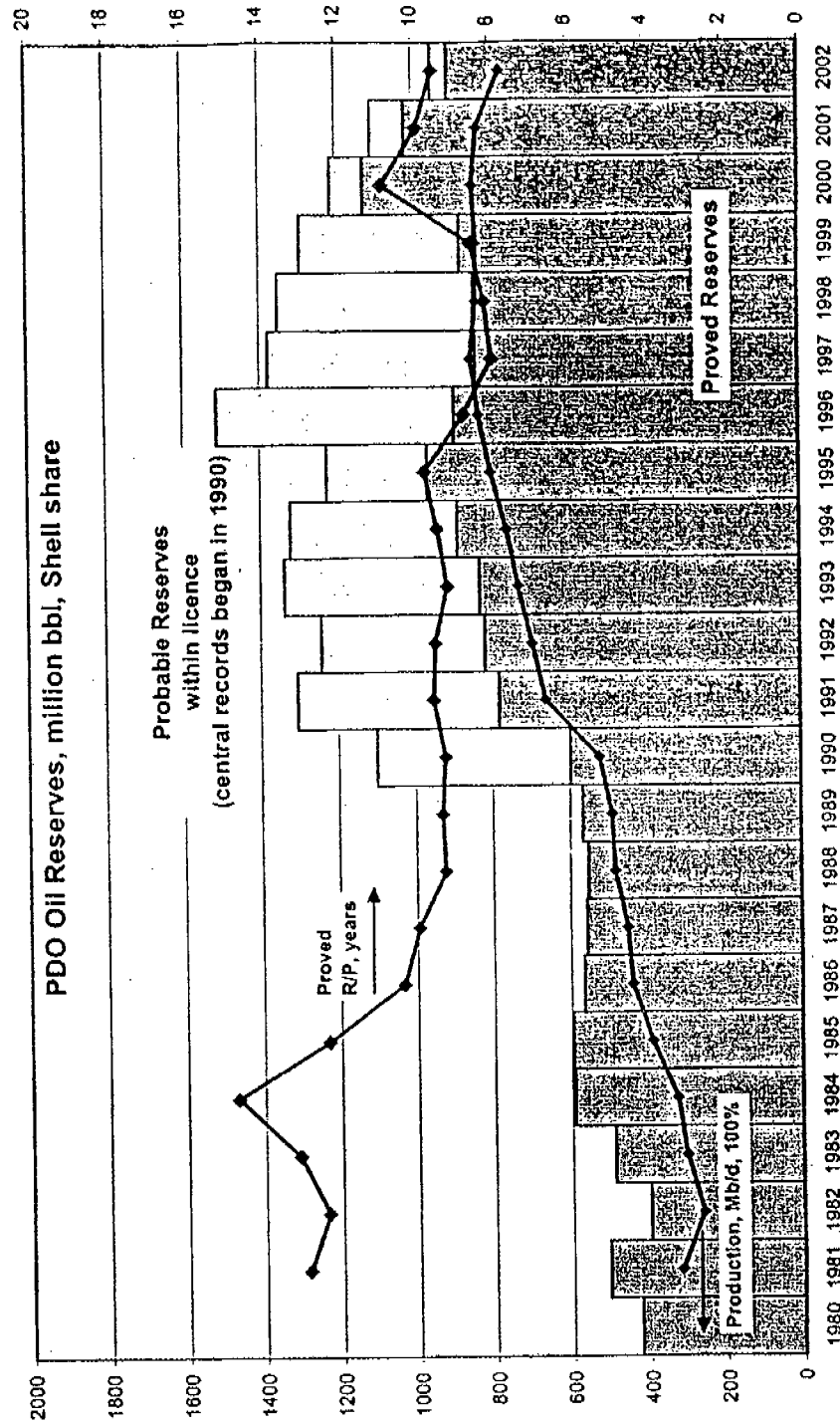


PDO

Some 234 - 386 mln bbl (Shell share) proved reserves are exposed due to lack of project maturity and / or proof of improved recovery concept.



EPS

DB 03156

V00022394

FOIA Confidential
Treatment Requested

19

Following slides show impact of the
restatements since he mid 1990's, and then
the potential for re-booking proved reserves
over the plan period

