### Proved Oil/NGL Reserves Issues

<table>
<thead>
<tr>
<th>Issue</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td><strong>Nigeria SPNEPO - Deepwater</strong></td>
<td></td>
</tr>
<tr>
<td>Book 1999 Ehra discovery (Exxon block)</td>
<td>+ 24.0</td>
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<tr>
<td><strong>Nigeria SPDC - Shallow Offshore</strong></td>
<td></td>
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<tr>
<td>Book EA/EJA Alternative Funding/FID</td>
<td>+ 30.0</td>
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<tr>
<td><strong>Nigeria SPDC - Onshore</strong></td>
<td></td>
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<tr>
<td>Do not book proposed increase MOU</td>
<td>- 50.0</td>
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<tr>
<td>Limit plateau proved forecast upto 1,400 b/d</td>
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<tr>
<td>Licence expiry 30 June 2019</td>
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<tr>
<td><strong>Abu Dhabi</strong></td>
<td></td>
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<tr>
<td>Reduce proved reserves</td>
<td>- 6.5</td>
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<tr>
<td>Delay growth scenario by 2 years</td>
<td></td>
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<tr>
<td>Licence expiry Jan 2014</td>
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</table>

**Total** - 2.5 mln m³
Proved Gas Reserves Issues

- **Canada**
  - Include Gas Royalties in Cash in line with Group Guidelines + 13.8

- **Australia**
  - Do not book increase Gorgon (20%) Increase market take-up + 0.0

- **USA**
  - Exclude own use gas volumes in line with Group Guidelines
    - Shell Oil - 1.9 % - 1.8
    - Area - 75 % - 4.1
    - Altura - 7 % - 0.6
    - Total - 6.5
  - Total + 7.3 mrd sm3
BP'99 - SPDC Reserves Management

SEC Reserves Audit - August 1999

- Audit highlighted the issue of proved reserves forecast
- Proved oil forecast assumes doubling of SPDC production levels
- If growth does not materialise significant risk of de-booked proved reserves
- Formal licence extension beyond 2019 would mitigate issue
- SPDC BP'99 resource plan repeatedly challenged
- Not taken up by SPDC at the time
- Issue only fully recognized at end 1999
BP'99 Proved Reserves Additions 2000-2004

EXCM 1999 Proved Reserves
31st January 2000

Total Proved Reserves
Addition 756 mln m3
(4755 mln bbl)
112% replacement ratio

BRAZIL 23%
USA 24%
OMAN 12%
Rest 1%
EPA 8%
Sakhalin 4%
Salym 3%

Replacement Ratio 85%

Most confidential

CONFIDENTIAL
From: Aalbers, Remco RD SEPIV-EPB-P
Sent: Wednesday, February 2, 2000 4:11 AM
To: Graham, Sheila S SDA-FP/44
Subject: RE: Australia - Gorgon proved Reserves

Sheila,

Many thanks for the quick response.

If you manage to find out later (during the year) what Exxon/Mobil and Texaco carry would be interested in that info!

Remco

---Original Message---
From: Graham, Sheila SDA-FP/44
Sent: Wednesday, 02 February, 2000 9:27 AM
To: Aalbers, Remco SEPIV-EPB-P
Subject: RE: Australia - Gorgon proved Reserves
Sensitivity: Confidential

Remco,

Please treat this information as confidential and unofficial:

Chevron do not carry any proved reserves for Gorgon, only possible reserves. We are therefore more optimistic than Chevron.

Mobil/Exxon: Due to the reorganisation we were unable to find out how they are treating the reserves. At this stage we have no strong relationships with Texaco which would allow us to ask such a question.

Regards, Sheila

---Original Message---
From: Aalbers, Remco RD SEPIV-EPB-P
Sent: Tuesday, February 01, 2000 7:08 PM
To: Graham, Sheila S SDA-FP/44
Subject: RE: Australia - Gorgon proved Reserves
Sensitivity: Confidential

Sheila,

Great!

