CAPEX CREAMING CURVE - THE BUILDING BLOCKS

The promise

- Tranche 1
- Tranche 2
- Tranche 3
- New Dev. > $20 min Shell Share
- EB2

NPV $14

Tranche 1

BR-Champion West

DE-GSA4

Ni-Ughelli

EG-Obaiyed South

Tranche 2

UK-Goldeneye
Malampaya Oil rim

Tranche 3

Ehra
Ni-Oguta
BR-East gas exp
DE-Dan Infill

Holstein
Na Kika

Sunrise
Puffin
Bangestan
Ni-LNG 1-5

On merit NaKika, Holstein & Ehra do not rank

Cumulative Capex in 2001

DB 07497
"EXISTING ASSET" CATEGORY CAPEX 2001

ie 800 mln - 18% of Devt Capex Budget......
- Same level as 2000
- no additional production generated
- keeping brownfield plant operating & ready for new devts
- Value adding or value erosion (vs 502Fs)
OIL & GAS PRODUCTION 2001-2005 BY OU
Raw Data Submission

Nigeria Largest producer by 2005 with threefold growth!

Production dominated by the big three in plan period

Without Nigeria growth,
- still only 2 OUs ~ 300+ Kboe/d S/S
- 5 OUs ~ 200 - 300 kboe/d by 2005
- 3 OUs ~100 - 200 kboe/d by 2005
- 10 OUs <100 kboe/d OUs by 2005

Oil Production by Country, CA-Category, Theme rap
A few Outcomes from the Raw Data........

Raw data quality is good,

............but there is a large request will be a tough competition for funds

............Large number of attractive new devts & tranche funds

Large amount of funds for existing assets & Post FIDs ca $4 Bln
To maintain oil production requires ca $5 Bln, with 100 % delivery

Before we consider more capex funds.....there are some issues....

But new devt “promises” are different from Vol-1 findings

............Most post FID projects have been under delivering production

............Most projects have aggressive schedules vs Vol-1 reality

............VAR programme will have to be accelerated to meet FID planned

............Last years E&A followup developments have largely not materialised

How do we avoid an “over promise & under delivery” cycle...?
KEY ISSUES

CURRENT PERFORMANCE
• Production under-performance
  • 1999: UK, Egypt, SPDC, Syria, Netherlands
  • 2000 LE: Oil: Essentially on target but SPDC,
    Gas: Egypt, Argentina, Netherlands, US

• Major New Project Delivery
  • 1999 on-stream disappointments due mainly to project schedule delays
  • 2000 onwards (CA 2000) suggests production under-delivery (sub-surface & facilities)
  • Reserves Replacement
  • 2000 LE 24% with major concerns throughout Plan Period

FUTURE PROMISES
• Continued reliance upon Nigeria (and our ability to grow oil production there)
• Need to avoid over promising and under delivering cycle.
• Continued pursuit of major Capex spend outside of existing portfolio ..are regretting oil?
CAPEX SPEND 2001 BY COUNTRY - Raw Data Submission

- Top 5 countries requested 60% of total Capex
- Total Capex request 2001 = $7.1 bln
- Total Commitments = $2.7 bln

Next 10 countries requested 30% of total Capex

The tail = 10%
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RESERVES REPLACEMENT - RAW DATA
Proved Reserves Replacement Ratio
(BP-2000 raw data excl Canada & Woodside - SPDC to be updated)

You need to believe that the "hopes" in Angola and Brazil and new gas come off to replace reserves...

Woodside Effect
SFR MATURATION RATES - RAW DATA

SFR_{com} Maturation to Expectation Reserves

- BP-1999
- CA-2000

- Actual

<table>
<thead>
<tr>
<th>Year</th>
<th>LE</th>
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<tr>
<td>2001</td>
<td>4%</td>
</tr>
<tr>
<td>2002</td>
<td>8%</td>
</tr>
<tr>
<td>2003</td>
<td>12%</td>
</tr>
<tr>
<td>2004</td>
<td>8%</td>
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<tr>
<td>2005</td>
<td>6%</td>
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</table>
IBV raw data submission versus 1999

1999 & 2000 value creation is limited........

- data assumes all planned 2000 FIDs are achieved ....unlikely based on LE
- highly optimistic forward looking 2001 to 2005 (Nigeria assumed growth not likely...)
- eg 2001 assumes we take roughly one big project FID per month (ranked in)....
CAPEX REQUEST 2001 BY REGION
Raw data Submission

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

US$ mn MOD

3500
3000
2500
2000
1500
1000
500
0

EPN
EPG
EPM
EPA
EP

1057
1911
1095
682
93

Total Capex MOD
Committed Capex (MOD)
CAPEX REQUEST 2001 BY THEME
Raw data Submission

Total Capex request 2001 = $7 bln
Total Commitments = $2.6 bln
Excluding: Woodside, Shell Canada

SNEPCO in Nigeria Theme ($500 mln)
OIL & GAS PRODUCTION 2001-2005 BY REGION

Raw Data Submission

Liquids grow 50%
- predominantly in Nigeria & Brazil

GAS
- Gas grows 50% - across the board
OIL & GAS PRODUCTION 2001-2005 BY THEME

Raw Data Submission

Nigeria accounts for most of the growth in liquids

Nigeria | MRH | Deepwater | Gas | Oil

'B000 bbls/d

2000 2001 2002 2003 2004 2005

2000 2001 2002 2003 2004 2005

'000 boe/d

Production per Region - Raw data rep.
KEY METRICS - RAW DATA

Value continues to be dominated by traditional OUs.............
Nigeria dominance of production growth not reflected in value