EPS

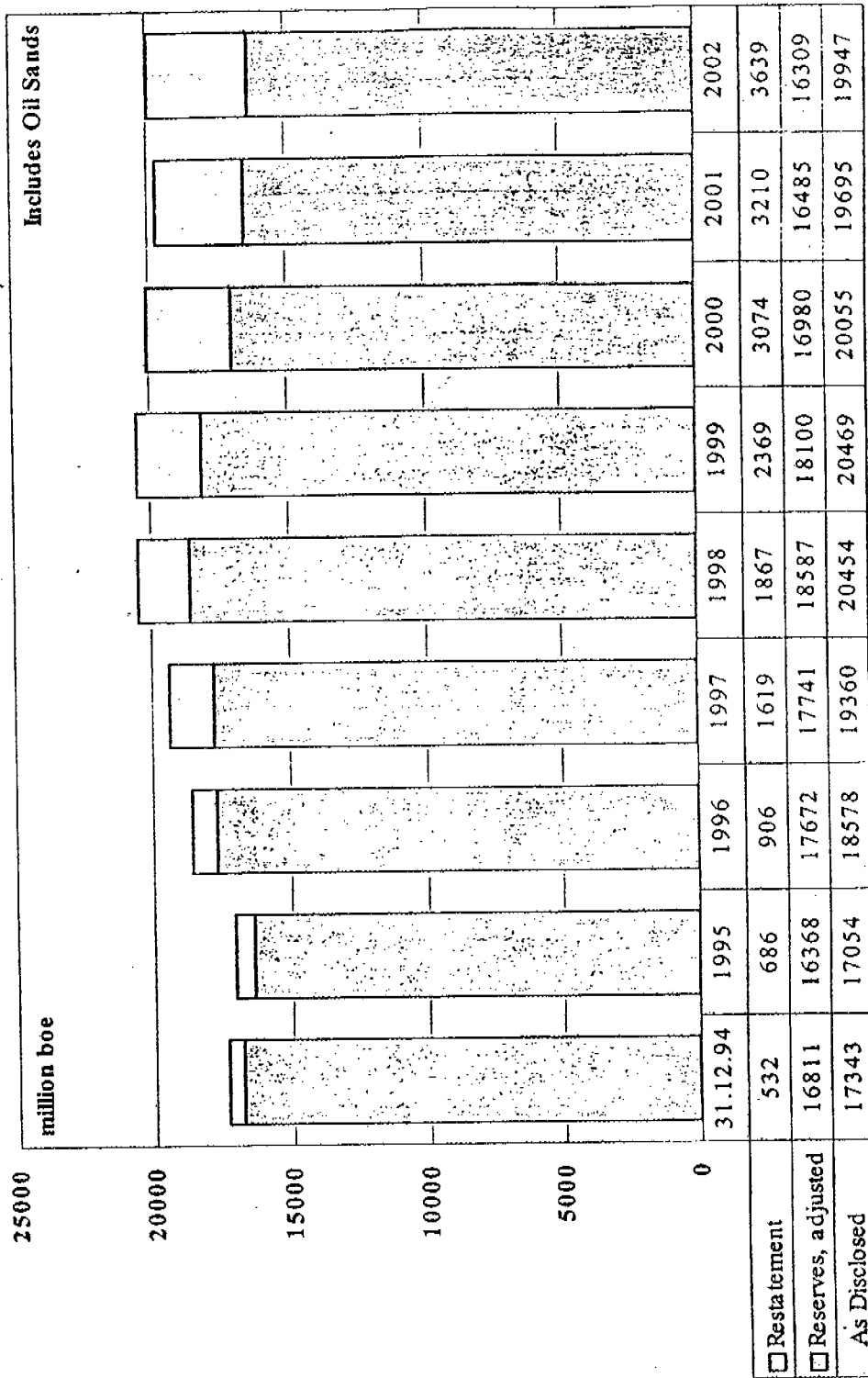
DB 03157

V00022395

FOIA Confidential
Treatment Requested

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



EPS

20

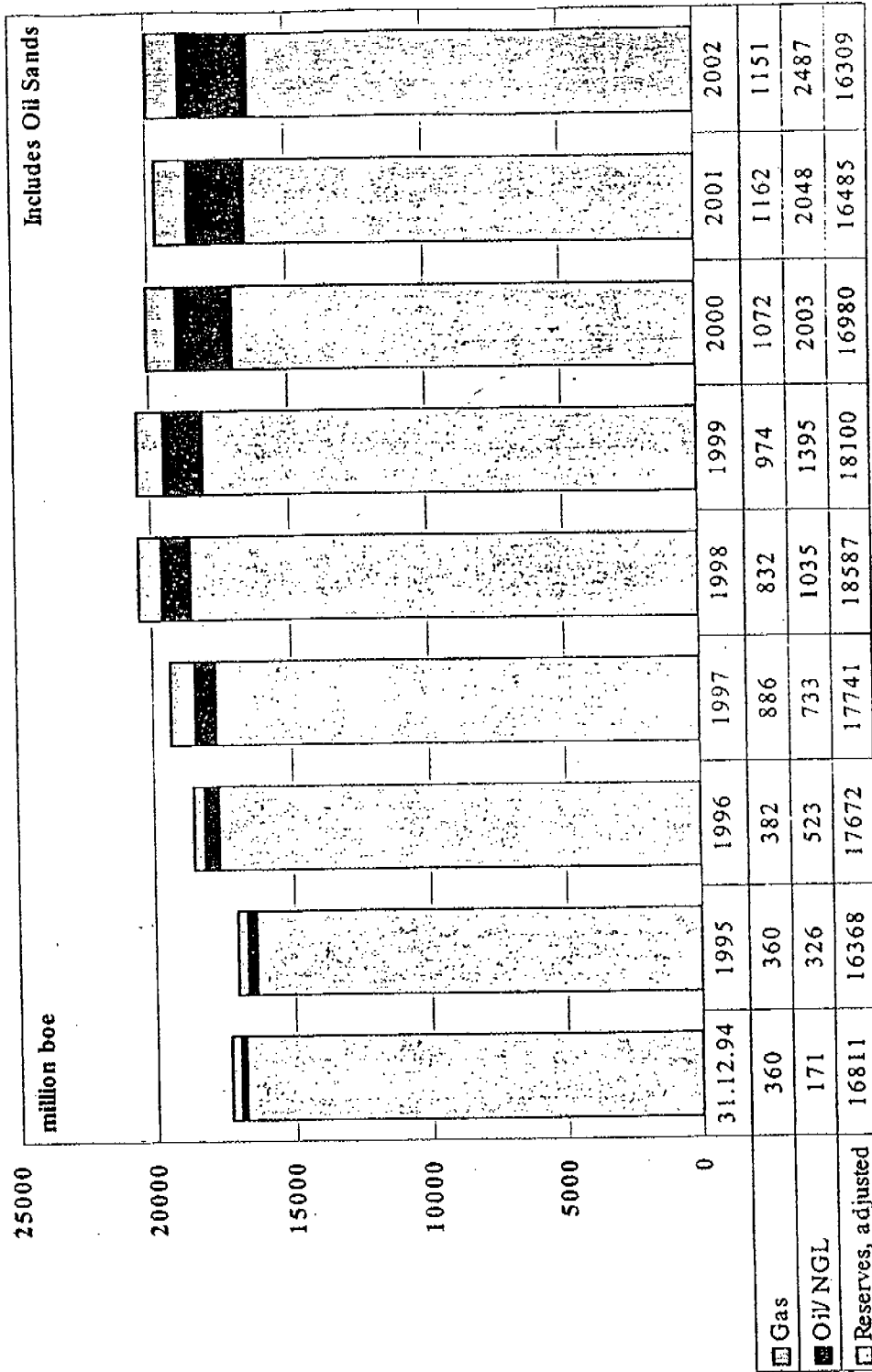
DB 03158

V00022396

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Treatment Requested

Restatement by year: Liquids/Gas Split

67:33 split Liquids: Gas at 31.12.2002



EPS

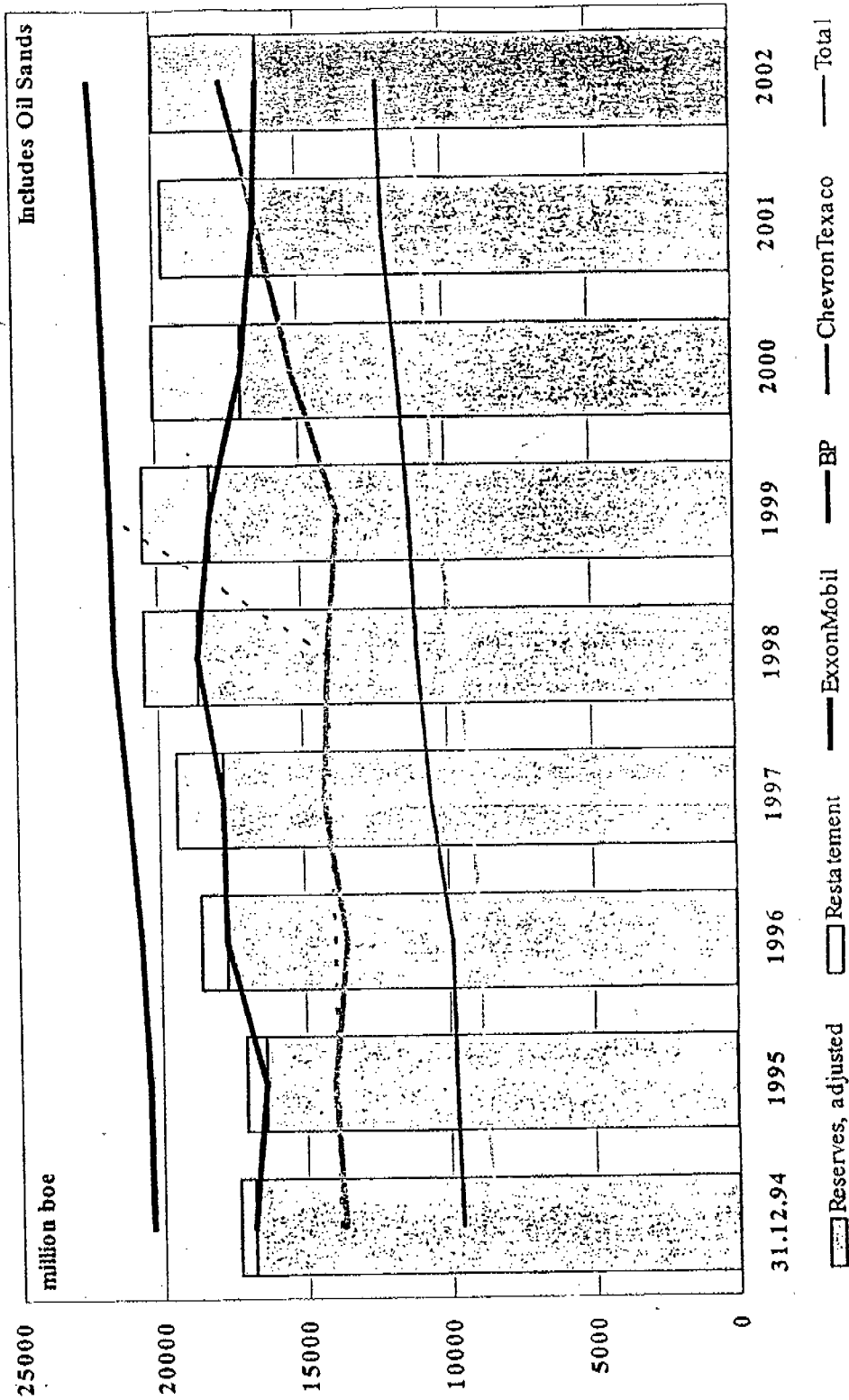
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V00022397

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Restatement by year: Competitive Position

