

Exhibit L

LORIN BRASS

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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY
Civ. No. 04-3749 (JAP)
(Consolidated Cases)
Hon. Joel A. Pisano

ORIGINAL

-----+
IN RE ROYAL DUTCH/SHELL |

TRANSPORT SECURITIES |

LITIGATION |
-----+

Videotaped Deposition of Lorin Brass
(Volume II)
Washington, D.C.
Thursday, November 9th, 2006
10:00 a.m.

Job No. 22-87682

Pages 195 - 398, Volume II

Reported by: Laurie Bangart-Smith

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LORIN BRASS

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Videotaped Deposition of
LORIN BRASS
Volume II

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Taken pursuant to notice, before Laurie
Bangart-Smith, Registered Professional Reporter,
Certified Realtime Reporter and Notary Public in
and for the District of Columbia.

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(Appearances continued)

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P R O C E E D I N G S

THE VIDEOGRAPHER: This marks the beginning of Tape 1, Volume II, in the deposition of Lorin Brass in the matter of Royal Dutch/Shell Transport Securities Litigation, in the United States District Court, District of New Jersey. Case Number 04-374. Today's date is November 9th, 2006. The time is 9:34 a.m. The video operator today is Cali Day of Legalink New York. This deposition is taking place at 1875 Connecticut Avenue, Northwest, Washington, D.C., 20009.

Would counsel please identify themselves and state whom they represent.

MS. MARSHALL: Caroline Marshall, Bernstein, Liebhard & Lifshitz, on behalf of lead plaintiff, Peter M. Wood and the class.

MS. KASNETT: Shiffy Kasnett, Bernstein, Liebhard & Lifshitz, on behalf of lead plaintiff and the class.

MR. PEITLER: Steve Peitler, Bernstein, Liebhard & Lifshitz, on behalf of lead plaintiff.

MR. HABER: Jeffrey Haber, Bernstein, Liebhard & Lifshitz, on behalf of lead plaintiff, Peter M. Wood and the class.

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09:35:56 2 MS. MACKINTOSH: Christine Mackintosh,

09:35:57 3 Grant & Eisenhofer, on behalf of the opt-out

09:35:59 4 plaintiffs.

09:36:00 5 MS. BRAMBLE: Jocelyn Bramble, LeBoeuf

09:36:00 6 Lamb, on behalf of the corporate defendants, Royal

09:36:04 7 Dutch/Shell Transport, and Mr. Brass.

09:36:07 8 MR. CLARK: Christopher J. Clark,

09:36:09 9 LeBoeuf, Lamb, Greene & MacRae, for the Royal

09:36:11 10 Dutch corporate defendants and the witness,

09:36:13 11 Mr. Brass.

09:36:15 12 MR. PLATT: Charles Platt, Shell

09:36:16 13 International BV, on behalf of the Royal

09:36:19 14 Dutch/Shell corporate defendants.

09:36:22 15 MS. TISKA: Tracey Tiska, for Hogan &

09:36:23 16 Hartson, here for defendants KPMG Accountants,

09:36:24 17 N.V.

09:36:26 18 MR. FOUKAS: Savvas Foukas, Hughes,

09:36:26 19 Hubbard & Reed, for PricewaterhouseCoopers, LLP.

09:36:29 20 MR. MORSE: Adriaen Morse, Mayer, Brown,

09:36:30 21 Rowe & Maw, for Sir Philip Watts.

09:36:34 22 MS. WICKHEM: Rebecca Wickhem, Foley and

09:36:35 23 Lardner, LLP, for Judith Boynton.

09:36:38 24 THE VIDEOGRAPHER: The court reporter

09:36:38 25 today is Laurie Bangart-Smith of LegalLink Smith.

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09:36:41 2 I would like to remind the witness that he is
09:36:43 3 still sworn in from yesterday.

09:36:45 4 You may begin.

09:36:46 5 LORIN BRASS,
09:36:46 6 having been previously sworn, testified further as
09:36:46 7 follows:

09:36:46 8 EXAMINATION BY COUNSEL FOR LEAD PLAINTIFFS

09:36:47 9 BY MS. MARSHALL:

09:36:48 10 Q Good morning, Mr. Brass.

09:36:49 11 A Good morning.

