Some 234 - 386 mln bbl (Shell share) proved reserves are exposed due to lack of project maturity and / or proof of improved recovery concept.
Following slides show impact of the restatements since mid 1990's, and then the potential for re-booking proved reserves over the plan period.
Restatement by year: revised proved reserves

ca. 2 bln boe built over the last 5 years, ca 1.6 bln boe adjustment to 1997 closing balance

<table>
<thead>
<tr>
<th>Date</th>
<th>Restatement</th>
<th>Reserves, adjusted</th>
<th>As Disclosed</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.94</td>
<td>532</td>
<td>16811</td>
<td>17343</td>
</tr>
<tr>
<td>1995</td>
<td>686</td>
<td>16368</td>
<td>17054</td>
</tr>
<tr>
<td>1996</td>
<td>906</td>
<td>17672</td>
<td>18578</td>
</tr>
<tr>
<td>1997</td>
<td>1619</td>
<td>17741</td>
<td>19360</td>
</tr>
<tr>
<td>1998</td>
<td>1867</td>
<td>18587</td>
<td>20454</td>
</tr>
<tr>
<td>1999</td>
<td>2369</td>
<td>18100</td>
<td>20469</td>
</tr>
<tr>
<td>2000</td>
<td>3074</td>
<td>16980</td>
<td>20055</td>
</tr>
<tr>
<td>2001</td>
<td>3210</td>
<td>16485</td>
<td>19695</td>
</tr>
<tr>
<td>2002</td>
<td>3639</td>
<td>16309</td>
<td>19947</td>
</tr>
</tbody>
</table>

Includes Oil Sands
### Restatement by year: Liquids/Gas Split

<table>
<thead>
<tr>
<th>Year</th>
<th>Gas Oil/NGL</th>
<th>Reserves adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1162</td>
<td>16309</td>
</tr>
<tr>
<td>2002</td>
<td>1151</td>
<td>16309</td>
</tr>
<tr>
<td>2003</td>
<td>2648</td>
<td>16485</td>
</tr>
<tr>
<td>2004</td>
<td>2487</td>
<td>16485</td>
</tr>
<tr>
<td>2005</td>
<td>3453</td>
<td>16485</td>
</tr>
<tr>
<td>2006</td>
<td>3395</td>
<td>16485</td>
</tr>
<tr>
<td>2007</td>
<td>16980</td>
<td>16485</td>
</tr>
<tr>
<td>2008</td>
<td>18387</td>
<td>16485</td>
</tr>
<tr>
<td>2009</td>
<td>18100</td>
<td>16485</td>
</tr>
<tr>
<td>2010</td>
<td>18074</td>
<td>16485</td>
</tr>
<tr>
<td>2011</td>
<td>17741</td>
<td>16485</td>
</tr>
<tr>
<td>2012</td>
<td>17672</td>
<td>16485</td>
</tr>
<tr>
<td>2013</td>
<td>18388</td>
<td>16485</td>
</tr>
<tr>
<td>2014</td>
<td>18100</td>
<td>16485</td>
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<tr>
<td>2015</td>
<td>18074</td>
<td>16485</td>
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<tr>
<td>2016</td>
<td>17741</td>
<td>16485</td>
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<td>16485</td>
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<td>2018</td>
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<td>16485</td>
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<td>2019</td>
<td>18100</td>
<td>16485</td>
</tr>
<tr>
<td>2020</td>
<td>18074</td>
<td>16485</td>
</tr>
</tbody>
</table>

### Notes

- **EPS** includes Oil Sands.
Restatement by year: Competitive Position

On an adjusted basis, BP overtook us in 2001/2, but may also have concerns...

Incl. Oil Sands

25000
20000
15000
10000
5000
0

2002
2001
2000
1999
1998
1997
1996
31.12.94
1995
Reserves, adjusted
Restatement
ExxonMobil
BP
Chevron, Texaco

EPS

DB 03160

V00022398

FOIA Confidential
Treatment Requested
Contributors to Restatement: Cumulative
The only material recent contributor is Kashagan (2002)

Million boe
Does not yet include historical rephasing of Block 18, etc
SPDC Oil may be phased earlier - awaiting data

- Italy - Tempe Rossa
- Kashagan
- Pohokura
- Venezuela
- NAM Waddenzee
- Ormen Lange
- PDO (pre-2012)
- SNIPCO
- Gorgon
- Gjøa
- SPDC (oil only)
- SPDC Domestic Gas
- PSCs
- Brunei
Contributors: effect on annual additions

Chart shows the amounts by which disclosed additions must be revised downwards.