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



EPS

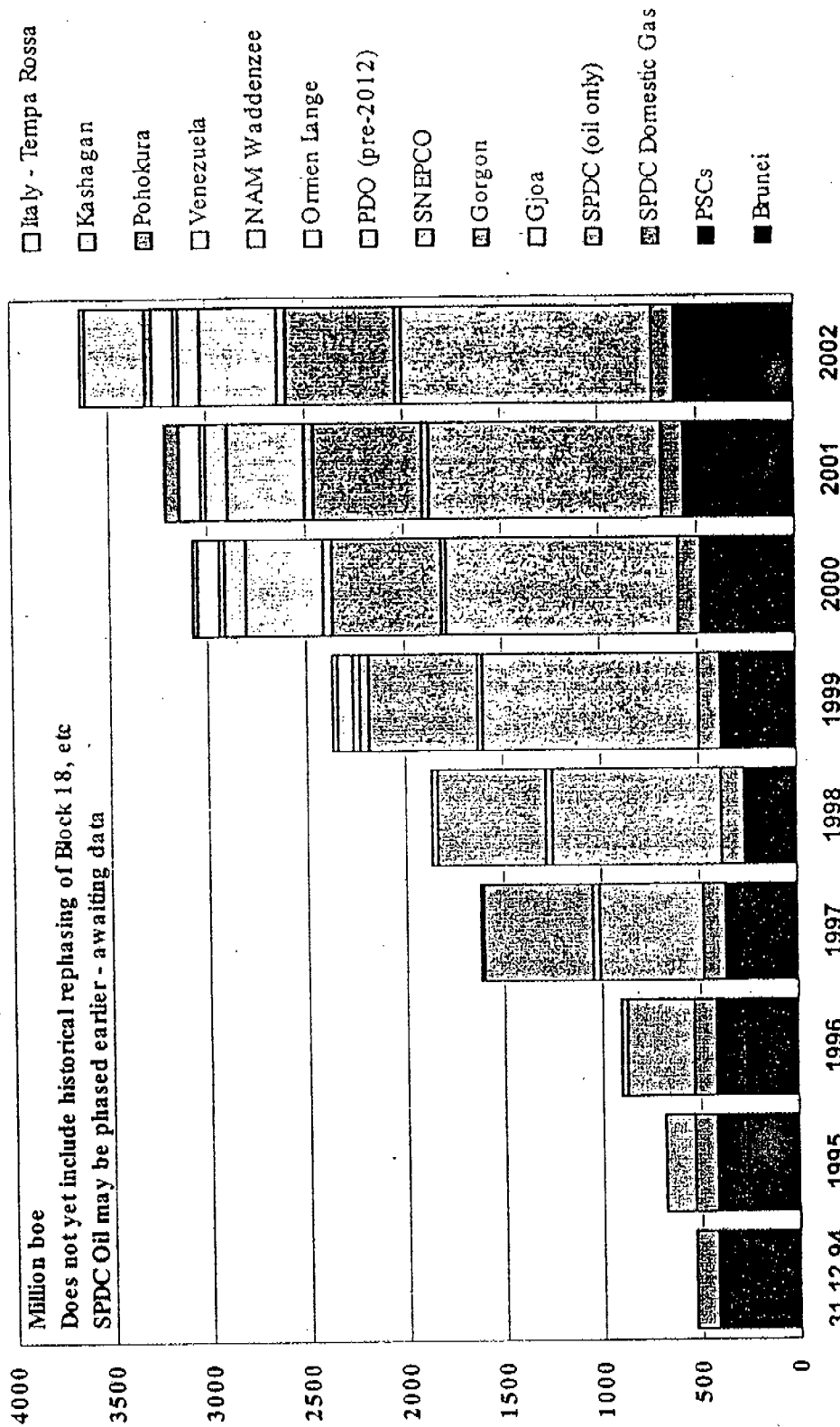
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Contributors to Restatement: Cumulative

The only material recent contributor is Kashagan (2002)



EPS

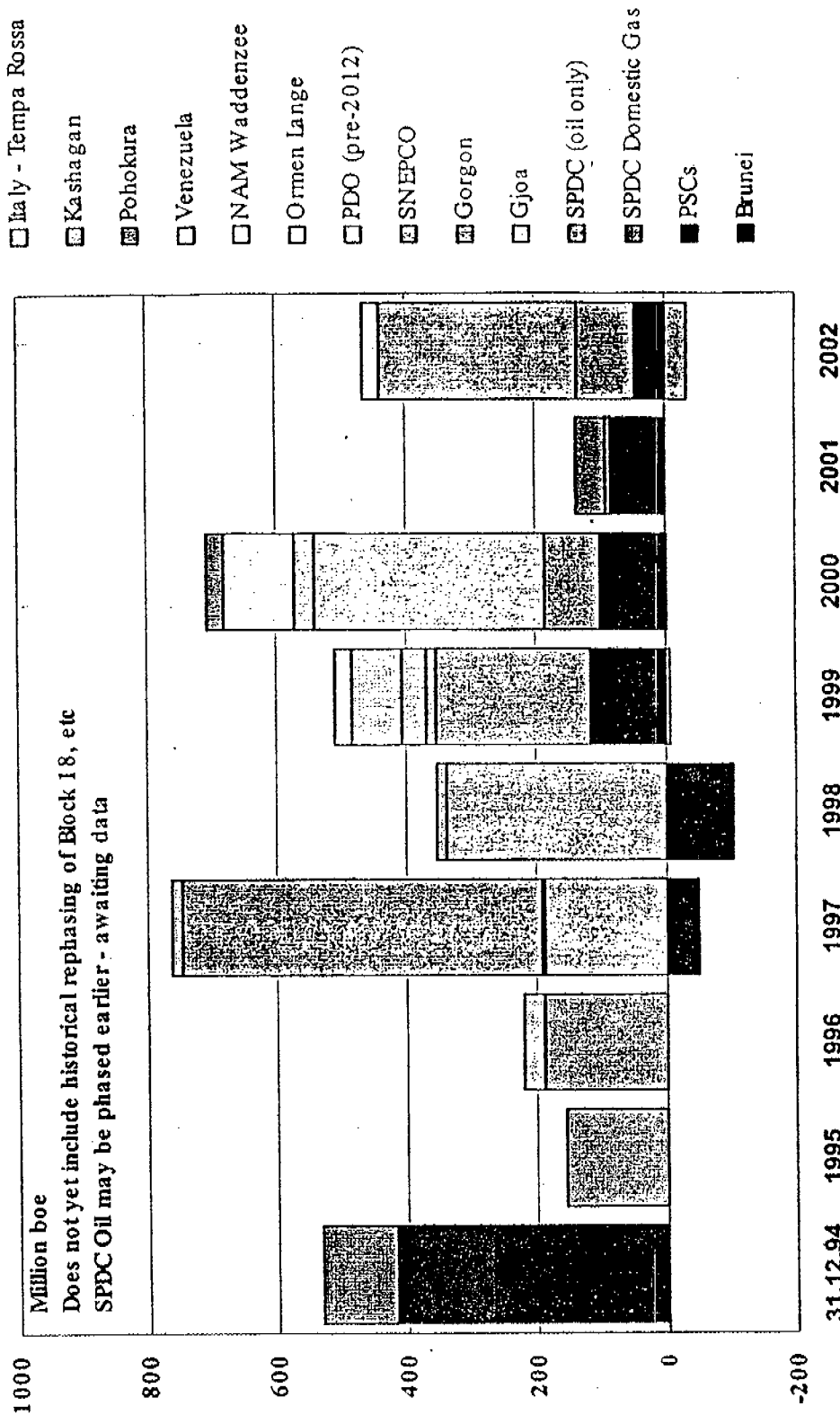
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Contributors: effect on annual additions

