

## **Exhibit 60**

Oman Visit 8-11th May 2002

Introduction

I visited Oman from 8-11<sup>th</sup> May (last visit was in September 2001). The objectives were to carry out an overall "health check" on the management team and on the overall state of the business.

The programme included sessions with the individual management team members, the Omani Staff Committee and Government officials (Minister of Oil & Gas, Minister of National Economy, Chairman of PDO/Undersecretary of MOG).

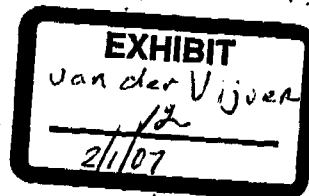
Also various briefings on topical issues were included (including watching an on-line bid for a \$ 150 million Gas Plant in Saih Nihayda!) and a talk to all SG3 above staff (some 250) completed the well-organized programme.

Summary

Overall my patience has been tested too long with PDO and it's management, progress over the last year (is it not just about delivered production!) has been less than expected, less than promised and less than could have been possible. Changes will have to be made.

Highlights/lowlights were:

- Leadership at the top is very poor and not aligned. There are poor team dynamics and a lack of forward vision/direction/focus to the organization
- Production continues to slide (now some 770,000 b/d oil versus 800,000 b/d year average target with formally agreed "stretch" of 815,000 b/d) with totally unreliable monthly short-term forecasts
- Credibility of PDO, and therefore of Shell, is at a very low level. Confidence in forward action plan and production outlook needs to be achieved by end September latest (before October Board and prior to Government Budget finalisation in November).  
The situation with PDO obviously will also have a negative impact on OLNG where difficult negotiations are ongoing (intra-plant price, Train 3, mercury removal)
- High level of frustration in the organization (low morale), not just in Government and in management team!
- Omanisation talent pipeline below the "old guard" is still weak, some emerging talent at SG 2/3 but large talent pipeline with less than 5 years experience.
- Continued pressure on downward revision of reserves.
- + SAP is a success although there are still many issues at operational level (maintenance/well engineering) linked to purchasing/stocks/invoice backlogs
- + Top-down drive on "new" procurement business model is demonstrating real impact
- + Good progress on "government gas" related activity (capacity planning for growth, continued reserves growth)
- + Holistic review of asset portfolio (long-term reservoir management, issues, segmentation) finally kicked-off
- + New organization effective 1/5/02 should be more "fit for purpose".



FOIA Confidential  
Treatment Requested

HAG00110562

Company Direction

MD has "seen the light" last week and is trying to mobilize his leadership team (and simultaneously government!) from the starting point that the "company is in a mess" (quote) and that forward action should be focused on delivering new production from 7 strategic focus areas:

- Exploration (shift to near field exploration, near term oil)
- Output from study effort (some 80 man-years ongoing, Shell support up to 50 man-years)
- Reservoir and well management (focus on productivity enhancement, water injection, etc.)
- Reduction in drilling costs/timings
- Technology application
- EOR project delivery
- New contractor relationships (use their skills/technological capabilities and revise contracts).

MD claimed his management team was "confused" but on a journey from complacency to denial to confusion to transforming, i.e. progress is being made!

Although the above themes for production focus may be appropriate it will not deliver the "goodies" without addressing other activities:

- There is a distinct lack of focus in the organization with too many initiatives and "hobby horses" that should be killed off/deferred e.g.:
  - o Long-term GW related activities (beyond "prudent operatorship")
  - o Internal activities on power generation (outsourcing potential?)
  - o CAO expansion in a low-tech world with a need for employment
  - o Safety drive without focus on line responsibility/accountability
  - o Culture of meetings/offsite sessions without clear agenda's/prioritisation
  - o The business model for staff has to change. Staff currently move around too quickly (lack of continuity and lack of performance tracking) and the need for specialist skills (including progression/recognition/business needs) is not well communicated. Without this "new ways of working" PDO will fail.
  - o Portfolio review needs to be integrated into the totality of the forward action plan and company direction also as:
    - Forward portfolio needs to be risk balanced (no over-reliance on EOR, continue selected infill drilling and new field hook-ups, focus on large assets for reservoir management)
    - Big issues such as depletion rates, voidage control, ESP's impact, management failures and learnings (Yibal "complications", reservoir pressures too low, lack of well drainage control) should be incorporated.
  - o Clarity on resourcing strategy incl. Omanisation and use of contract staff should be dealt with pro-actively
  - o Better alignment is needed (recognizing that PDO is not a Shell OU) with our global drive in EP
  - o Better role definition is needed between the management team, foremost between MD and DMD