- Italy - Tempa Rossa
- Kashagan
- Pohokura
- Venezuela
- NAM Waddenzee
- Ormen Lange
- PDO (pre-2012)
- SNEPCO
- Gorgon
- Gjoa
- SPDC (oil only)
- SPDC Domestic Gas
- PSCs
- Brun ei

Million boe

Does not yet include historical rephasing of Block 18, etc

SPDC Oil may be phased earlier - awaiting data.

Year:
- 31.12.94
- 1995
- 1996
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
**Organic RRR**

**Historical RRR: -29% 1999-2003**

**Forward RRR: +32% 2004 - 2008 (>100% each year)**

Does not yet include historical rephasing of Block 18, etc

Includes Oil Sands

<table>
<thead>
<tr>
<th>Year</th>
<th>PDO extension</th>
<th>Plan, adjustment</th>
<th>Plan, unadjusted</th>
<th>Negative revision</th>
<th>History, adjusted</th>
<th>Plan, adjusted</th>
<th>History, unadjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>12%</td>
<td>37%</td>
<td>66%</td>
<td>12%</td>
<td>77%</td>
<td>121%</td>
<td>89%</td>
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<tr>
<td>1996</td>
<td>19%</td>
<td>38%</td>
<td>79%</td>
<td>19%</td>
<td>103%</td>
<td>218%</td>
<td>214%</td>
</tr>
<tr>
<td>1997</td>
<td>16%</td>
<td>38%</td>
<td>79%</td>
<td>16%</td>
<td>143%</td>
<td>151%</td>
<td>156%</td>
</tr>
<tr>
<td>1998</td>
<td>53%</td>
<td>52%</td>
<td>116%</td>
<td>53%</td>
<td>110%</td>
<td>106%</td>
<td>161%</td>
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<tr>
<td>1999</td>
<td>19%</td>
<td>29%</td>
<td>72%</td>
<td>10%</td>
<td>53%</td>
<td>117%</td>
<td>147%</td>
</tr>
<tr>
<td>2000</td>
<td>38%</td>
<td>6%</td>
<td>81%</td>
<td>52%</td>
<td>42%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>52%</td>
<td>29%</td>
<td>72%</td>
<td>21%</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>10%</td>
<td>15%</td>
<td>72%</td>
<td>67%</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>29%</td>
<td>15%</td>
<td>72%</td>
<td>82%</td>
<td>52%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>1%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Organic RRR: Competitive Position

A dearth of opportunities in recent years, compounded by accelerated bookings

Does not yet include historical rephasing of Block 18, etc

Includes Oil Sands

0% 50% 100% 150% 200% 250%

- History, adjusted
- Negative revision
- ExxonMobil
- BP
- Chevron Texaco
- Total

EPS
Re-maturation

ca. 500 mln boe contribution per year through the plan period: about 1/4 delivered long-term

[Bar chart showing million boe Gorgon phased (contracts) over years 2004 to 2009+ with various project contributors listed]
Following slides show competitive position as a result of the restatement.
Reserves Life: Total
Adjustment brings us to bottom of pack...

Includes Oil Sands

Years


Unadjusted Adjusted ExxonMobil BP ChevronTexaco Total
Reserves Life: Developed

... although the effect on Developed is minimal (very aggressive depletion rate)
Fraction Developed

SEC noted our exceptionally low fraction: adjustment helps to correct this

Includes Oil Sands

Unadjusted
Adjusted
ExxonMobil
BP
ChevronTexaco
Total


0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
Following are miscellaneous slides used in earlier presentations
– available as back-up
SEC Rules and Guidelines

- Simply put, Proved Reserves are the total production you can bank on realizing from investments you either have made or are certain to make.