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



EPS

24

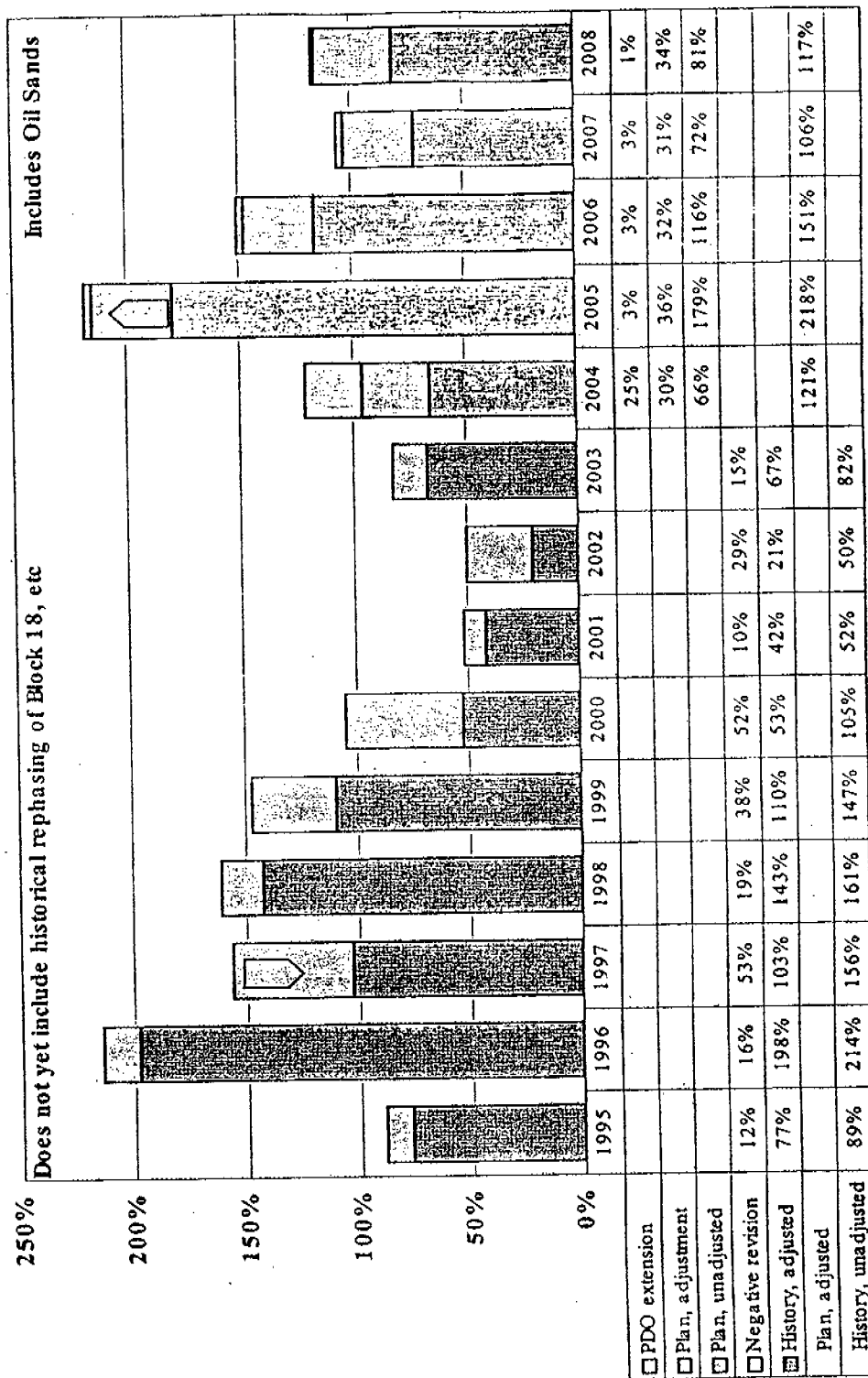
DB 03162

V00022400

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Treatment Requested

Organic RRR

Historical RRR: -29% 1999-2003 Forward RRR: +32% 2004 - 2008 (>100% each year)



EPS

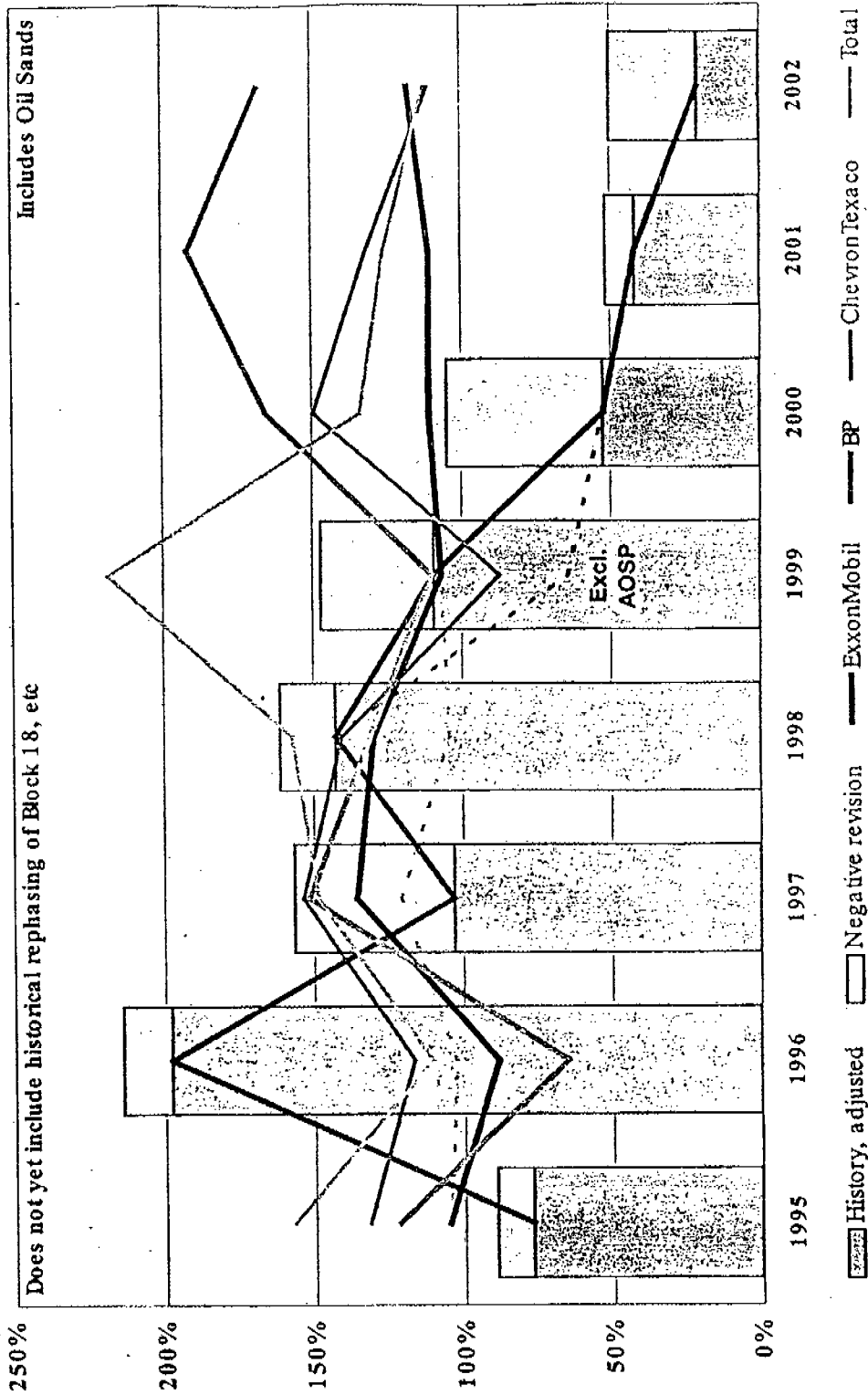
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V00022401