09:36:55 12 Q Turning back to the time period of
09:36:58 13 January 2000 and the January 31st ExCom meeting, I
09:37:16 14 believe yesterday you talked about certain -- we
09:37:20 15 talked about certain items, action items that were
09:37:24 16 to be taken after that meeting; is that correct?

09:37:26 17 A Yes.

09:37:33 18 Q After those -- were those action items
09:37:34 19 completed?

09:37:35 20 A Yes.

09:37:36 21 Q In what period of time?

09:37:37 22 A Rather short. Within the next month.
09:37:40 23 Probably within a shorter time frame than that.

09:37:45 24 Q Was there any meetings between yourself
09:37:52 25 and Mr. Watts during that time period regarding

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1 LORIN BRASS, November 9th, 2006
09:37:54 2 the reserves issue?
09:38:02 3 MR. MORSE: Objection to form.
09:38:06 4 THE WITNESS: And the time period being
09:38:07 5 that month?
09:38:08 6 BY MS. MARSHALL:
09:38:09 7 Q Oh, yes.
09:38:19 8 A I don't recall specific meetings.
09:38:20 9 Q Do you recall whether you had any
09:38:21 10 communication with Mr. Watts during that time
09:38:23 11 period after that -- about a month time period
09:38:27 12 after that meeting?
09:38:28 13 A I just don't recall.
09:38:34 14 Q Do you recall whether you had any
09:38:38 15 meetings with anybody during that time period
09:38:40 16 regarding the reserves issues that had been raised
09:38:45 17 at the January 31st, 2000, ExCom meeting?
09:38:50 18 A I had discussions with Remco and Roelof
09:38:53 19 and with Dominique Gardy, following up on those
09:38:58 20 action items.
09:39:02 21 Q What conversations -- what were the
09:39:06 22 subject matter of the conversations that you had
09:39:08 23 with Remco Aalbers?
09:39:15 24 A I just don't remember the details of
09:39:17 25 those discussions.

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1 LORIN BRASS, November 9th, 2006

09:39:26 2 Q Do you recall at a certain point a
09:39:28 3 decision being made with respect to the reserve
09:39:34 4 bookings for 2000 -- for 1999?

09:39:40 5 A Yes.

09:39:40 6 Q When was that decision made?

09:39:43 7 A I don't recall the date.

09:39:45 8 Q Do you remember what month it was in?

09:39:52 9 A I know all these had to be done for
09:39:54 10 contributions to the Annual Report and for
09:39:57 11 year-end reporting, so it was done before that
09:40:00 12 point, whatever that date was.

09:40:01 13 Q Was that in February or March?

09:40:04 14 A It should have been in February.

09:40:05 15 Q Okay. And who made the final decision;
09:40:09 16 do you know?

09:40:14 17 A Well, Phil Watts would have made the
09:40:16 18 decision, you know, subject to still the reviews
09:40:19 19 that are appropriate at CMD and the Board.

09:40:23 20 Q Did you have any interaction with the
09:40:25 21 CMD during January or February of 2000?

09:40:28 22 A No.

09:40:31 23 Q Do you know what decision Phil Watts
09:40:34 24 made regarding the reserve booking for 1999?

09:40:42 25 A I know that in the final analysis the

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1 LORIN BRASS, November 9th, 2006

09:40:45 2 Nowroosh Soroosh reserves were -- well, there
09:40:50 3 was -- I'm not recalling it precisely, because at
09:40:54 4 first they were not counted, and then later we did
09:40:58 5 report them, and that's the one I remember.

09:41:03 6 Q I'm confused about what you didn't
09:41:04 7 report and then you reported them.

09:41:06 8 A The Nowroosh Soroosh reserves. Oh,
09:41:11 9 sorry. The Iran, which the field is called
09:41:14 10 Nowroosh Soroosh. Just call it "the Iran
09:41:21 11 reserves," which we called them yesterday.

09:41:24 12 Q Okay. So originally they weren't
09:41:26 13 reported, and then that was changed?

09:41:29 14 A Yes.

09:41:29 15 Q And why is that?

09:41:31 16 A Again I wasn't in those decisions around
09:41:33 17 Iran, so I don't know.

09:41:35 18 Q With respect to the percentage number
09:41:39 19 for the Reserves Replacement Ratio, do you know
09:41:44 20 what percentage number was ultimately decided on?