- SEC rules and related guidance (since 2000/2001) indicate:
  - Triggers for booking reserves:
    - Reasonable certainty that reserves will be developed
    - Criteria for “frontier areas”: certainty (evidence required)
    - Implication for other areas: “certain, beyond reasonable doubt”
  - Constraints on the volumes that are bookable:
    - Proved Area (one offset from existing wells)
    - Lowest Known Hydrocarbon (guidance tightened, 2003)
    - Recovery techniques that have been proved to be effective

- The rules have not changed since 1978 - what has changed is that the SEC is more vocal and has provided increased clarity on their interpretation of the rules
Changes to Group Guidelines

- 1997  Proved = 85% confidence level
        Completed development plan not required
        Booking before project approval allowed

- 1998  Proved Developed to approach Expectation Developed

- 2000  “VAR” preferred

- 2001  VAR3 (Concept Selection) preferred
        Included in Business Plan

- 2002  VAR3 required (major projects)
        Must survive Capital Allocation

- 2003  Major projects
        FID (50 mln boe, US$ 100 mln)
        or public demonstration of commitment
        Intermediate projects
        VAR3 (10 mln boe)
Potential Overstatement of Proved Reserves

- Concerns emerged, partly prompted by SEC guidance – some action has already been initiated:
  - SIEP guidelines have been progressively tightened (since 2000)
  - T&OE
  - In 2002, concerns were summarized in a Potential Reserves Exposure Catalogue (updated typically at 6-month intervals)
  - Recently concluded reserves reviews confirmed overstatement of proved reserves against Group guidelines
  - Recent audits in PDO and SPDC delivered unsatisfactory results
  - In 2003 the SEC has made a determined challenge on the technical issue of booking reserves below the "lowest known hydrocarbon" (LKH)
Events post-2002 closing

Jan:  SPDC licence extension rights confirmed
Q1+: SPDC & PDO review / study requirements firmed up
Jun:  SEC raises LKH issue
      - Plus Kashagan with Total
Aug:  Reserves Committee established
Sep:  SPDC process audit: "Unsatisfactory"
Sep:  Regional Reserves Challenges commenced
Oct:  GAC paper / presentation (PDO audit in progress)
Oct:  PDO Reserves audit: "Unsatisfactory"
Nov:  SPDC Resource Maturation Study Phase II
      - Exposures confirmed
Dec:  PDO STOIIP and Reserves Review
      - Expectation (undeveloped) reserves overstated and / or immature
## Overall Summary Timeline

### External
- **1978/9**
  - 78 SEC S-X Rules 4-10: Requiring submission of proved reserves
- **1991**
  - 99 2PEs hired by SEC
- **1995**
  - 01 Clarification of SEC rules on website
- **1997**
  - Letter to 10K / 20F filers (GCM practices)
- **2000**
  - 00 Current Issues and Rulemaking Notice
- **2001**
  - 02 Sarbanes-Oxley Act
- **2002**
  - 03 LKH challenge from SEC ca. 300 min boe
- **2003**
  - 04 Bonga debooking -130 min boe

### Internal
- **1996**
  - 96 1st filing standardized measure
- **1997**
  - 97 Gorgon booked 557 min boe
- **1998**
  - 98 SPDC books 580 min bbl oil
  - 99 SPDC satisfactorily, PDO good
- **2000**
  - PDO books 356 min boe
  - PDO studies and unsatisfactory audits PDO/SPDC
- **2003**
  - 03 Q4 reserves

### Audits
- **1993**
  - 93 SPDC very satisfactory
- **1995**
  - PDO Little focus on proved, previous audit not followed up
- **1997**
  - 97 SPDC quite satisfactory, repeat in 2 years
  - 97 FRD on reserves recommends more aggressive approach
  - 98 Changes made to move proved to expectation developed for mature reservoirs
- **2000**
  - PDO books 356 min boe
- **2003**
  - PDO studies and unsatisfactory audits PDO/SPDC

### Bookings
- **1997**
  - Bookings 557 min boe
- **1998**
  - Bookings 580 min bbl oil
- **2000**
  - PDO books 356 min boe