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Treatment Requested

Organic RRR: Competitive Position

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



EPS

26

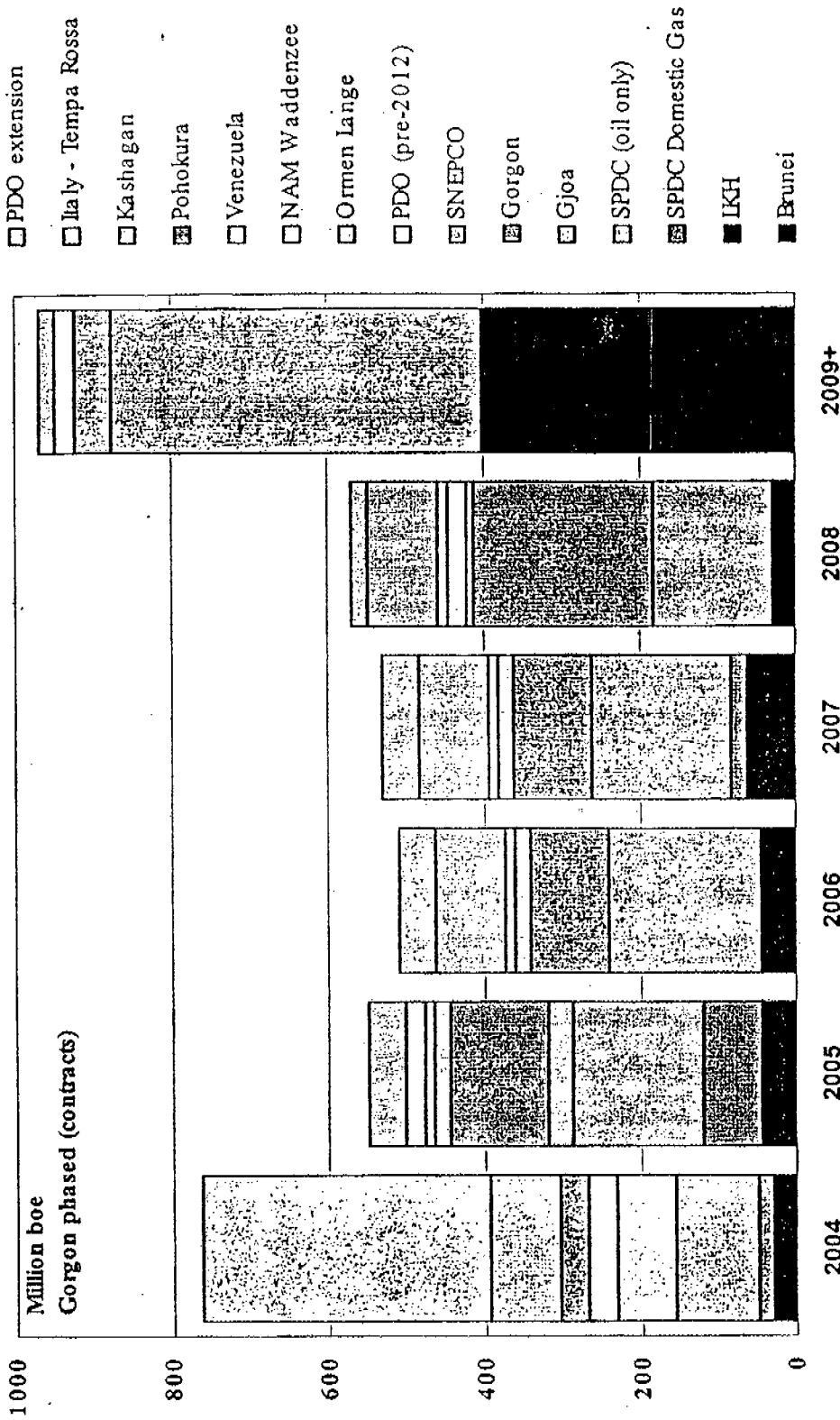
DB 03164

V00022402

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Re-maturation

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



EPS

DB 03165

V00022403

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Treatment Requested

28

Following slides show
competitive position as a
result of the restatement

EPS

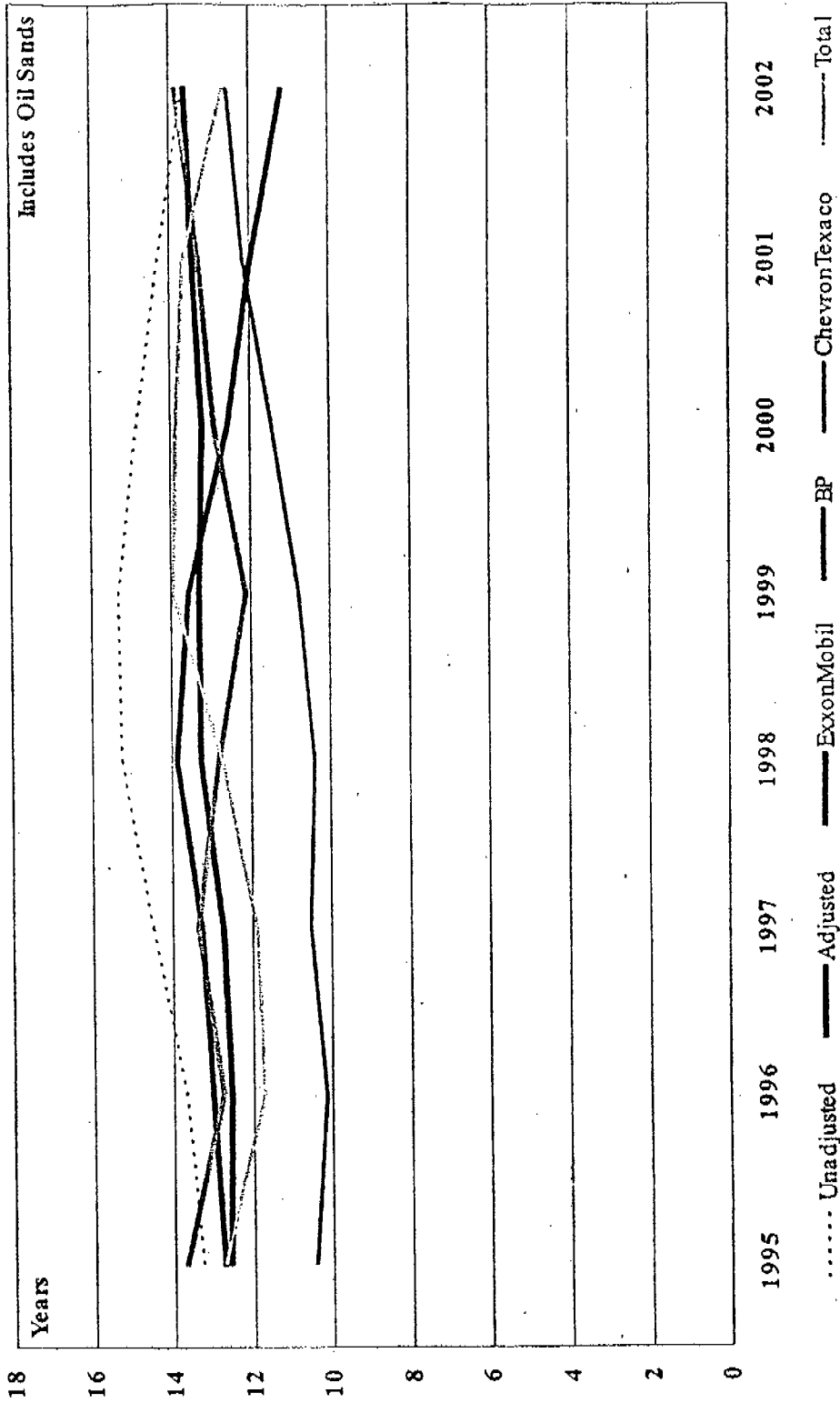
DB 03166

V00022404

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Reserves Life: Total

Adjustment brings us to bottom of pack...



EPS

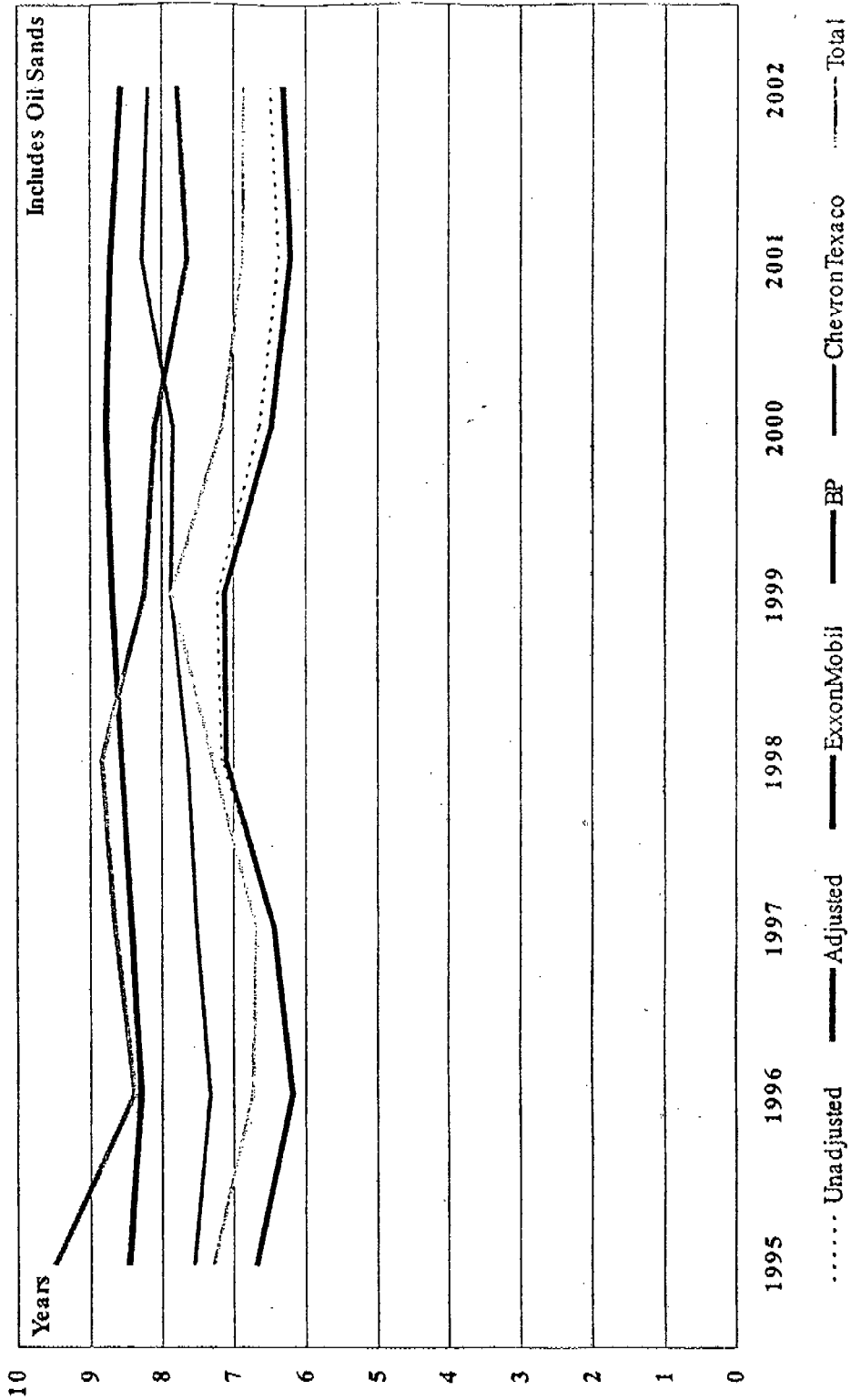
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V00022405