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Remco

----Original Message----
From: Graham, Sheila SDA-FP/44
Sent: Tuesday, 01 February, 2000 11:48 AM
To: All, Remco SEPIV-EPB-P
Cc: Jager, Robert SEPI-EP; McKay, Aidan SEPIV-EPB-P; Biauw, Robert SDA-EP; Chittleborough, Mark SDA-DOC
Subject: RE: Australia - Gorgon proved Reserves
Sensitivity: Confidential

Remco,

WAPET are carrying the reserves as proved however they are only operator we have no idea about the other partners. The SDA asset manager Mark Chittleborough will try to find out before your opening of business tomorrow - its now 6.45pm Perth time and hence impossible to contact partners and let you know today. Hope this is OK.

Regards, Sheila

----Original Message----
From: All, Remco RD SEPIV-EPB-P
Sent: Tuesday, February 01, 2000 5:25 PM
To: Graham, Sheila SDA-FP/44
Cc: Jager, Robert RJ SEPI-EP; McKay, Aidan A SEPIV-EPB-P; Biauw, Robert R SDA-EP
Subject: Australia - Gorgon proved Reserves
Importance: High
Sensitivity: Confidential

Sheila,

Following the Excom on Monday (31/1) I would like URGENTLY to find out if SDA know what the other GORGON partners in WAPET (Chevron?) are going ot do for proved reserves booking 1.1.2000.

Do you know - or can you find out? Do they carry Gorgon in proved reserves or not.

ExCom seem concerned that the Group is more conservative that Competition.

Would it be possible to let me know today?

Regards,

Remco
Frank,

As discussed,

-----Original Message-----
From: Regtien, Jeroen SIEP-EP-T-LS
Sent: 09 January 2004 16:52
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: +31 6 1104 7403

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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 SDA-EP/2
Subject: FW: SEC Reserves Audit - Australia 1 of 1

 resend due to size limitation error.

-----Original Message-----
From: Regtien, Jeroen SDA-EP/2
Sent: May 25, 2000 5:13 PM
To: Barendregt, Anton SDA-EP/2
Cc: Blaauw, Robert SDA-EP/2; Graham, Sheila SDA-EP/2
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/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 (Wanida, Cossack, Lambert, Hermes) and

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gas fields (Rankin, Goodwyn, Angel, Perseus, Egret).

- The Laminaria/Coraline 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.

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 SUA 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

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

Shelia

---Original Message---
From: Aalbers, Remco RD SIEP-EPB-P
Sent: Saturday, 16 September 2000 1:08
Wim, 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 SEPI BV  
Tel. +31 (0)70 - 377 2001 (fax: 2460)  
e-mail: remco.rd.aalbers@sepi bv.shell.com

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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 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 (approx. 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.
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 Coralina) 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

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21/03/04

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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 / 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 / Coralina 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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SDA - Reserves Audit

21/03/04

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Case 3:04-cv-00374-JAP-JJH     Document 341-4     Filed 10/10/2007     Page 22 of 50

Jespers, Bea B SIEP-EPS-P

From: Hammer, Helge A. [Helge A. Hammer /o=SAL/c=AU/a=OTC/p=SHELL/ff=Hammer," Helge\SAL-UTY]
Sent: 02 February 1998 00:32
To: AALBERS, R.D.
Cc: JESPERS, B.L.; SWINKELS, W.J.A.; VANDERMEIJDEN, H.A.J.; Strobl, Wolfgang J.
Subject: RE: Australia - reserves query

Remco,

The increase of proven gas reserves: 13.8 tcf
Main elements:
Gorgon: from 0 to 9.8 tcf
New fields NWS: 0 to 2.3 tcf
North Rankin / Perseus: 12.6 to 14.7 tcf (+2.1)
Goodwyn: 4.5 to 3.8 tcf (-0.7)

The increase in expectation gas reserves: 7.1 tcf
Main elements:
Gorgon: +2.4 tcf
New fields NWS: +2.8 tcf
North Rankin / Perseus: +2.6 tcf
Goodwyn: -0.6 tcf

As you can see, the big change is in the Gorgon field, where we had 0 tcf proven gas, and now carry 9.8 tcf. The zero from last year is a strange number since the field already had several appraisal wells and successful tests.

It must have been pending a revision which has now been implemented. By the way, a certification of the proven gas reserves in Gorgon has just started (a few weeks ago). The work is carried out by Netherland Sewell who has also certified gas reserves for Shell in Nigeria (Bonny project). The volume estimates in the ARPR are based on a fully probabilistic approach (GEOCAP/MORES) done by RTS/SDA.