### Reserves additions Bonuses in SPDC 91 - 00
- **1997**
  - Bookings Gorgon 557 min boe
- **1998**
  - Bookings 580 min bbl oil
- **2000**
  - PDO books 356 min boe
- **2003**
  - PDO studies and unsatisfactory audits PDO/SPDC
Offsets

• PSC pricing
  – include tax entitlement (tax-paid PSCs)
  – PSC hit offset by tax / royalty gain
  – together ca 150 mln boe (tbc 2003 ARPR)

• Wellhead Production
  – include fuel and possibly (incidental) flare
  – ca 300 mln boe

• PDO licence extension (2004)
  – 290 - 480 mln bbl depending on how deep the cut
Effect on Standardized Measure
of Discounted Net Cash Flow (NPV of Proved Reserves)

<table>
<thead>
<tr>
<th>Year-end price:</th>
<th>Proved Reserves</th>
<th>Standardized Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent US$ 28.66 per bbl</td>
<td>min boe</td>
<td>US$ min</td>
</tr>
<tr>
<td>As disclosed at 31.12.2002</td>
<td>19348</td>
<td>72772</td>
</tr>
<tr>
<td>Tranche I</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gorgon</td>
<td>-557</td>
<td>-449</td>
</tr>
<tr>
<td>Nigeria #1</td>
<td>-720</td>
<td>-780</td>
</tr>
<tr>
<td>Oman #1</td>
<td>-234</td>
<td>-878</td>
</tr>
<tr>
<td>LKH</td>
<td>-300</td>
<td>-1128</td>
</tr>
<tr>
<td>PSCs</td>
<td>-291</td>
<td>0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>-2102</td>
<td>17246</td>
</tr>
<tr>
<td>% effect</td>
<td>-10.9%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Tranche II</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nigeria #2</td>
<td>-814</td>
<td>-985</td>
</tr>
<tr>
<td>Oman #2</td>
<td>-150</td>
<td>-592</td>
</tr>
<tr>
<td>Kashagan</td>
<td>-380</td>
<td>-609</td>
</tr>
<tr>
<td>Others</td>
<td>-200</td>
<td>-752</td>
</tr>
<tr>
<td>Subtotal</td>
<td>-1544</td>
<td>15702</td>
</tr>
<tr>
<td>% effect (total)</td>
<td>-18.8%</td>
<td>-8.5%</td>
</tr>
</tbody>
</table>

SM equates to US$ 3.8 per boe

Calculated by SDA
Modelled by EPS-P
Modelled by EPS-P
Estimate, applying Group average SM US$/boe
No effect: SM is already calculated at year-end price
US$ 4.0 per boe (US$ 1.5 per boe written down)

Modelled by EPS-P
Modelled by EPS-P
SM as reported for Kazakhstan
Estimate, applying Group average SM US$/boe
US$ 4.2 per boe (US$ 1.9 per boe written down)
Technical / Risk Assessment

Commitment / Commercial Issues

Technical Case

Likely SEC Compliance
Historical Perceptions

- Historical reputation for conservatism

- In hindsight we were conservative relative to competitors in some areas:
  - Exclusion of ex-contract reserves (changed in 1990)
  - p85 probabilistic approach in mature fields (changed in 1998)
  - Exclusion of fuel and flare (change under consideration)
  - Strict application of project basis since 1993

- but not others:
  - Booking ahead of FID / project sanction (changed in 2003)

- In fact, disclosures have always been made in good faith based on interpretation of rules. Interpretations evolve, often following observation of competitor practice.
Unknown

From: Regtien, Jeroen SIEP-EPT-LS
Sent: 09 January 2004 15:52
To: Darley, John J SIEP-EPT
Subject: Gorgon Reserves

John,

With all the disappointing news today and finally understanding the full scope of your recent work I went back to my files to check the facts on Gorgon. I found the following relevant documents:

1. E-mail from me to Anton Barendregt on the scope of the audit, highlighting our intention to debook Gorgon (June 2000)
2. Internal SDA message restating the intention that Gorgon should be de-booked (September 2000)
3. Final report from SEC Reserves Audit, which clear statement by the auditor that Gorgon bookings should be maintained (See Point 3 of Main Observations), (November 2000)

If it is no longer material or relevant, please discard.

Regards,

Jeroen

RE: SEC Reserves Audit - Aust...

