon earlier this week and there are several stakes in the ground. It's critical that we all know what must be accomplished. Are all of you in early next week? Perhaps Barry, you could get Mary Ann to check my calendar and arrange some time together. Rich

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-----Original Message-----

From: Hines, Ian IM SIEP-EPT-DE
Sent: Friday, September 08, 2000 1:15 PM
To: Sears, Richard RA SIEP-EPT-DE; Knight, Barry BP SIEP-EPT-DE
Cc: Wilhelm, Chandler CT SIEP-EPT-DE
Subject: FW: Reserves

Rich, Barry,

Not sure if Chandlers note included the attachment from Gordon which contains the key messages on the Reserves picture and the implications in terms of our support work programme, given the fragile nature of the Block 18 economics.

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-----Original Message-----

From: Parry, Gordon G SIEP-EPG
Sent: Thursday, September 07, 2000 1:38 AM
To: Hines, Ian IM SIEP-EPT-DE
Subject: FW: Reserves

-----Original Message-----

From: PARRY, G.
Sent: Wednesday, September 06, 2000 4:56 PM
To: Inglis, Robert R.B. /SIEP /SDAN-AM; Simon, Grigore G. /SIEP /SDAN-AM; Osborne, Peter L. /SDANG /GM
Cc: Aalbers, Remco R.D. /SIEP /EPB-P; KOOL, W.M. /SEPI /EPG; KAKOK, S. /SEPI /EPG; MINDERHOUD, M. /SEPI /EPG
Subject: Reserves

Gents,

I attach the final version of the note requested by Heinz at the last EPG meeting regarding reserves booking in Angola and Brazil.

This note was forwarded to Phil Watts who remarked, quote

"It is critical that the Angola reserves are booked this year or our EP scorecard will be shot" unquote

Heinz's subsequent comment to me was, quote:

" Herewith Phil's reactions. We must pull this off aggressively! And we need one well, at least, as appraisal, whatever the purists say! "

Let's be guided accordingly!

Gordon



Angola-Brazil
reserves note.doc

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NOTE

From: G.R. Parry, EPG

5th September 2000

To: H.C. Rothermund, EPG
Cc: S. Kakok, EPG
M. Wink, EPG
W.M. Kool EPG
R.D. Aalbers, EPB-P
G. Simon, Shell Dev. Angola (SDAN)
R. Inglis, Shell Dev. Angola (SDAN)

Re: Proved Reserves Reporting Angola and Brazil

This note addresses the reserves questions raised at the EPG Meeting on 14th August 2000, following a meeting between EPG and Shell Angola staff with EPB-P on 22nd August 2000.

There appears to be a lack of communication (and alignment) from the asset to SDS. This is the first that we have heard about the meeting on Aug 22nd. The importance of booking reserves this year has only become apparent very recently. This objective was first emphasised to SDS during Gordon Parry's last visit in July. I believe that this message provided a key stimulus for the creation of the dedicated B18 team

Proved reserves can be booked if it can be demonstrated that the development project of a discovered field is technically and commercially mature (and a market is expected to be available). Commercial maturity should be demonstrated over a sufficiently large range of possible scenario's (including all surface and subsurface uncertainties). A project is deemed commercial if the $NPV7\% @ PSV14 > 0$.

Currently, neither BP nor Shell are in a position to fulfill the criteria that "Commercial maturity should be demonstrated over a sufficiently large range of possible scenario's (including all surface and subsurface uncertainties)." At the current time neither of the companies have working static or dynamic models representative of the individual reservoirs or the more complex cluster hub required for Block 18. We currently only have a single well in each of the candidate structures and the range of subsurface uncertainty being considered by BP is far too narrow. Independent work within SDS to assess this has commenced recently. Hence the technical basis to under pin surface and subsurface uncertainties is immature. We also have concerns that the economic evaluations carried out by SDAN (not yet verified by SDS) may be based upon optimistic assumptions of reservoir performance – particularly the assumptions for well ultimate recovery which are a fundamental project driver – and a potential lack of robustness to downside.

Booking of proven reserves is not necessarily tied to FID or to economic cut-off ($VIR > 0.35$). Successful completion of a VAR, provided sufficient sub-surface knowledge was included, could support booking of proved reserves. Additional information should be acquired to reduce uncertainties and ensure likely economic development. In the case of Angola Block 18, a VAR 2 is planned for Q4 2000 and could assist with booking of some 300 MMbbls proven oil reserves in Angola by year end.

Currently, the Shell view is that it is unlikely that BP will pass the VAR2 gate which is now planned for October. The VAR timing is a response to schedule pressure from BP to proceed

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through their internal CVP2 gate, in order to commence expensive, but in our view premature, concept selection studies. Hence, it is unlikely that reserves can be booked on the above basis.

In marginal cases, especially in new areas where resource volumes are very close to commercial cut-off, reserves should not be booked.

This appears to be the key statement: both BP and SDS appear to have concerns that the economics, for development of the Oligocene reserves in the Greater Plutonio area, will be marginal. Work on the wider block portfolio is also immature. Booking reserves on this basis runs a risk of the need to reverse this at a later stage – see also Chandler's remarks on finger pointing.

The LE (Shell PSC entitlement) of proven reserves for the Greater Plutonio hub in Block 18 is 293 MMbbls (P85). This excludes the result of the latest well Paladio-1, which came in on prognosis (140 MMbbls expectation, 100%). SDAN will provide an updated proved reserves estimate for 3Q reporting.