Regards,
Helge

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From: AALBERS, RD SIEP-EPS-SE
Sent: Saturday, 31 January 1998 0:09
To: Hammer, Helge SAL-UTY
Cc: JESPERS, B L SIEP-EPS-SE; SWINKELS, WJA SIEP-EPT-AM; VAN DER MEIJDEN, HAJ SIEP-EPA
Subject: Australia - reserves query

Helge,

Just one further clarification regarding your reserves.

Comparing the increase in Proven vs Expectation reserves for Australia direct I notice that the proven increase is significantly more than the expectation. Could you please give me some details why this is?

Regards,
Remco D. Aalbers
Jespers, Bea B SIEP-EPS-P

From: AALBERS, R.D. [R.D. AALBERS /EPS-SE,OPENMAIL/o=SIEP/c=NL/a=
400NET/p=SHELL]
Sent: 12 February 1998 16:52
To: Hammer, Helge A.
Cc: JESPERS, B.L.; SWINKELS, W.J.A.
Subject: RE: Australia - Disc & Rev. II

Helge,

Thanks for your data. Looks OK now; thanks for indicating the add field for 1996, assume it was drilled year end?

The total does not have to add up to the total resource base as you mention as it only reflects those field(s) discovered in the ten year window.

Remco
ANNUAL REVIEW OF PETROLEUM RESOURCES AS AT 1.1.1998

FOR SHELL DEVELOPMENT AUSTRALIA

SDA’s share of oil reserves declined from 129 to 117 million bbl during 1997. Gas and NGL reserves increased significantly from 5.7 to 7.0 tcf and from 108 to 154 million bbl, respectively.

The main changes since the 1.1.97 ARPR are:

OIL

The oil reserves in the Laminaria field has been revised downwards by 28.0 million bbl (100% share) as a result of new 3D seismic and reservoir modelling work.

In Coralina, the reserves have increased by 13.1 million bbl also as a result of a 3D seismic interpretation.

The Cornea discovery has been classified as SFR unproved techniques, since a valid production test not yet has been achieved. The risked SFR has been estimated at 94 million bbl.

A possible future reserves increase of 28 million bbl in the Barrow Island field has been included in SFR proved techniques, pending internal SDA review. The scope estimate is based on production performance extrapolation.

GAS / NGL

The gas in place estimate for Goodwyn has been reassessed leading to a reduction in the gas reserves of 0.46 tcf.

For North Rankin and Perseus, an increase of 3.04 tcf has been estimated as a consequence of reservoir modelling and simulation work.

Nine smaller gas fields on the North West Shelf (Dixon, Keast, Dockrell, Lambert Deep, Rankin, Sculptor, Searipple, Tidepole and Wilcox) have been transferred from Commercial SFR to reserves. The fields form part of the NWS development plan, and contain 2.78 tcf of gas. Several of the fields are rich in condensate rich gas leading to a significant increase in NGL reserves of 107 million bbl.

A technical revision of the Gorgon field (by RTS/SDA) has resulted in an increase of the gas reserves of 2.39 tcf. Based on new PVT analysis, a higher condensate gas ratio has been estimated, resulting in condensate reserves increasing by 103 million bbl.
The dependencies between the NWS gas fields have been assessed and a probabilistic addition has been carried out. This has been done on the basis that the NWS fields are developed collectively under one project. 2.30 tcf of additional proven gas reserves result from the probabilistic addition. For the purpose of reserves reporting, this volume has been added back to the individual fields.

Woodside's documentation of reserves suffers from the following weaknesses:

- The absence of a split in developed and undeveloped categories
- The absence of field specific average heating values needed to normalise volumes for Group reporting
From: Aalbers, Remco RD SIEP-EPB-P  
Sent: Thursday, September 21, 2000 12:03 PM  
To: Graham, Sheila S SDA-FP/421  
Cc: Jager, Rob RJ SEPI-EPA; Regtien, Jeroen JMM SDA-EP/2; Chittleborough, Mark ML SDA-DCG  
Subject: RE: Gorgon Reserves vs SFR