RE: Gorgon Reserves vs SFR

SDA - Reserves Audit.ZIP

Jeroen Regtien
Manager TLT Support Team

Shell International Exploration and Production B.V.
Volmerlaan 8, Postbus 60, 2280 AB Rijswijk, The Netherlands

tel: +31 70 447 3419
fax: +31 70 447 2004
mobile: +316 1104 7403
e-mail: j.regtien@shell.com

EXHIBIT
Darley 25
11/17/04
DARLEY 1097

FOIA Confidential
Treatment Requested

V00321097
Jeroen,

Many thanks for your message. I'll read through your documents and I'll revert with questions if I have any. I'll also let you know which fields I'd like to have a closer look at.

I've got copies of your end-1999 submissions and note.

Anton

--- Original Message ---
From: Regtien, Jeroen SDA-EP/2
Sent: 25 May 2000 11:21
To: Barendregt, Anton SEPIV-EPB-GRA
Subject: FW: SEC Reserves Audit - Australia 1 of 1

resend due to size limitation error.

--- Original Message ---
From: Regtien, Jeroen SDA-EP/2
Sent: Thursday, May 25, 2000 5:13 PM
To: Barendregt, Anton SEPIV-EPB-GRA
Cc: Blaauw, Robert SDA-EP; Graham, Sheila SDA-FP/421
Subject: RE: SEC Reserves Audit - Australia

Anton,

We confirm your proposal to hold the audit in the week of October 9th. We are making the necessary arrangements to comply with the proposed structure of the audit and are already making arrangements with our Operators Chevron and Woodside to schedule interviews with field teams.

I would like to point out a possible sensitivity. As you may have heard in the press, Shell has recently made a significant but unsolicited business proposal to Woodside to sell SDA's plus some international assets in return for an increase in its shareholding in Woodside from 34% to 60% (ref attached). The proposal is being studied by Woodside and external advisers are involved. This means that the book value of SDA's and Woodside's assets is quite significant and as such a Shell Group audit on SDA assets operated (but co-owned) by Woodside could be a sensitivity. In that light we have explained to Woodside that the upcoming audit is part of a 5 year rolling plan, was scheduled long before the merger proposal was made and that the audit is with respect to SDA's reserves base only and not those of our Operators. Woodside has in the meantime indicated it will cooperate and Woodside's reserves coordinator Jan van Elk will coordinate from their end.

Some basic information on SDA:
- SDA has a large number of assets operated by Woodside (majority), Chevron (a few) and ourselves (small proportion, exploration permits only).
- Apart from Robert Blaauw (E&P Manager), Sheila Graham (Economist and reserves Coordinator) and myself (Development Manager) SDA does no longer have any petroleum engineering staff. We rely on Operators (Woodside, Chevron) and use technical and value assurance services from SIPEP/SEP TAR as and when required.
- We distinguish between a Direct interest (where we have equity in the permits) and Indirect interest (through our 34% shareholding in Woodside). Attached you will find two workbooks containing the submissions for both direct and indirect interests. The 'Field Data' sheet contains an overview of developed and undeveloped reserves by field.
- The majority of the assets operated by Woodside are covered by both a direct and indirect SDA interest, except the Legendre Field, in which we only have an indirect interest.
- The North West Shelf area is huge and comprises many oil fields (Wanaea, Cossack, Lambert, Hermes) and...
gas fields (Rankin, Goodwyn, Angel, Perseus, Egret).

- The Laminaria/Coralina field has come into production November 1999 and we are watching the pressure profile with great interest.
- With respect to Chevron operated assets, the giant Gorgon field is classified as proved undeveloped and we intend to downgrade that to SFR during the upcoming ARPR cycle. Also, the Thevenard and Barrow oil assets have been sold per 1/6/2000 to Santos as part of a portfolio rationalisation.

Closer to the audit date we would like to have an indication of the fields you want to investigate in more detail as the allocated time would not be sufficient to cover them all. This would allow our operators Woodside and Chevron to make the appropriate staff and data available in a timely fashion.

Will you receive a copy of our ARPR explanatory note and formal ARPR submission to the Group from Remco Aalbers or do you expect a copy from us?