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Treatment Requested

Reserves Life: Developed

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



EPS

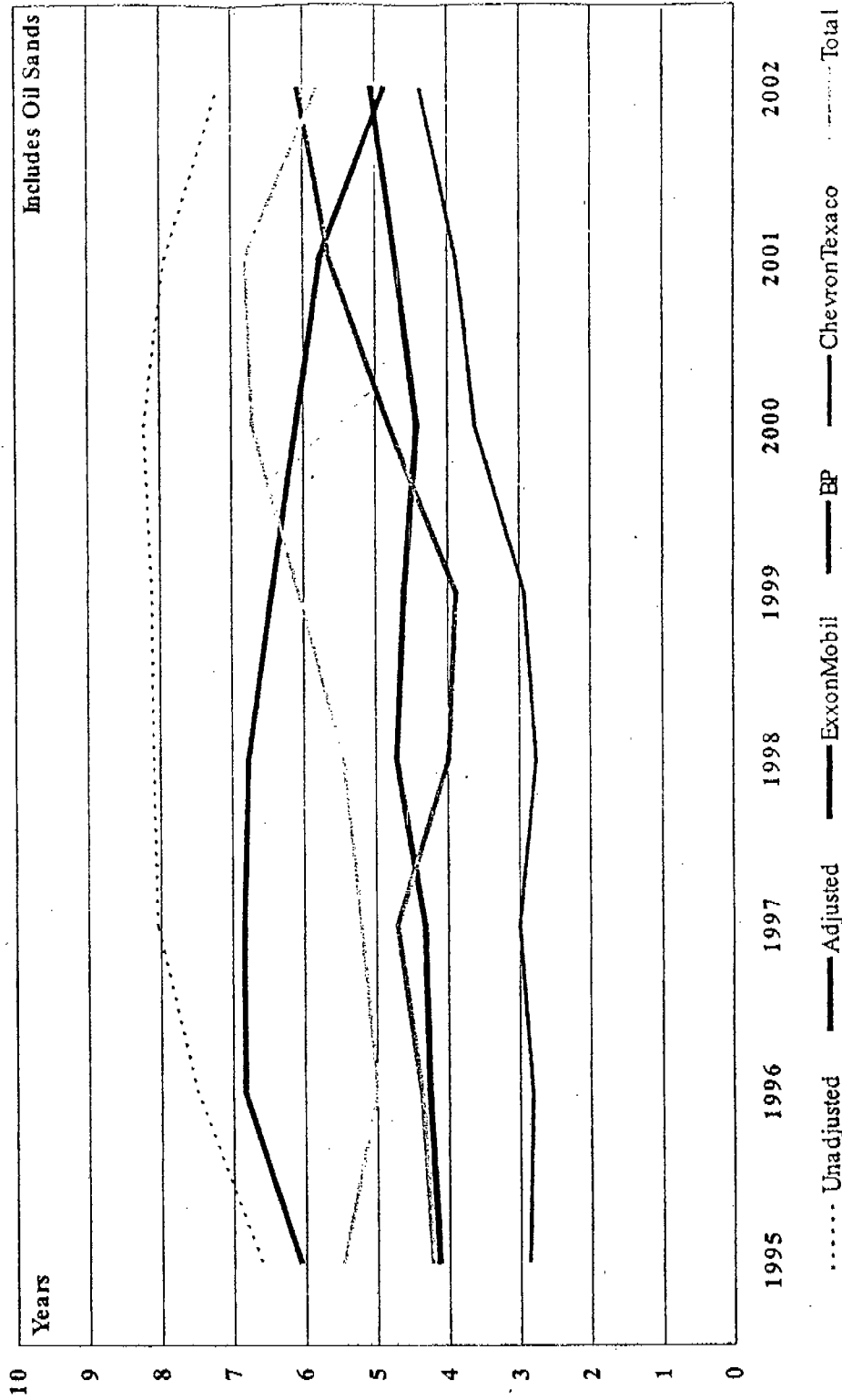
DB 03168

V00022406

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Treatment Requested

Reserves Life: Undeveloped

The principal effect is on the Undeveloped portfolio: adjustment brings us to average



EPS

31

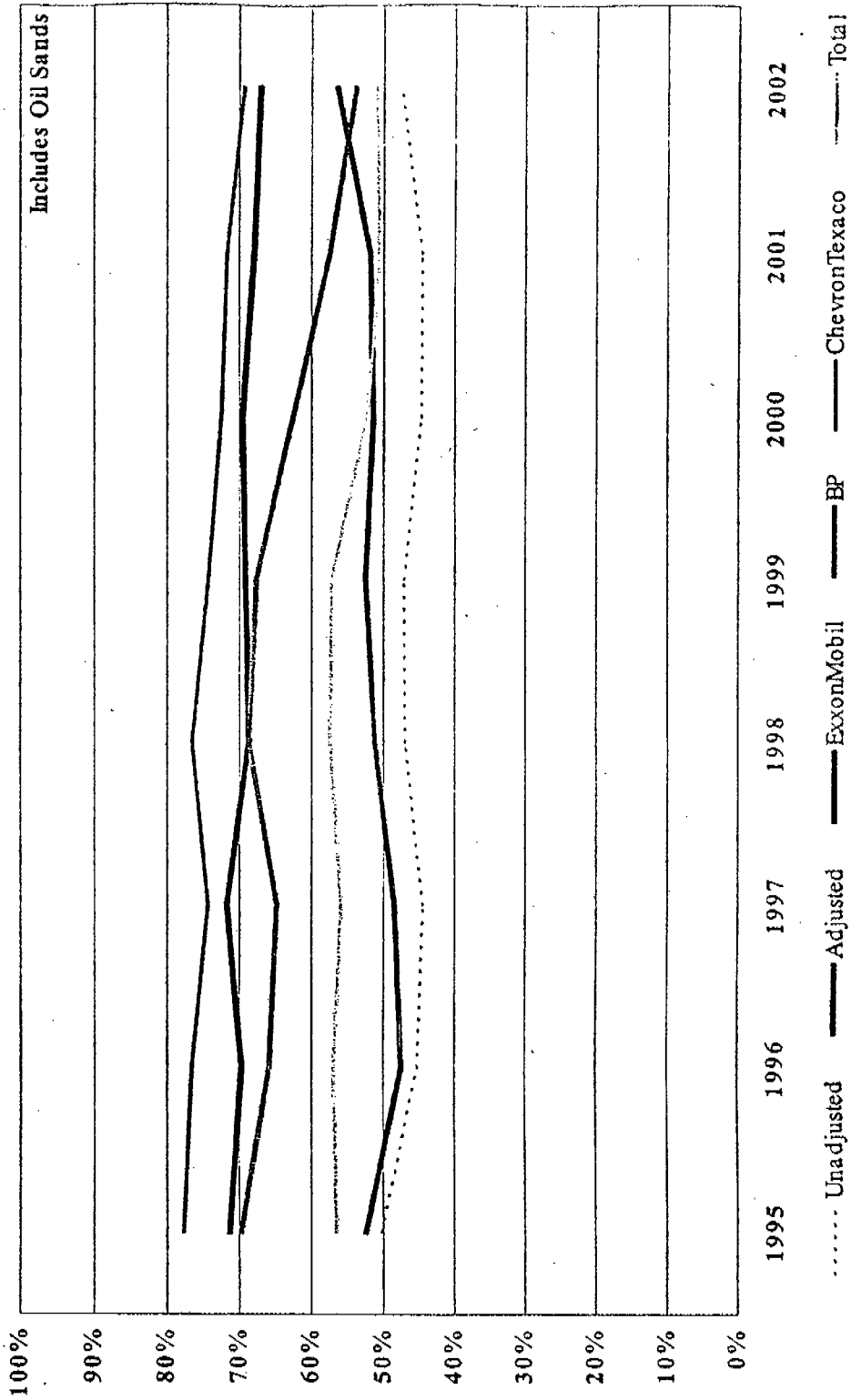
DB 03169

V00022407

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Treatment Requested

Fraction Developed

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



EPS

DB 03170

V00022408

FOIA Confidential
Treatment Requested

33

Following are miscellaneous slides
used in earlier presentations
– available as back-up