Sheila,  
Thanks for your note, discussed the issue with Rob Jager and would like to summarise as follows:  
Anton Barendregt is the Group Reserves Auditor and he will come to SDA to check the 1.1.2000 proved reserves position. Although he is a ex-Shell R.E he has an independant position and reports his findings directly to the Group External Auditors PKMG and PWC. PKMG in January do the 'reserves check' and rely on Anton for the technical opinion.  
When Anton is "down under" in October SDA should justify why they had Gorgon proved reserves on the books 1.1.2000 and that there is (still, despite the setback from the Asian crisis) a reasonable expectation of future market to justify those volumes. Also they need to support the fact that no add volumes were booked - despite WAPET re-evaluation. This is not the point to start discussing on de-booking to SFR.  
I understand from Rob that there are several options being worked at the moment to place Gorgon gas volumes either to extended NWS (3 add trains) or to a SMDS scheme plus add-on. Expectation is that in the next two-three years final decisions will be made. On that basis there still seems to be a defendable market expectation and the last thing the Group wants is to debook 100 mrd sm3 to SFR only to rebook that in two years time.  
Any discussion on this issue should be treated very carefully - it would have a very negative impact on the Group's Reserve Replacement Ratio.  
A clear summary on the position of Gorgon gas, possible market assumptions etc would be most useful but should be discussed via RBA and EPB and not via the Group Auditor at this point in time. If we understand the position clearly we might ask for his opinion at a later date. Any plan to debook - if required - would need to be cleared with ExCom directly as it has a very large impact on the Group reserves position.  
Hopefully all efforts are there to ensure we can keep Gorgon reserves justifiably on the books.

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

-----Original Message-----
From: Graham, Sheila SDA-FP/421  
Sent: Thursday, 21 September 2000 9:57  
To: Jager, Rob SEPI-EPA; Aalbers, Remco SEPI-EPA-P  
Cc: Regtien, Jeroen SDA-EP/2; Chittleborough, Mark SDA-DCG  
Subject: RE: Gorgon Reserves vs SFR

Gentlemen,  
As Rob indicated, indeed we are currently collating data on Gorgon with the view to making a
recommendation on Reserves V's SFR for review by all interested parties by the end of October.  
Anton Barendrechts name was mentioned as Gorgon is already on the agenda for Anton's audit of SDA next month.  
Regards, Sheila

-----Original Message-----
From: Jager, Rob RJ SEPI-EPA
Sent: Wednesday, 20 September 2000 20:43
To: Aalbers, Remco RD SIEP-EPB-P; Graham, Sheila S SDA-FP/421; Maarse, Wim W SDA-FP/4
Cc: Branson, David D SIEP-EPB-P; Jager, Rob RJ SEPI-EPA; McKay, Aidan A SIEP-EPB-P
Subject: RE: Gorgon Reserves vs SFR

Remco, as you are aware, this is a (rather complicated) legacy issue.  
We agreed for the 01/01/00 ARPR to leave Gorgon in proven reserves, but to include the results of Gorgon redetermination to SFR. It is my understanding that this is the way it is currently reflected in the Business plan.
At the ASR SDA were requested to develop, for our review and endorsement, a plan (and its impact) for the (phased) movement of Gorgon proven reserves to SFR and I understand it is this process that SDA wish to discuss with the reserves auditor. I see no particularly problem with this particularly as we ultimately need to satisfy the auditor with the chosen approach.
Trust this meets with your thoughts.
Regards Rob J.
Remco,

thanks for alerting me-if we do make changes it should be the ARPR in 2001 and we need to prepare the Excom somewhere mid year-by then e should also understand the situation, we will have a gas strategy (as well as a group strategy) and it might be clearer what the impact would be.

Kind regards,
Roelof

---Original Message---
From: Aalbers, Remco RD SEPIV-EPB-P
Sent: Friday, January 07, 2000 9:02 AM
To: Platenkamp, Roelof RJ SEPIV-EPB-P
Cc: McKay, Aidan A SEPIV-EPB-P
Subject: Australia - Gorgon Reserves to SFR ????
Importance: High

Roelof,

Attached Email from SDA to EPA regarding the Gorgon reserves.

If SDA were to reclassify Gorgon reserves the impact on proved reserves would also be 50% (some 105.8 mrd sm3!). On total Group this would be a reduction of some 6%!! This needs careful consideration before decided either way!

Proved reserves were first booked for Gorgon in 1997 - for 1.1.1998 - expectation reserves were carried before that date already.