Looking forward to your response,

Jeroen Regtien
No problem with your approach. On Domgas we have recently signed an MOU and CA - whilst not bankable, it does demonstrate some action in the commercial area to support booking.

-----Original Message-----
From: Reglien, Jeroen SDA-EP/2
Sent: Tuesday, 19 September 2000 16:48
To: Graham, Sheila SDA-421
Cc: Chittleborough, Mark SDA-DCG; Blaauw, Robert SDA-EP
Subject: RE: Gorgon Reserves vs SFR

Sheila,

My view is that we come to our own understanding first within the current guidelines. We then check with Barendregt who has got Gorgon reserves on his audit programme anyhow. Afterwards we can then discuss the matter with Aalbers.

My proposal to treat the Gorgon reserves is based on the following:
• We have booked the Gorgon volumes as reserves in 1998(?) following the certification by NSAI and whilst very close to signing an LOI with Korean LNG customers. The Asian crisis has evaporated the market and we do currently not have an outlook to signed LOIs or SPAs. Recent Domgas options fell through, we are now restarting a greenfield LNG effort.
• We have a Gorgon case in our BP which meets screening criteria.
• The Sunrise project is further in its commercialisation process (LOIs, VAR) and has no proved reserves in the books.
• None of the JV partners has booked the Gorgon volumes as proved reserves.

I therefore recommend and am prepared to defend downgrading Gorgon from the proved undeveloped reserves category to SFR (commercial/proved techniques).

I realise this may carry some sensitivity in SIEP, but it was extensively discussed at the ASR and SDA was actioned to developed a plan to downgrade Gorgon reserves. I accept that timing may have to be discussed with SIEP and suggest Robert contacts Jager.

I also note that Remco may not have realised in his response that Barendregt is visiting in October anyhow for the audit, and may have thought we are bypassing him.

Looking forward to your response,

Jeroen

-----Original Message-----
From: Graham, Sheila SDA-421
Sent: Tuesday, September 19, 2000 3:37 PM
To: Reglien, Jeroen SDA-EP/2; Chittleborough, Mark SDA-DCG
Subject: FW: Gorgon Reserves vs SFR
Importance: High

Gentlemen,
FYI, let's discuss and I will reply on Thursday.

Sheila

-----Original Message-----
From: Aalbers, Remco RD SIEP-EPB-P
Sent: Saturday, 16 September 2000 1:08

DARLEY 1100

V00321100

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Treatment Requested
To: Graham, Sheila S SDA-FP/421; Maarse, Wim W SDA-FP/4
Cc: Jager, Rob RJ SEPI-EPA; McKay, Aidan A SIEP-EPB-P; Branson, David D SIEP-EPB-P
Subject: Gorgon Reserves vs SFR
Importance: High

Wlm, Sheila,

I picked up the following comment on Gorgon reserves vs SFR in your BP’00 clarifications. This is a very important and sensitive point from both a principle point as well as in light of the Groups proved RRR target. The discussion should be with both Rob and myself, not with Anton Barendregt. Could you please clarify what your plans/issues/timing vs Gorgon reserves.

Q SFR Maturation zero?
We are acutely aware of our reserves replacement and SFR maturation KPIs. As you no doubt are aware, lack of a gas market makes it very difficult if not impossible to move our gas/condensate scope from SFR to reserves. Most of our oil opportunities have not made it through CA and hence no scope maturation can be expected. In actual fact if we decide to move Gorgon back to SFR (not included in BP as discussion is required with Barendregt). The SFR maturation will be negative.

Met vriendelijke groeten / With kind regards.

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DRAFT NOTE – 21 Nov 2000

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From: Anton A. Barendregt
To: Lorin Brass, Alan Parsley

Group Reserves Auditor, SIEP – EPB - GRA
Director, Business Development, SIEP - EPB
CEO, Shell Development Australia (SDA)
E&P Manager, SDA
Finance Manager, SDA
Commercial Director, SDA
Development Manager, SDA
SIEP – EPF: Gardy, van Nues
SIEP - EPB-P: Bell, McKay, Aalbers
Business Advisor, SIEP (EPA)
Director, KPMG Accountants NV
PriceWaterhouseCoopers

SEC PROVED RESERVES AUDIT - SHELL DEVELOPMENT AUSTRALIA, 9-13 Oct 2000

I have audited the proved reserves submissions of SDA for the year 1999 and the processes that were followed in their preparation. These submissions present the SDA contribution to the Group’s externally reported Proved and Developed Reserves and associated changes as at 31 December 1999.