EPS

DB 03171

V00022409

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Treatment Requested

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

EPS

DB 03172

V00022410

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Treatment Requested

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)

EPS

DB 03173

V00022411

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Treatment Requested

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)

EPS

36

DB 03174

V00022412

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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 STOIP and Reserves Review - Expectation (undeveloped) reserves overstated and / or immature	

EPS

37

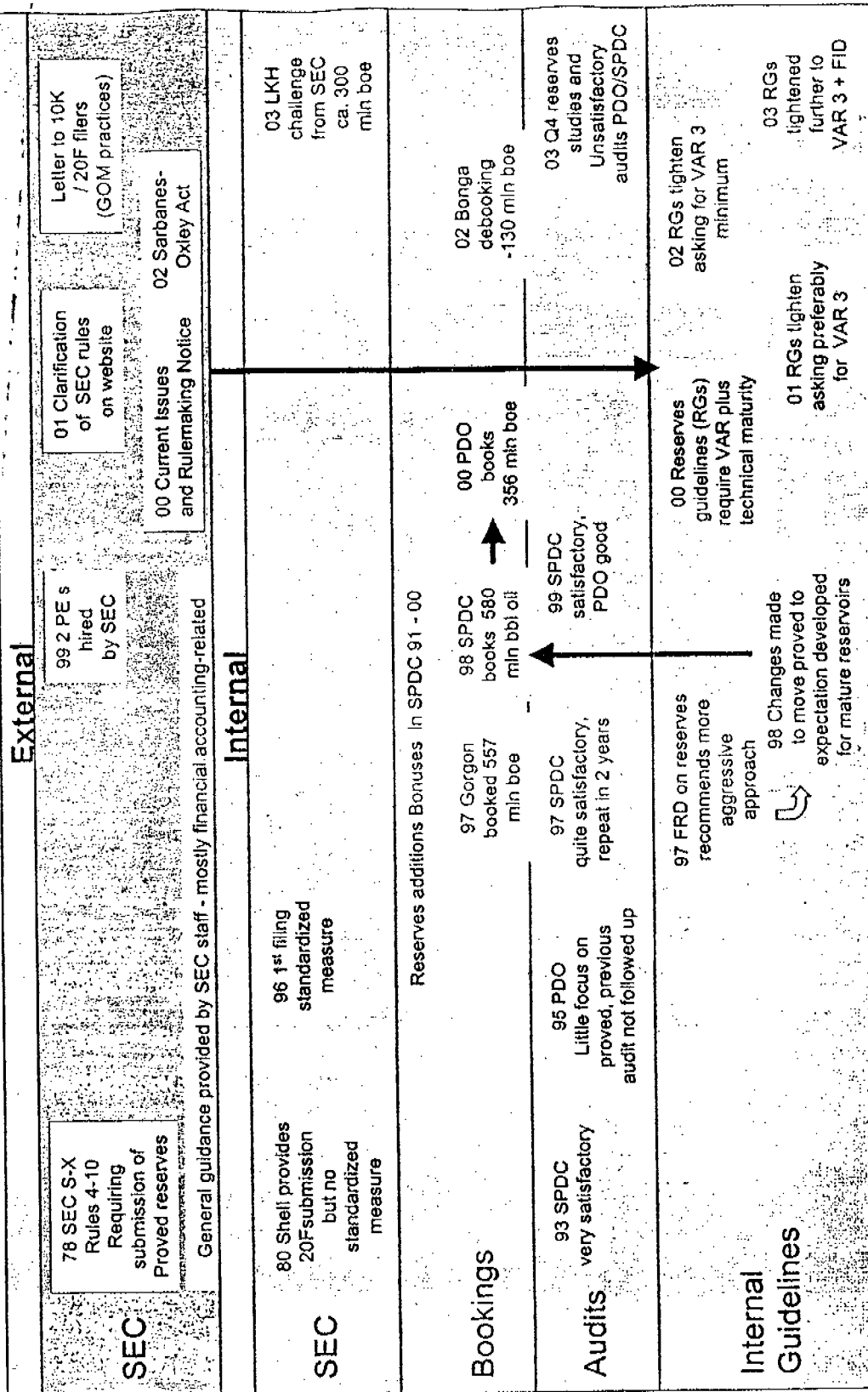
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Treatment Requested

Overall Summary Timeline

1978/9 // 1991 // 1995 // 1997 1998 1999 2000 2001 2002 2003



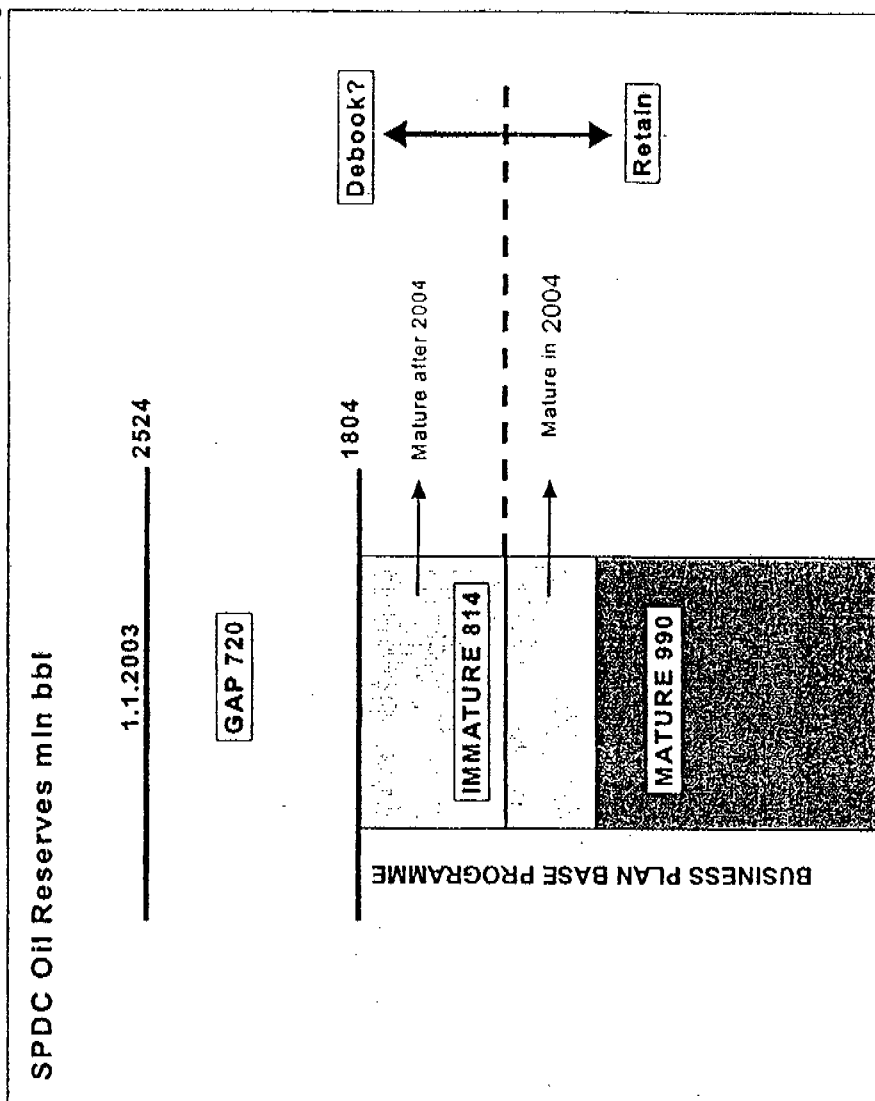
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38