Australia Gas reserves have been an issue with KPMG/PWC for the last few years and especially after the Asian crisis - "is there a market for the gas". Plans for some six additional LNG trains have been shelved since - now one or two trains at best??

The note form SDA is not very clear on the economics/market issue and I will try to get some more info!

Regards,
Remco

---Original Message---
From: Graham, Sheila SDA-FP/44
Sent: Friday, 07 January , 2000 3:05 AM
To: Jager, Robert SEPI-EPA
Cc: Blaauw, Robert SDA-EP; Aalbers, Remco SEPI-EPB-P
Subject: FW: ARPR update

attachment might help!!!

-----Original Message-----
From: Graham, Sheila SDA-FP/44
Sent: Friday, January 07, 2000 10:04 AM
To: Jager, Robert SEPI-EPA
Cc: Blaauw, Robert SDA-EP; Aalbers, Remco SEPI-EPB-P
Subject: RE: ARPR update

Rob,

I have nearly finalised the reserves, attached is a final draft for the updated figures for our proved and expectation reserves. Basically Gorgon accounts for 122 $10^9$ sm3 out of 235 $10^9$ sm3, Shell share of expectation reserves or just over 50%.

I have tried to find out when Gorgon was initially booked as reserves, or moved from SFR, but our detailed records only go back to 1995 where it was registered as reserves. I have also asked the Hague if they have any details, but they do not keep (or are supplied with) detailed records per field.

Gorgon was certified by external reserves certifiers, NSA in December 98 and our reserves reporting end last year was consistent with the certified numbers. During the last year WAPET have done extensive static and dynamic modelling and the reserves have increased by approx 20% on last years figures.

Based on the above, and also the comment in the reserves guidelines not to change categories without considerable justification, SDA's recommendation is to leave Gorgon in reserves. If by the end of October 2000 there is still no LOI in sight then I feel the issue should be revisited at an early stage so all parties can put forward their viewpoint in a timely manner.

Regards, Sheila

-----Original Message-----
From: Jager, Robert RJ SEPI-EPA
Sent: Friday, December 24, 1999 6:54 PM
To: Graham, Sheila S SDA-FP/44
Cc: Blaauw, Robert R SDA-EP; Jager, Robert RJ SEPI-EPA
Subject: ARPR update

Sheila, further to our discussion last week regarding the ARPR update and in particular the change you were suggesting in respect to Gorgon reserves (from proven to SFR-uncommercial - which at least seemed logical to me) I am keen to check with the relevant bodies here what the possible fall out from such a change could/would be (before it happens) Accordingly I would appreciate you providing some early information on the "size" (both total and relative) this change.

Regards
Gents,

I may have misunderstood the process, but my understanding was that a discovery only indicated scope for recovery and was not bookable until supported by a viable development. This gives us a measure of the challenge ahead in managing our senior management's expectations!

Ian Hines  
Development Planning  
Shell Deepwater Services  
Woodcreek, Rm 2462, Houston  
Tel: 281 544 2281  
Fax: 281 544 2269

-----Original Message-----
From: Parry, Gordon G  
Sent: Thursday, September 07, 2000 1:38 AM  
To: Hines, Ian IM  
Subject: FW: Reserves

-----Original Message-----
From: PARRY, G.  
Sent: Wednesday, September 06, 2000 4:56 PM  
To: Inglis, Robert R. /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:

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

Let's be guided accordingly!

Gordon
From: Aalbers, Remco RD SIEP-EPB-P
Sent: Monday, October 30, 2000 8:52 AM
To: McKay, Aiden A SIEP-EPB-P
Cc: Jespers, Bea BL SIEP-EPB-P
Subject: FW: Angola - Reserves LE 3Q00

fyi

-----Original Message-----
From: Rothermund, HC SEPI-EPG
Sent: Sunday, October 29, 2000 17:27
To: Bichsel, Matthias M SIEP-EPT-D
Cc: Aalbers, Remco RD SIEP-EPB-P; Lovelock, Susan S SEPI-EPG;
Minderhoud, Martijn M SEPI-EPG; Parry, Gordon G SIEP-EPG; Simon, Grigore
G SIEP-SDAN-AM; Warren, Tim TN SIEP-EPT
Subject: Angola - Reserves LE 3Q00

Matthias,

Below please find a good summary by Sue Lovelock and Remco Aalbers on
the reserves situation in Angola. As mentioned to you on earlier
occasions, there is a critical need for EP to be in a position to book
these reserves in 2000. SDS plays a key role in this. Grateful you keep
very close to this.