09:41:48 21 A I believe it was 56.

09:41:49 22 Q And do you know where that number came
09:41:52 23 from?

09:41:59 24 A I couldn't build it back precisely. We
09:42:02 25 talked yesterday about the Abu Dhabi reserve still

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1 LORIN BRASS, November 9th, 2006

09:42:06 2 staying in and still going on, so that had to be
09:42:08 3 one of the ingredients.

09:42:11 4 Q Do you know whether or not Anton
09:42:13 5 Barendregt was involved in the decision-making
09:42:17 6 process to go with the 56 percent?

09:42:20 7 A I do not.

09:42:21 8 Q Do you know whether or not Phil Watts
09:42:23 9 ever had any conversations with Remco Aalbers
09:42:27 10 about including bookings that would go into the
09:42:36 11 makeup of the 56 percent?

09:42:38 12 A I don't, I don't know.

09:42:45 13 Q Was Oman an issue at the end of -- in
09:42:48 14 the beginning of 2000 for the 1999 bookings?

09:42:55 15 A The Oman issue was recognized. As we
09:43:00 16 talked yesterday about the license extension,
09:43:01 17 there was no -- as I recall, there was no debate
09:43:07 18 to do anything other than cap it, as had been
09:43:13 19 done, and leave it at that level.

09:43:15 20 Q So no bookings were made for Oman for
09:43:17 21 1999?

09:43:18 22 A No additional bookings.

09:43:24 23 Q Do you recall whether any additional
09:43:27 24 bookings were made for Oman at a later point in
09:43:36 25 time?

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1 LORIN BRASS, November 9th, 2006

09:43:36 2 A Well, a later point in time eventually.
09:43:38 3 We got a license extension in Oman and renewed the
09:43:43 4 contract, but that is actually several years
09:43:45 5 later.

09:43:45 6 Q Prior to the license extension do you
09:43:46 7 recall whether there would be any additional
09:43:48 8 bookings for Oman?

09:43:50 9 A I don't recall.

09:43:55 10 Q Well, what -- do you recall what
09:44:02 11 Mr. Platenkamp's reaction was to the decision to
09:44:05 12 go with the 56 percent?

09:44:13 13 A I don't.

09:44:15 14 Q Do you recall how you learned of that
09:44:17 15 decision to go with the 56 percent?

09:44:20 16 A I don't recall.

09:44:23 17 Q Were you asked your opinion about that
09:44:25 18 number and the elements that went into it?

09:44:31 19 A I don't remember being, being asked.

09:44:35 20 Q Did you ever have any conversations with
09:44:36 21 Mr. Watts as to how he decided upon that number?

09:44:42 22 MR. MORSE: Objection to form.

09:44:44 23 THE WITNESS: I don't recall.

09:44:46 24 BY MS. MARSHALL:

09:44:46 25 Q Do you recall having any questions in

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09:44:49 2 your mind as to how that number was reached?

09:44:53 3 A Again I just don't recall.

09:45:03 4 Q Do you know whether or not there were

09:45:05 5 any debates within the CMD with respect to that

09:45:09 6 decision?

09:45:11 7 A No, I don't know.

09:45:23 8 Q Is the -- was the 56 -- one moment. If

09:46:01 9 you look at Exhibit 2, and I'll turn you to the

09:46:03 10 correct page. It's the third page of the exhibit,

09:46:06 11 which is Bates V00070173. In the bottom of the

09:46:18 12 page there's a chart that we were looking at

09:46:22 13 yesterday, and in the first column, the title, it

09:46:28 14 says, "Initial Submission," and at the bottom the

09:46:34 15 total is 56 percent.

09:46:36 16 A Uh-huh.

09:46:37 17 Q Do you know if this is -- the 56 percent

09:46:41 18 that was decided upon was comprised of the same

09:46:46 19 reserves as was reflected in this 56 on the

09:46:52 20 exhibit?

09:46:53 21 A It is not the same.

09:46:55 22 Q Do you know how it's different?

09:46:57 23 A I know that the 50 million barrels from

09:47:01 24 Nigeria that was in the 56 was supported to be

09:47:04 25 removed, so it can't be the same 56.