FOIA Confidential  
Treatment Requested

HAG00110563

- o A positive culture is needed; there is too much a blame culture and a looking backwards mentality top-down in the organization. Staff need to be energized and need to understand what's in it for them:
  - Company direction
  - Celebrate successes and recognize role models
  - Transition team needs to be strengthened to be more than an "enthusiastic group of staff" i.e. need to be seen an extension of PDO leadership.
  - Job satisfaction and pride
- o Harweel and Mukhaizna development promises (each delivering 100,000 b/d by 2007/2008) appear to lack credibility and robustness. Are these being managed with the appropriate horsepower and transparency?

#### Operational Performance

- Given the historical emphasis on creaming for short-term production benefits and given the generally high uptime, there will be no quick wins on the production side. Whilst keeping the pressure on the organization, I expect that production will further slide before recovering. This will be a very difficult message to sell to the Government
- There appears to be a lack of focus on HSE, foremost in follow through of earlier improvement drives (STOP programme, vehicle monitoring equipment, accountability drive). Reporting LTIF/TRCF in two decimals is also quite unique!
- More needs to be done on pro-active engagement with Government on "big ticket" procurement items (strategy engagement, local content, evaluation standards), the "old way" in PDO will not work anymore
- Exploration is too much focussed on the reserves addition targets (70 mmbo/year, 1 Tcf gas/year) and should be more integrated with the business needs (UTC, production impact)
- Government Gas Organization appears somewhat slow on action w.r.t. mercury removal solutions; more pressure/focus needed?
- CBP (competency based progression) is off to a slow start in petroleum engineering
- Petroleum study effort can be better integrated with the operational/implementational phase of well engineering/petroleum engineering in PDO
- Extreme reliance on ESP's (approx. 45% of production): is the technical justification as artificial lift method as sound as the commercial one?
- Young Omani talent available but working in a difficult environment (low morale, many contractor staff). Large gap between "old guard" and the new generation, very few in between.
- Reserves will continue to be an area for exposure as aggressive bookings in the past have not translated (yet) in production.

FOIA Confidential  
Treatment Requested

HAG00110564

Government

M.O.G. (Al-Ruhmy)

Friendly discussion with the Minister. He clearly is under a lot of pressure personally and feels very frustrated with PDO's performance and PDO's management transparency.

Although recognizing assistance from Shell over the last 9 months, he is quite naturally (also given his own credibility within the Government) questioning whether Shell is doing enough, foremost on petroleum engineering side. Also questioning large efforts ongoing by Shell in other ME countries (who is more important?) and likes to portray "PDO in trouble" being a Shell OU. Continued dialogue needed.

M.O.G. (Shaban)

Somewhat tense discussion with the Undersecretary influenced by MD presentation a few days earlier.

It does not help that this relationship with the Minister is not very strong (he is HM appointee!) but he is a career member of the ministry and feels marginalized by Shell and the PDO MD.

M.N.E. (Macki)

Warm meeting with the Minister.

He is prepared to wait for the new numbers in Q3 but still hopes to get 815,000 b/d plus for 2003 with subsequent upwards recovery to 850,000 b/d in later years.

He reported that he receives a lot of challenge on Shell performance rather than PDO performance; he wants government to have increased responsibility on the good and bad things of PDO.

Simply hopes that Shell will deliver.