DB 03176

V00022414

SPDC



V00022415

DB 03177

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Treatment Requested

EPS

Detail

mIn boe	Proved Reserves	Expectation Reserves	
SPDC #1	-720	ca -1400 to SFR	2003 audit - not in business plan
PDO #1	-234	-240 to SFR	2003 audit - immature / proved tech
Gorgon	-557	-785 to SFR	No FID, commerciality
LKH	-300	No effect	SEC guidance (2003)
PSC pricing	-291	No effect	SEC guidance (historical)
Sub-total	-2102	-2430	Proved Developed: 35 (LKH); 80 (PSC)
SPDC #2	-814	ca -1600 to SFR	2003 audit - immature
PDO #2	-150	No effect	2003 audit - immature
Kashagan	-380	-500 to SFR	No FID, government approval
Others	-200	ca -270 to SFR	
Sub-total	-1544	-2370	Proved Developed: 123 (SPDC)
Total	-3646	-4800	Proved Developed: 240 (7%)

EPS

40

DB 03178

V00022416

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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

EPS

V00022417

DB 03179

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Treatment Requested

Effect on Standardized Measure of Discounted Net Cash Flow (NPV of Proved Reserves)

Year-end price: Brent US\$ 28.66 per bbl	Proved Reserves mIn boe	Standardized Measure US\$ mln	
As disclosed at 31.12.2002	19348	72772	SM equates to US\$ 3.8 per boe
Tranche I			
Gorgon	-557	-449	Calculated by SDA
Nigeria #1	-720	-780	Modelled by EPS-P
Oman #1	-234	-878	Modelled by EPS-P
LKH	-300	-1128	Estimate, applying Group average SM US\$/boe
PSCs	-291	0	No effect: SM is already calculated at year-end price
Subtotal	-2102	-3235	US\$ 4.0 per boe (US\$ 1.5 per boe written down)
% effect	17246	69537	
	-10.9%	-4.4%	
Tranche II			
Nigeria #2	-814	-985	Modelled by EPS-P
Oman #2	-150	-592	Modelled by EPS-P
Kashagan	-380	-609	SM as reported for Kazakhstan
Others	-200	-752	Estimate, applying Group average SM US\$/boe
Subtotal	-1544	-2938	US\$ 4.2 per boe (US\$ 1.9 per boe written down)
% effect (total)	15702	66598	
	-18.8%	-8.5%	

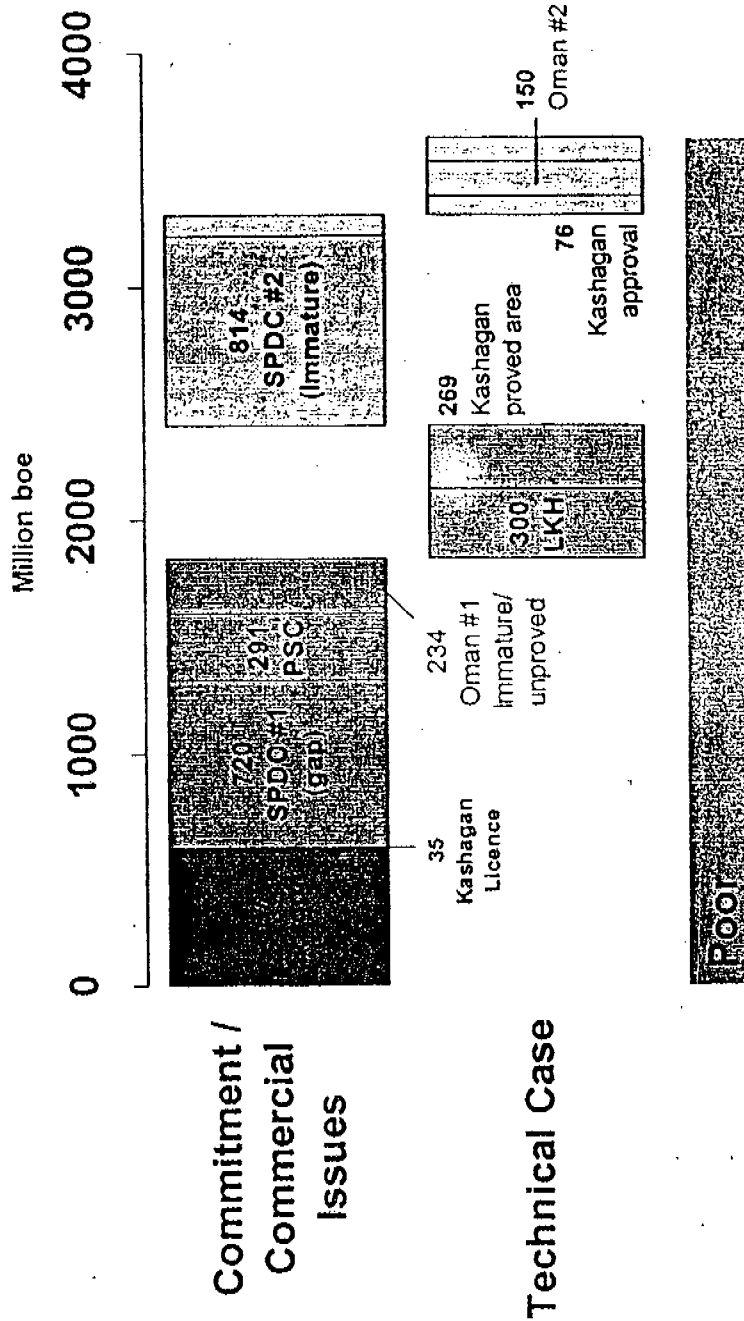
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DB 03180

V00022418

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Technical / Risk Assessment



Likely SEC Compliance

EPS

DB 03181

V00022419

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Treatment Requested

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.

EPS

DB 03182

V00022420

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Treatment Requested

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 - Austr...



RE: Gorgon
Reserves vs SFR

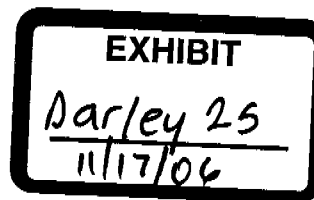


SDA - Reserves
Audit.ZIP

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



DARLEY 1097

Unknown

From: Barendregt, Anton AA SEPIV-EPB-GRA
 Sent: 05 June 2000 16:35
 To: Regtien, Jeroen JMM SDA-EP/2
 Subject: RE: SEC Reserves Audit - Australia 1 of 1

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 SIEP/SepTAR 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/Corallina 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

DARLEY 1099

Unknown

From: Chittleborough, Mark SDA-DCG
 Sent: 19 September 2000 09:52
 To: Regtien, Jeroen SDA-EP/2; Graham, Sheila SDA-FP/421
 Cc: Blaauw, Robert SDA-EP
 Subject: RE: Gorgon Reserves vs SFR

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: Regtien, Jeroen SDA-EP/2
 Sent: Tuesday, 19 September 2000 16:48
 To: Graham, Sheila SDA-FP/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 develop 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-FP/421
 Sent: Tuesday, September 19, 2000 3:37 PM
 To: Regtien, Jeroen SDA-EP/2; Chittleborough, Mark SDA-DCG
 Subject: FW: Gorgon Reserves vs SFR
 Importance: High

Gentlemen,
 FYI, lets 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

To: Graham, Sheila S SDA-FP/421; Maarse, Wim W SDA-FP/4
Cc: Jager, Rob R.J 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.

Remco D. Aalbers

Group Hydrocarbon Resource Coordinator
& Senior Economist

EPB-P SEPIV BV

Tel. +31 (0)70 - 377 2001 (fax: 2460)

e-mail: remco.rd.aalbers@sepivbv.shell.com

DARLEY 1101

V00321101

DRAFT NOTE – 21 Nov 2000

CONFIDENTIAL

From:	Anton A. Barendregt	Group Reserves Auditor, SIEP – EPB - GRA
To:	Lorin Brass Alan Parsley	Director, Business Development, SIEP - EPB CEO, Shell Development Australia (SDA)
Copy:	Robert Blaauw David Christie Wim Hein Grasso Jeroen Regtien (circulation) (circulation) Rob Jager Egbert Eeftink Stephen L. Johnson	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 Proved Developed Reserves and associated changes as at 31 December 1999.

The audit followed the procedures laid down in the "Petroleum Resource Volume Guidelines, SIEP 99-1100/1101" (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 commended 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 SIEP assistance through VAR- and other reviews was noted. Maintaining the preliminarily 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.

DARLEY 1102

A.A. Barendregt

Attachments 1, 2, 3

SDA - Reserves Audit

FOIA Confidential
Treatment Requested

26/02/04

V00321102

Attachment 1

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 bln 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 rim. 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. GHVs 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 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 / 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.

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