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1 LORIN BRASS, November 9th, 2006

09:47:10 2 Q Do you know if the -- if the Nigeria
09:47:17 3 addition was removed, do you know how the number
09:47:20 4 got back up?

09:47:22 5 A Only what I said a minute ago, that Abu
09:47:25 6 Dhabi was taken out of the 37 and put back in, so
09:47:31 7 it would have been an element that moved the 37
09:47:33 8 back up, likely not enough to get to 56, but I
09:47:36 9 don't recall what the other elements were.

09:47:38 10 Q Do you know if you were told at any time
09:47:40 11 what the other elements were?

09:47:42 12 A I'm sure I was, but I don't recall.

09:47:47 13 Q Did you receive a document that
09:47:49 14 described the additions?

09:47:50 15 A I don't recall.

09:48:15 16 Q Do you know whether or not Remco Aalbers
09:48:17 17 was consulted prior to the decision to go with the
09:48:22 18 additions that Phil Watts made?

09:48:26 19 MR. CLARK: Objection to form.

09:48:27 20 THE WITNESS: No, I don't.

09:48:29 21 BY MS. MARSHALL:

09:48:29 22 Q Do you know if Anton Barendregt was
09:48:41 23 consulted prior to the decision to go with the
09:48:44 24 additions that resulted in the 56 number that Phil
09:48:49 25 Watts decided?

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09:48:51 2 MR. CLARK: Objection to form.
09:48:52 3 MR. MORSE: Objection to form.
09:48:53 4 THE WITNESS: No, I don't.
09:48:55 5 BY MS. MARSHALL:
09:48:56 6 Q Do you recall any debate after the
09:48:58 7 January 31st, 2000, meeting, regarding the
09:49:07 8 reserves addition for 1999?
09:49:12 9 A No. As I mentioned earlier, I remember
09:49:19 10 having discussions, especially with Dominique,
09:49:20 11 following up on the questions about Iran that he
09:49:24 12 asked us to check with Wouter DeVries and a
09:49:28 13 suggestion to check that with Schrodgers, but as I
09:49:32 14 said there, I don't recall the details of that,
09:49:35 15 nor especially the outcome of it.
09:50:02 16 Q If you look at the same page that's in
09:50:05 17 front of you, the chart that's titled "Major
09:50:23 18 Changes by Categories and Country," what was the
09:50:25 19 purpose of that chart?
09:50:29 20 A Simply to inform the ExCom of what the,
09:50:34 21 a bit more sizable moving parts were, and these
09:50:42 22 kinds of categories are the typical categories
09:50:45 23 that were discussed in relationship to reserves,
09:50:47 24 so divestments, acquisitions, discoveries,
09:50:51 25 extensions, et cetera.

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09:50:52 2 Q What does extensions and discoveries
09:50:54 3 mean?

09:50:56 4 A Discovery would have been either
09:50:59 5 following on from an exploration well. Extensions
09:51:03 6 would have been drilling further into a field that
09:51:07 7 extends the volume of the field or extends the
09:51:11 8 known area of hydrocarbons in the field.

09:51:15 9 Q And what do these numbers signify?

09:51:18 10 A How much additional oil was either added
09:51:21 11 or subtracted as a result of each of those
09:51:23 12 activities, oil and gas, oil on the left side and
09:51:29 13 gas on the right column.

09:51:31 14 Q If you look under "Improved Recovery"
09:51:34 15 under "Oman," there's an addition of nine. Do you
09:51:38 16 know if that addition was included in the reserve
09:51:47 17 booking number?

09:51:48 18 A No, I don't.

09:51:57 19 Q And then below that it says "Oman PDO"
09:52:02 20 under "Revisions and Reclassifications." What did
09:52:04 21 you understand that positive 12 to signify?

09:52:16 22 A Well, a revision or a reclassification
09:52:18 23 is sometimes moving it from one of the reserve
09:52:20 24 categories -- is moving it from one reserve
09:52:23 25 category to another, but I don't have -- beyond

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1 LORIN BRASS, November 9th, 2006

09:52:26 2 that I don't know.

09:52:29 3 Q Do you know if there were discussions
09:52:30 4 about placing some revisions, some
09:52:34 5 reclassifications into a proved classification for
09:52:38 6 Oman?