Regards
Heinz

-----Original Message-----
From: Aalbers, Remco R.D.
Sent: 27 October 2000 17:27
To: ROTHERMUND, H.C.
Cc: LOVELOCK, S ; Simon, Grigore G ; PARRY, G.
Subject: Angola - Reserves LE 3Q00

Heinz,
Understand from Sue that you would like to get an update on the Angola
reserves position. She had to leave before the numbers were finalised so
she asked me to send this.

Regards,
Remco

Proved Reserves LE - 293 mln bbl
This number is LE Shell PSC entitlement for the first hub
(Plutonio/Galio/Paladio/Cromia/Cobalto).
Plutonio estimates are under downward pressure as technical evaluation
continues in Houston, in this case static modeling. Revision here may
drop proved reserves to 265 mln bbl (being challenged). There is still
some additional upside for Cobalto (if no gas is encountered) of 30 mln
bbl, the well is currently being drilled, resulting in an upward range
for proved reserves of 295 mln bbl. LE is still achievable.
Booking of any reserves is based on commercially and here team is
making progress. Positive NPV looks possible, (although peer review in
Houston still in progress). Although current position does not meet
screening VIR (which is being worked), this alone would not prevent
reserves booking, which is based on commerciality test. Notional
Development Plan is part of model, so in progress. Angola Team will
maintain pressure on SDS in Houston.
We understand that BPA is not under any pressure to book further
reserves this year, so will not book Block 18 reserves. Their target
remains FID date (Sanction in BP's terminology), which overall is still
good news for Shell. It would have been helpful if they also booked Blk
Another booking test is move from exploration licence to production licence. Team have reviewed PSC. View is that as long as venture declares commercial project within 24 months from formal notice of discovery there is automatic right to 25 year production licence. Formal Notices will no doubt be required, but there seems nothing legal to prevent reserves booking. Production term is long enough to support booking of reserves. Proved reserves booking will be visible externally and therefore available to Angolan Govt etc. We would not necessarily want to have this be seen as trigger FID for production licence and be committed to development expenditure. This is issue raised before, but not concluded - we really need to watch carefully. Will take up with team, Gordon and Martijn on return.

SFR Maturation to expectation reserves LE - 367 mln bbl

Expectation reserves of 367 mln bbl is for 1st hub and includes same fields as above. Similar to proved reserves there is pressure on the Plutonio expectation estimate which might drop to SFR maturation to 328 mln bbl, again possible upside for Coballo of some 40 mln bbl to 368 mln bbl.

Given move within same year from SFR maturation to proved reserves we will get some bbls in both SFR maturation and proved reserves additions.

Good news.

Susan Lovelock
Roelof, as promised, its funny in a way as at the time if you remember we humourously agreed to call it the career ender given the likely response you would receive. In hindsight, it was Freudian in the extreme.

Aidan
Excom Early Look Business Plan 2000

- Flaws in the Capital Allocation Process
- The Capex requirements
- The Over-promise on delivery
- The Way Ahead
The Good News

- High quality internally consistent data submissions
- Abundance of projects competing for funds:
  - 1.9 bln US$ Exploration
  - 7.0 bln US$ Production
The Bad News

• Projects appear over-optimistic both in Exploration and Production

• The Capital Allocation Process appears to be flawed with overstatements of key parameters to secure funds

We run the risk of initiating an Over-promise Under-delivery Cycle........
Exploration-Overstated Value?

Salkhalin pre-consolidation

2000 Raw Data Submission
Each Exploration $ spend in 2001 adds $9 IBV at PSV14

1999 Raw Data Submission
Each Exploration $ spend in 2000 adds $6 IBV at PSV14

Expex Spend (Normalised)

1999 CA
2000 CA

Pos to FID shows no major differences in 99 submission to 2000
Exploration: Overstated Delivery?

The majority of 2001 exploration spend is for projects planned to take FID in 2002.

Time to FID and first production in data submissions very optimistic and unrelated to historic performance.