The reserve volumes quoted by EPG appear to be considerably higher than what BP and SDS are currently carrying. The "proven reserves for the Greater Plutonio hub" as per the current BP Level 0 subsurface model are 418 MMbbls (Exp). Including the Paladio-1 results of ~150 MMbbls the Scope For Recovery would increase to 568 MMbbls (Exp). Hence the Shell share would be 284 MMbbls.

Platina reserves may have been included within the EPG numbers. However, Platina could not be booked in 2000 as we currently have no development concept for including these reserves in the Greater Plutonio hub, which has been the focus of the current development planning efforts.

The target in 2000 is to exceed the cut-off target of 750 MMbbls (100%) for the Greater Plutonio hub. The remaining two wells to be drilled in 2000 should achieve this, but in the case that one of the wells does not fulfill expectations, the operator and SDAN should investigate alternative economic development schemes with lower cut-off (around 600 MMbbls) to ensure that reserves can be booked 2000 year-end based on the currently discovered volumes.

To achieve 750 MMbbls both the Cromio and the Plutonio Salt Flank wells must be successful. The initial results from the Plutonio Salt Flank well (assuming Cromio success) will only be available mid December, hence probably too late for a 2000 reserves booking. Furthermore, the required economic volume threshold (previously assumed by SDAN and BP to be around 750 MMbbls) has still to be verified by the ongoing development work.

The target for proven reserves for Angola on the EPG scorecard for 2000 is zero, the 2000LE of 293 MMbbls offsets the zero 2000LE for Nigeria SPDC where proved reserves have been frozen at ARPR 1.1.2000 numbers.

SDAN will also be requested to investigate whether discovered SFR volumes for the 'Manganese' prospect in Block 18 (based on 3D seismic over the southerly extension of the Girassol/Dalia discovery in Block 17) can be booked in 2000 (approx. 50 MMbbls MSV 100%). SDS will be requested to construct a technical case will be constructed to request BP (who are also a partner in Block 17) to open unitisation negotiations with TFE, as production from the Girassol field, currently under development is scheduled to commence in 2001.

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The Managanese prospect was evaluated by the original Shell Angola organisation as part of the Block 18 prospect portfolio. It is unlikely that this evaluation will be of sufficient detail to enter into unitisation discussions. Also the evaluation (which is several years old) would have to be updated to incorporate the results from the recent Block 18 wells. If it is decided to proceed with the above action, additional SDS resources will be required. If no resources are available the base Block 18 work plan will be impacted.

Classification of wells as expex or capex is related to booking of proved reserves. Wells drilled outside the proven area, or to an unproven depth within the proven area, are classified as expex. Only wells drilled inside the proven area (area to which proved reserves have specifically been attributed) to a proven depth are classified as capex.

In the case of Angola, most of the wells being drilled in 2000 are testing new structures (Paladio and Cromio) so, although they have a high POS due to the high degree of confidence from the seismic calibration, they are still classified as exploration wells as no proved reserves have been booked. In the case of the Plutonio Salt Flank prospect, however, there may be a (strong) case to re-classify this well as 'appraisal', as a prominent flat seismic event suggests the same OWC as penetrated in the nearby Plutonio-1 discovery well. The new prospect is testing a different channel feature (probably connected) over the same general structure and would prove up the high field reserves case. Although there are no plans to use the exploration well in the field development scheme, there might be sufficient technical justification (to be provided by SDS) to re-classify the funding of the well cost from expex to capex, if proved reserves are booked for the Greater Plutonio hub prior to spudding of the salt flank appraisal well.

If the Plutonio Salt Flank is deepened to test the Cretaceous – as being pushed by BP and supported by SDAN in an effort to find a gamechanger for volume potential, a portion of the expenditure would have to remain with the expex budget.

SDAN also needs to investigate any complications versus PSC commitments if the Plutonio Salt Flank well is classified as 'appraisal' rather than 'exploration'. The well is due to spud in December 2000. Re-classification will reduce 2000 expex by about \$10 MM and increase 2000 capex by \$10 MM, impact on 2001 expenditure is that the expex will be reduced by about \$3 MM and the capex will be increased by the same amount.

In the case of Brazil, no funds, either expex or capex, have been allocated for appraisal drilling in 2000/2001, although in the case of exploration success, the need for further appraisal has been flagged. Logically, without appraisal funds no proven reserves can be booked, no FID can be taken and therefore no IBV addition will be achieved. On the EPG scorecard for 2000, proven reserves addition of zero is the mid point target for Brazil, but 100 MMbbls is an upside case subject to a major discovery in BC-10. With the delayed drilling in Brazil and lack of appraisal possibility in 2000 booking of proved reserves for Brazil in 2000 is highly unlikely.

In summary, therefore, it is likely that proven reserves in the order of 300 MMbbls will be booked for Angola by end 2000, offsetting the zero additions for Nigeria-SPDC. The possibility to reclassify the Plutonio Salt Flank well on the 2000 drilling sequence as appraisal and fund under CAPEX will be pursued by SDAN. In Brazil, no proven reserves will be booked for 2000. In the case of success in BC-10 and other blocks, however, booking of proved reserves in 2001 will require the allocation of funds for appraisal drilling in 2001.

The process for booking reserves needs to be clarified both internally and also with respect to Partners BP and Sonangol. The water needs to be tested on all fronts.

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