09:52:39 7 A No, I don't.

09:53:03 8 Q When you look at the issues that are
09:53:05 9 listed, I notice that Oman was not an issue
09:53:07 10 listed, is that correct, in this document?

09:53:13 11 MR. CLARK: Are you referring to
09:53:15 12 Bates --

09:53:16 13 MS. MARSHALL: Yeah, the exhibit he has
09:53:17 14 before him. That's what we're talking about.

09:53:22 15 THE WITNESS: No.

09:53:43 16 BY MS. MARSHALL:

09:53:44 17 Q I'm confused about whether or not you
09:53:47 18 know definitively whether or not Oman proved
09:53:54 19 reserves were -- additions to the Oman proved
09:53:59 20 reserves were booked for 1999.

09:54:04 21 A And I think I have to say I don't know.

09:54:07 22 Q So it's possible that they were?

09:54:09 23 A I just don't know.

09:54:10 24 Q Okay. Were you aware in January of 2000
09:54:31 25 that there was a license issue with respect to

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1 LORIN BRASS, November 9th, 2006

09:54:34 2 Oman?

09:54:40 3 A I recall in at least Anton's report he
09:54:42 4 begins to mention Oman as an element of concern or
09:54:47 5 element of question. That's -- along with that
09:54:51 6 document, that's probably the first I began to be
09:54:54 7 aware of the Oman issue.

09:55:00 8 Q Do you recall whether he suggested there
09:55:02 9 should be any bookings for Oman for 1999 as a
09:55:04 10 result of that issue?

09:55:14 11 A No, I don't.

09:55:19 12 Q If you go to Page 5 of the document,
09:55:23 13 which is Bates V00070175, under "Australia"
09:55:42 14 there's a discussion about the Gorgon reserves.
09:55:53 15 It says, "In view of the limited market
09:55:56 16 availability, an already large uncommitted proved
09:56:00 17 gas reserves carried by SDA, based on future
09:56:03 18 market expectations, it has been proposed and
09:56:06 19 agreed with SDA and EPA not to include the
09:56:10 20 additional 20 MRD SM3 for 1/1/2000. Booking of
09:56:19 21 the additional volumes in future is subject to
09:56:22 22 future (sic) market development and capture."

09:56:25 23 Do you recall discussions surrounding
09:56:26 24 the Gorgon field?

09:56:29 25 MR. CLARK: It says "further market

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1 LORIN BRASS, November 9th, 2006
09:56:30 2 development and capture."
09:56:32 3 MS. MARSHALL: Thank you. "Further
09:56:33 4 market development and capture."
09:56:36 5 BY MS. MARSHALL:
09:56:37 6 Q Do you recall discussions regarding the
09:56:38 7 Gorgon field at the ExCom meeting?
09:56:42 8 A No. Again I missed most of that, so I
09:56:44 9 don't, I don't know.
09:56:47 10 Q Do you know whether or not, based on
09:56:50 11 your conversations with participants of that
09:56:54 12 meeting, whether or not Gorgon was discussed at
09:56:59 13 the meeting?
09:57:03 14 A No, I don't recall.
09:57:08 15 Q Do you recall being aware of a potential
09:57:12 16 issue with Gorgon in January of 2000?
09:57:19 17 A Yes, as a result of this review.
09:57:22 18 Q Do you recall as a result of this review
09:57:24 19 whether or not you ever participated in any
09:57:32 20 discussions in January or February of 2000 that
09:57:36 21 questioned whether or not the Gorgon fields should
09:57:39 22 be subject to a de-booking?
09:57:43 23 A I don't recall those discussions.
09:57:47 24 Q The bottom of this section involving
09:57:50 25 Australia, it says, "Proved gas volumes in

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1 LORIN BRASS, November 9th, 2006

09:57:53 2 Australia have been a point of challenge by the
09:57:56 3 External Auditors (KPMG, PwC) for the last two
09:58:01 4 years already, and incremental booking at present
09:58:04 5 would be hard to support."

09:58:13 6 When you assumed your role in January of
09:58:18 7 2000, did you endeavor to find anything more about
09:58:26 8 any challenge by the External Auditors of the
09:58:32 9 proved gas volumes in Australia?