The audit followed the procedures laid down in the "Petroleum Resource Volume Guidelines, SIEP 90-1100/1101" (based, inter alia, on FASB Statement 69). It included a verification of the technical and commercial maturity of the reported reserves, a verification that margins of uncertainty were appropriate, that Group share and net sales volumes had been calculated correctly and that reported reserves changes were classified correctly. The last previous SEC proved reserves audit for SDA was carried out in 1996. The audit took the form of technical discussions with staff from Woodside Energy Ltd (the operator for a large part of the assets with SDA interest) and detailed discussions about the reserves reporting process with SDA staff.

Total booked Group share proved reserves at the end of 1999 were 44 mln m3 of oil + NGL (of which 20 mln m3 developed) and 217 bln sm3 of gas (of which 27 bln sm3 developed). 1999 Reserves replacement ratios were 48% for oil+NGL and ~340% for gas.

The audit commenced the high quality technical work that had been carried out by Woodside, particularly in assessing the subsurface uncertainties and in evaluating the ranges of in-place and reserves estimates. Intensive SIPE assistance through VAPR and other reviews was noted. Maintaining the preliminary booked volume of Gorgon gas reserves (first done at 1.1.1999) was supported on the grounds that a gas market was highly likely to be established in due course and that it must be considered likely that an extension of the current 5-year Retention Lease will be granted in 2002. Proved reserves in some mature fields (N-Rankin, Goodwyn and the four oil fields) should be increased to expectation levels, in line with the guidelines. This could increase Group entitlement by some 12 mln m3oe. Concern was expressed about the lack of a concisely documented audit trail, which hampered a proper assessment of the reasons for the end-1999 reserves changes.

The audit finding is that the SDA statements fairly represent the Group entitlements to Proved Reserves at the end of 1999. There is a possibility of a small (appr. 4%) understatement of entitlement reserves due to the reporting of P85 (proven) reserves instead of expectation reserves in mature fields. The overall opinion from the audit regarding the state of SDA’s 1999 Proved Reserves submission, taking account of the scoring in Attachment 3, is therefore satisfactory.

A summary of the findings and observations is included in the Attachments.

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A.A. Barendregt

SDA - Reserves Audit

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Attachments 1, 2, 3

25/02/04

V00321102
SEC PROVED RESERVES AUDIT - SDA, 9-13 Oct 2000

MAIN OBSERVATIONS

1. SDA report their Group share reserves in two separate submissions. The first contains the 'direct' share of SDA in the successive licences and ventures in which Shell have an interest, together with other co-venturers. The second submission relates to the 34.27% shareholding that Shell have in Woodside Petroleum Ltd, who are co-venturer and operator in many of the fields in which SDA have an interest. The effect is an increase in the net reported share of the Woodside operated fields.

2. Commendation is made of the excellent quality of the technical work carried out by Woodside Energy Ltd in assessing the subsurface risks and in evaluating and quantifying the probability ranges of the in-place and reserves estimates. The fact that production history in the mature fields largely confirmed the original estimates provides evidence for this quality. Woodside can be commended for a significant improvement of their internal work processes in this respect. It was also noted that co-venturer support, e.g. through regular peer reviews and SIEP reviews (VARs and others) helped to further contribute to this success.

3. Some 10 Tcf (or 86 bn m3 Group share) of proved gas reserves have been booked for the giant Gorgon field since 1.1.1999. This was done on the strength of work done by the operator (WAPET, later Chevron) showing that development of this field through an LNG facility (stand-alone or, preferably, shared with the existing Woodside / North West Shelf LNG facility) was commercially robust. An important challenge is finding a buyer in a market that is fully supplied until 2005 and in which there is still significant competition thereafter. In the long term, however, there can be little doubt that a market will be found for this gas in the East- or South Asian rm. Hence, the Group reserves reporting guidelines do in principle allow this gas to be reported as reserves.