He admitted to increasing "social costs" in Oman, needing nearly \$10/b price equivalent just to pay government/army employment bills! Obviously higher oil prices help to more than compensate for production shortfall in 2002.

Some careful expectation management needed!

General

It appears that it is becoming politically less acceptable for the "old guard" to be seen to be too close to Shell.

Given the "open-door" policy of the Government many messages from PDO reach the Government, tainted by the low morale in the organization.

Although still good things happen in PDO (exploration successes, low deferrals, procurement, etc.), the impact of not meeting production targets has had a dramatic effect on the overall confidence level towards PDO delivery.

FOIA Confidential  
Treatment Requested

HAG00110565

Management Team PDO

The following are my summary observations on the management team:

Overall

The team is not cohesive and there are clear personal (unspoken) agenda's and not all providing the body language to be behind their MD.

Amazing how long several members were hoping that PDO was just experiencing a temporary "blip" in performance and that a few initiatives would fix it.

Ollereanshaw

A very capable individual in terms of broad business knowledge, tenacity and work capacity. It is evident that he attempts to drive improvement initiatives, however:

- He has a somewhat negative approach and does not engage well with his team, nor energizes the organization
- He is prone to "panic management", rapidly changing the direction, not adequately thinking through the consequences of his actions. Examples are messages to staff, behaviour at MOG, relationship with DMD (Lamki) and his recent "wake-up call" to MOG and to his management team
- He is a poor listener. Notwithstanding repeated messages on what needed to be done for a year, he chose his own approach and speed/scope of action.

He remains very keen to continue in his current role and is re-energized by events over the last week but the bottomline is that he lacks fundamental leadership characteristics.

Lamki (DMD)

Very impressive trackrecord in PDO and highly respected. He is a proud man and wants to leave a legacy behind in PDO. He is struggling accepting that avoidable mistakes were made in the last 5 years (Omanisation "effectiveness", organizational structure, lack of check and balance, lack of portfolio/reservoir management studies, drilling "unmanageable" wells, spreading too thin with too many initiatives) but these were somewhat masked by overall company success form the old modus operandi (infill drilling and new field hook-ups to increase production).

The latter may also explain why by some in the organization he is referred to as "the Wall". The relationship with Ollereanshaw is difficult.

Al-Hinai (Oil Director-North)

Lacks leadership skills and foremost deciveness, which he acknowledges. Has gone through a difficult period, as he was last year responsible for all operations in Oman, clearly a role that was beyond his capabilities.

He feels underappreciated by Shell management. He actually handles the situation very well and indeed should be supported, also given the overall work atmosphere and Omanisation shortfalls.

Al-Kharusi (HR)

Not well-motivated and struggling to follow through on actions/changes. Needs a stronger team below him.

FOIA Confidential  
Treatment Requested

HAG00110568

Ruitenbeek ( Technical Services Director)

On his way out to Brunei.

Although capable, he is far too defensive in his style and takes criticism far too personal and hence struggles with appropriate breakthrough changes.

Basically the job was beyond his capacity.

Peters (Oil Director-South, formerly Exploration-Director)

Significant challenge in his new role. Motivated to make it a success. Understandably still naïve and his tendency to overcomplicate team dynamics particularly vis-à-vis Omanis.

Overall this job is the test he needs to assess his overall capacity.

Eulderink (to replace Ruitenbeek)

Very encouraging start as Change Director, excellent people skills and pragmatic approach.

Clearly "right man in the right place and at the right time".

Al-Kharusi (FM)

Still somewhat remote from the remainder of the business. Needs stimulation/coaching to be effective.

Overall organizational "healthcheck"

From the above it is not too difficult to conclude that PDO does not have a high performing management team. More would be possible if the MD was better capable to understand individual issues and engage in a more transparent and consistent manner. Some of his management team were openly challenging the effectiveness of the MD and his credibility internally and externally.

The strength of the top leadership (SG2+) is also still uncertain.

FOIA Confidential  
Treatment Requested

HAG00110587