Expex 2001 ($ min)

- Black: Oil
- Dark: Nigeria
- Light: MRH
- Lightest: Gas
- Black: Deepwater

2001 2002 2003 2004 2005 2006 2007
CAPEX REQUEST 2001-2005
Raw Data Submission

Proposed spend is ca $7 bln per year over the Plan Period*

*including follow-on E&A Woodside, and Shell Canada, excludes Saudi gas

Total Capex request 2001 = $7.1 bln
Total Commitments 2001 = $2.7 bln

Commitment levels suspect
Production: Can we deliver on this promise?

Nigeria is major part of EP Growth
Inside existing portfolio ......
Others are USA, Angola, Iran, Athabasca, Brasil, etc

Daily Production (Kboe/d)

<table>
<thead>
<tr>
<th>Year</th>
<th>Nigeria (SPDC)</th>
<th>Nigeria (SNEPCO)</th>
<th>Others</th>
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<td>2319</td>
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</tr>
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<td>1997</td>
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<td>2005</td>
<td></td>
<td></td>
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</tbody>
</table>
OIL PRODUCTION 2001-2005
Raw Data Submission

Growth relies on E&A

Production '000 bbl/d

Post FID and tranches replaces decline in Existing Asset base

Oil Production from Existing Assets halves during Plan Period (10 % per year)

Production Forecast per Region and CA Cat - Raw data rep
**Major Concerns**

- **Existing Assets require 800 Million US$ in 2001**
  - Without adding production...
  - Most large post-FID projects indicate underdelivery compared with 1999.

- **New projects have very aggressive FID dates (36 FIDs in 2001 excluding big tickets e.g. Saudi Gas)** and possibly overstated value promises.

- E&A Follow Up extremely optimistic when compared with history.

- Not enough funds for promising projects and strategic options.
CAPEX CREAMING CURVE

Historical performance raises questions over ambitious future promises

- Existing Asset
- Post FID Project
- Options

But...some big projects approved were poorer ranking

The delivery

The promise
Explore Discoveries 1990-1999
Development Percentage @1.1.2000

10 years ONLY 15% Developed

Bonga discovered '95, onstream 2003
Brazil, not a well drilled yet, production by 2005

90-94 25% Developed
Sable Island
95-99 7% Developed

>> 34% Development percentage Exploration discoveries
within 5 years has not been achieved to date ....

Plan Excl. Sakhalin & OKIOC

DB 07482
# MAJOR PROJECT FIDs 2000 from BP’99

<table>
<thead>
<tr>
<th>Country</th>
<th>Projects with FIDs in 2000</th>
<th>BP '99 Timing</th>
<th>CA 2000 Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shell Malaysia (total)</td>
<td>KN ROUND 2</td>
<td>01-2000</td>
<td>1999</td>
</tr>
<tr>
<td>Shell Malaysia (total)</td>
<td>KN S1S2</td>
<td>01-2000</td>
<td>1999</td>
</tr>
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<td>Shell Iran</td>
<td>Soroosh /Nowrooz</td>
<td>01-2000</td>
<td>11-1999</td>
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<tr>
<td>Shell USA</td>
<td>Oregano</td>
<td>05-2000</td>
<td>04-2000</td>
</tr>
<tr>
<td>Shell USA</td>
<td>Serrano</td>
<td>05-2000</td>
<td>04-2000</td>
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<td>Shell USA</td>
<td>Na Kika</td>
<td>05-2000</td>
<td>07-2000</td>
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<tr>
<td>Shell USA</td>
<td>North Marlin</td>
<td>04-2000</td>
<td>07-2000</td>
</tr>
<tr>
<td>Norske Shell</td>
<td>Garn West</td>
<td>03-2000</td>
<td>04-2000</td>
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<tr>
<td>Shell UK Expro</td>
<td>Mandarin</td>
<td>10-2000</td>
<td>09-2000</td>
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<tr>
<td>SPDC</td>
<td>Bonny Terminal Refurbishment</td>
<td>07-2000</td>
<td>07-2000</td>
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<tr>
<td>SPDC</td>
<td>Cawthorne Channel</td>
<td>09-2000</td>
<td>10-2000</td>
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## On-time