The outstanding issue is whether the stated Gorgon reserves can be shown to be producible within the prevailing production licence. Gorgon is presently held under a Retention Lease, renewable for successive periods of 5 years under the condition that the field can be considered likely to become commercially viable within the next 15 years and that the lessee is actively pursuing the evaluation of commercial viability, including the conclusion of long term sales contracts. The current Retention Lease expires in 2002. Although there is little doubt that, on the strength of the significant technical and commercial work done to date, an extension of the Retention Lease will be granted, there is no formal right to this extension. Hence the Group guidelines are not fully clear on this issue.

The practical way forward (and recommendation from this audit) is to maintain the presently booked volume of Gorgon reserves (even when the actual volume has been superseded by a 20% larger volume, following new technical work) and not book any increases until either the Retention Lease has been extended or until e.g. a letter of intent with a prospective buyer has been signed.

4. Group reserves guidelines prescribe that externally reported 'Proved' reserves should be made equal to expectation volumes (in stead of P85 proven or Low volumes) in mature fields, i.e. fields with significant production in relation to their ultimate recovery. Hence, the externally reported proved reserves in N-Rankin, Wanaea and Cossack (and possibly Goodwyn plus, in the near future, Laminaria and Corallina) should be taken as equal to expectation reserves. The same reserves should then also be applied for asset depreciation calculations for Group accounting.

5. One of the requirements of a reserve audit is that OU Group share submissions can be reconciled with reserves volumes and changes in individual fields. The audit should also establish that Group share reserves changes have been reported in the correct category (revisions, field extensions and discoveries, purchases / sales in place etc.). This process was greatly hampered by the lack of a concise audit note, with full detail at field level and by the lack of a proper record of 1999 produced volumes by individual fields. As a result, only a very partial match could be obtained with individual field volumes and changes as reported by Woodside and Chevron, see Attachments 2.1-2.4. Bottom-line corrections, not necessarily linked to individual fields (e.g. those made for the revised Woodside share in Domgas sales), could (and should) also be addressed in such a note.

New guidelines for preparing a proper audit trail have recently been published on the SIEP-EPB web site. It is the strong opinion of the auditor that a good audit trail will not only facilitate the auditor’s task but also, and more importantly, will greatly enhance clarity and transparency of the reserves reporting process in the OU organisation. This will undoubtedly lead to less staff time being required during staff handovers, queries etc.

6. GTHVs are measured and a record is maintained at field level (and apparently even lower) by Woodside, who do the calculation of Nm3 from sm3 volumes for NWS fields. An attempt was made at reconciling the

SDA - Reserves Audit

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SDA Nm3 submission with individual field's and Gorgon GHVs, but the resulting average GHV did not seem to match with the average GHV implied by the submission (Att. 2.4).

7. Asset depreciation for Group accounts is done correctly through proved developed reserves depletion (proved total reserves for the full North Rankin facilities, which act as a hub for the entire NWS offshore gas system). Correct reserves values are being used, but no copy could be found of the formal end-1999 note of advice to Finance with the proper new reserves volumes to be used.

8. Full monthly production and sales statistics (100% field volumes) are received by fax from Woodside, who are the only operator at present with fields in production in SDA-held acreage. A selection of these figures (e.g. totals by assets only, not fields) is manually transcribed into the Finance system for monthly I. quarterly reporting. A parallel system (also with manual input) is maintained by the Development Manager for e.g. KPI and MIS reporting. There would appear to be opportunities for synergy and rationalisation, also through electronic transfer of data. Incorporation of data at field level could help the end-year audit trail.

Recommendations

1. Maintain the presently booked volume of Gorgon reserves until a clearly positive event (extension of the Retention Lease or LOI with a buyer) has occurred.

2. Raise externally proved and proved developed reserves in N-Rankin and Wanaea / Cossack, plus possibly those in Goodwyn and Laminaria / Corallina to expectation levels, in line with Group guidelines.

3. Prepare a proper audit trail note, in line with published guidelines, for the 1.1.2001 reserves reporting cycle.

4. Consider possible synergy and rationalisation between production / sales reporting through Finance and the Development function.