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<td>43</td>
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<td>5504</td>
<td>39665</td>
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Option

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<td>543</td>
<td>2021</td>
<td>28</td>
<td>167</td>
<td>236</td>
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<td>172</td>
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<td>15</td>
<td>26</td>
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<td>83</td>
<td>943</td>
<td>0</td>
<td>0</td>
<td>1</td>
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<tr>
<td>TOTAL</td>
<td>1375</td>
<td>6988</td>
<td>43</td>
<td>220</td>
<td>352</td>
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</table>

MRH now includes Venezuela hence no value at $14
Deepwater excludes SNEPCO
Ranked out production in 2001 43,000 bbls/d
Does not reflect OUs outside EP control - (SOGU)

Needs to be updated yet..............
SUMMARY

- Growth in production is a major challenge
  - Existing oil assets decline 50% by 2005 1,700-800 kb/d
  - New project schedules & project forecasts need realism
  - Growth story dominated by Nigeria
  - Still Big 3 and small 15

- Reserves replacement is a key issue
  - Brazil, Angola, CIS - new hope and OKIOC

Given the bullishness of submissions....
Need to calibrate to ensure BP'2000 does not under deliver.
Backups
## EP / GP Linked Projects (FID < 3 years)

<table>
<thead>
<tr>
<th>Country</th>
<th>Project Description</th>
<th>Capex Ranking</th>
<th>2001 Option Capex ($ mill)</th>
<th>Capex Matrix Pos.</th>
<th>EP/GP Lead</th>
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<td>Malaysia</td>
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<td>Base</td>
<td>24</td>
<td>3</td>
<td>GP</td>
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<td>Australia</td>
<td>NWS LNG Train 4</td>
<td>Option</td>
<td>4</td>
<td>6</td>
<td>GP</td>
</tr>
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<td></td>
<td>ALNG Train 1</td>
<td>Option</td>
<td>-</td>
<td>5</td>
<td>GP</td>
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<tr>
<td>China</td>
<td>Ordos / Changbei</td>
<td>Option</td>
<td>-</td>
<td>Expex (in)</td>
<td>EP</td>
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<td>EP</td>
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<td>Expex (in)</td>
<td>EP</td>
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<td>Turkmenistan</td>
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<td>3</td>
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<td>3</td>
<td>EP</td>
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<td>EP</td>
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<td>Venezuela</td>
<td>VLNG</td>
<td>Option</td>
<td>7</td>
<td>6</td>
<td>GP</td>
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<tr>
<td>Namibia</td>
<td>Kudu</td>
<td>Base</td>
<td>-</td>
<td>-</td>
<td>EP</td>
</tr>
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</table>

**TOTAL (Base)**: 533  
**TOTAL (Options)**: 76  

**Current Capex Ranking Cut-Off is Box 3 @ 50%**
## EP/GP Integrated Economics

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>EP Ranking</th>
<th>Attractiveness</th>
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<td>Australia</td>
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<td>6</td>
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<td>ALNG Train 1</td>
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<td>55%</td>
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<td>21%</td>
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<td>54%</td>
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<td>Venezuela</td>
<td>Venezuela LNG</td>
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<td>34%</td>
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<th>Integrated Ranking (incl NPV)</th>
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<td>Venezuela</td>
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### KEY ISSUES - EP / GP Linked Projects

<table>
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<th>Country</th>
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<th>Upstream Capex</th>
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<td>ALNG Train 2</td>
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<td>Sakhalin (Piltun-Lunskoye)</td>
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<tr>
<td>Namibia</td>
<td>Kudu</td>
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26th JUNE - Position in CA 2000 Sequence

7th June: Exploration Proto-Forum Discussion on expex ranking

13th June: Expex/Capex Data Pack (early rankings/views) to RBAs for Consideration
    (EP / SIG Alignment Meetings take place as required per region)

19th June: Some Regions Holding RBAs & OUs Meeting
    (Improve data quality & identify implications of expex & capex ranking)

22-23th June: EXPEX Workshop

26th June: EXCOM Raw Data and Issues

27-28th June: CAPEX Workshop

10th July: EXCOM Presentation on Expex, Devt Capex & with Early Financials

14th July: OU Investment level letters (Expex, Capex, etc)

31st July: EXCOM Presentation on Final Expex & Capex

11th Aug: OU Investment Confirmation (as per 2001 Scorecard Outlines)
KEY ISSUES - Decline of "Existing Asset" base

Production (kbbl/d)

Capex mln ($ MOD)

Decline to by half in the plan period......
and cost $0.8 bln/yr to maintain
KEY ISSUES - Arresting the decline with post FID projects

Production (kbbl/d)

Capex mln ($ MOD)

Post FID projects do not arrest the decline...... but cost a further $1.4 bln/yr ......
KEY ISSUES - Arresting the decline

Maintaining current production levels costs $5.1 bln in 2001 and av. of $3.0 bln over plan period

Adding tranche activity...... cost a $0.8 bln/yr but does not halt the decline
KEY ISSUES Arresting the decline - the new promises

Production (kboe/d)

Devtx Capex ($ mln)

E&A follow up

New development

Tranches

Post FID projects

Existing Assets

E&A follow up

New development

Tranches

Post FID projects

Existing Assets

OU Ceilings