## Slipped

<table>
<thead>
<tr>
<th>Company</th>
<th>Projects</th>
<th>BP '99 Timing</th>
<th>CA 2000 Timing</th>
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<tbody>
<tr>
<td>Brunei Shell</td>
<td>Champion West Existing Facilities</td>
<td>12-2000</td>
<td>01-2001</td>
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<td>SOGU</td>
<td>Dan Infill and Debottlenecking</td>
<td>03-2000</td>
<td>03-2001</td>
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<td>Shell Egypt N.V.</td>
<td>Obayed South Devt</td>
<td>11-2000</td>
<td>07-2001</td>
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<td>Shell UK Expro</td>
<td>Goldeneye</td>
<td>10-2000</td>
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<td>Turkmenistan, Uzbekistan</td>
<td>Uzbekistan Alan &amp; Kandym</td>
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<td>01-2001</td>
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<td>Shell Australia</td>
<td>NWS LNG Expansion U/S</td>
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<td>Shell Australia</td>
<td>ALNG LNG Train 1 U/S</td>
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<td>Brunei Shell</td>
<td>Egret Development</td>
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<td>Cleaver Bank High</td>
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<td>A/S Norske Shell</td>
<td>Sogn Gjoo Development</td>
<td>09-2000</td>
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<td>Shell Devt. Pakistan B.V.</td>
<td>Kirthar Block : Bhit dev</td>
<td>03-2000</td>
<td>?</td>
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</tbody>
</table>
• 12 major Base Plan projects planned for FID in 2000 (BP 99) - 5 will now take FID
• 13 major Options projects planned for FID in 2000 (BP 99) - 6 will now take FID
MAJOR PROJECTS WITH PROMISES OF FID IN 2001....

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>2001 Capex</th>
<th>2001-2005 Capex (Risked)</th>
</tr>
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<tbody>
<tr>
<td>Australia (Direct)</td>
<td>Gorgon SMDS Upstream</td>
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<tr>
<td>Brunei</td>
<td>Champion West Central Platform Dev</td>
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<td>Brunei</td>
<td>East Gas Expansion</td>
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<td>Brunei</td>
<td>Egret Development. Phase 1</td>
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<td>Denmark</td>
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<td>Skjold Phase II</td>
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<td>Egypt</td>
<td>Obaiyed South &amp; Compression I</td>
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<td>Malaysia</td>
<td>96 PSC : BT/SF Stage IVC(SF30) WI Int.</td>
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<td>Nigeria (SNEPCO)</td>
<td>EWTF (Extended Well Test Facility)</td>
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<td>Nigeria (SPDC)</td>
<td>92 Offshore Pipeline AF - NLNG 1-5</td>
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<td>98 WAGP</td>
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</table>

**VAR coverage in 2001 on Total Capex**

- Initiation (<1%)
- Feasibility (42%)
- No VAR (50%)
- FID (5%)
- Concept (3%)

Total Capex from 2001 FID projects amounts to $4 bln in plan period

36 Projects with >20 mln spend excluding Major Options e.g. Bangestan, Saudi Gas
### MAJOR PROJECTS WITH FID IN 2001 - continued

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>2001 Capex</th>
<th>2001-2005 Capex (Risked)</th>
</tr>
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<tbody>
<tr>
<td>Norway</td>
<td>Kolsnes and Vestprosess Upgrade</td>
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<td>53</td>
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<tr>
<td>Philippines</td>
<td>Malampaya Oil Rim Devt - unrisked</td>
<td>6</td>
<td>83</td>
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<tr>
<td>Russia (Rest of)</td>
<td>Salym</td>
<td>29</td>
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<td>Souedie</td>
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<td>Puffin Field Development</td>
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<td>Schiehallion Extension Claw</td>
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<td>Manatee</td>
<td>14</td>
<td>33</td>
</tr>
<tr>
<td>USA</td>
<td>Alex Gas Devt Phase 2</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Venezuela</td>
<td>02 - 05 Further Dev. (1)</td>
<td>0</td>
<td>64</td>
</tr>
</tbody>
</table>

### VAR coverage in 2001 on Total Capex

- **Initiation** (<1 %)
- **Feasibility** (42 %)
- **No VAR** (50 %)
- **FID** (5 %)
- **Concept** (3 %)

Total Capex from 2001 FID projects circa $4 bln in plan period

36 Projects with >20 mln spend excluding Major Options e.g. Bangestan, Saudi Gas