09:58:37 10 A I don't recall making an additional
09:58:40 11 effort in January of 2000. I -- you know, Anton
09:58:45 12 brings up Gorgon in his reports regularly, and as
09:58:49 13 part of that, you know, Anton had made the
09:58:51 14 statement that, in his mind, due to the fact of
09:58:55 15 this large amount of volume and eventual market in
09:59:01 16 that region, clearly these reserves would be
09:59:03 17 developed at some point in time, and therefore he
09:59:07 18 supported maintaining them on our books. Beyond
09:59:11 19 that, I don't recall doing anything else in
09:59:13 20 January.

09:59:14 21 Q When he stated that, in his mind, due to
09:59:23 22 the fact of this large amount of volume and
09:59:27 23 eventual market in that region, that the reserves
09:59:33 24 would be developed at some point in time, did you
09:59:36 25 understand the time frame he was imagining with

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09:59:46 2 some point in time?

09:59:48 3 MR. CLARK: Objection to form.

09:59:49 4 MR. MORSE: Objection to form.

09:59:52 5 THE WITNESS: No.

09:59:53 6 BY MS. MARSHALL:

09:59:53 7 Q Did you have an idea in your mind as to

09:59:58 8 when you thought that market would materialize?

10:00:09 9 A There was -- and again this probably

10:00:11 10 goes past January, but there was all kinds of

10:00:15 11 predictions as to when the Asian market would turn

10:00:18 12 around, and the view was that gas would be headed

10:00:21 13 towards some of the Asian markets, but the

10:00:23 14 predictions of when those turn-arounds would occur

10:00:27 15 were, as I said, quite varied, and really that's

10:00:29 16 all I recall relative to the topic at that point

10:00:32 17 in time.

10:00:33 18 Q Do you recall what the range of

10:00:34 19 possibilities discussed was?

10:00:36 20 A No.

10:00:41 21 Q Do you recall whether there was any

10:00:42 22 conversation with regards to the market for the

10:00:52 23 Gorgon reserves that talked about whether or not

10:01:08 24 the SEC rule required anything more specific?

10:01:16 25 A Could you say that question again,

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10:01:18 2 please.

10:01:18 3 Q Sure. Do you recall whether there was
10:01:20 4 any conversation with regards to the market for
10:01:23 5 the Gorgon reserves regarding whether or not the
10:01:29 6 SEC rule required anything more specific? And by
10:01:35 7 "anything more specific" I mean the market at some
10:01:40 8 point in time.

10:01:41 9 MR. CLARK: Objection to the form.

10:01:45 10 THE WITNESS: I guess what I was aware
10:01:47 11 of at the time was what Anton had put in his
10:01:50 12 report. Nothing really more than that.

10:02:09 13 BY MS. MARSHALL:

10:02:10 14 Q Did you at any point in time ever learn
10:02:15 15 more details about discussions with the External
10:02:19 16 Auditors regarding Gorgon?

10:02:26 17 A No.

10:02:54 18 MS. MARSHALL: I'm going to show you a
10:02:56 19 document that we'll mark as Exhibit Number -- I
10:03:00 20 think we're up to 5, which is Bates RJW00140705
10:03:12 21 through 710.

10:03:16 22 (Exhibit No. 5 was marked for
10:03:16 23 identification and attached to the deposition
10:03:16 24 transcript.)

10:04:07 25 MS. MARSHALL: I think while we're

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10:04:08 2 looking at this exhibit, I might as well mark

10:04:10 3 another one, Exhibit Number 6, which is

10:04:14 4 RJW00072555.

10:04:36 5 (Exhibit No. 6 was marked for

10:04:36 6 identification and attached to the deposition

10:04:36 7 transcript.)

10:04:38 8 BY MS. MARSHALL:

10:04:38 9 Q Take a moment to review the documents.

10:07:32 10 A Okay.

10:07:34 11 Q Do you recognize Exhibit Number 5?

10:07:37 12 A Yes.

10:07:38 13 Q Can you explain what it is, please.

10:07:41 14 A It's the -- it's the letter, annual

10:07:47 15 letter to again the External Auditors regarding

10:07:53 16 the standardized measure.

10:08:00 17 Q And what was the purpose of the letter?

10:08:02 18 A To transmit the fact that we have done

10:08:11 19 the calculations and have reviewed the matters and

10:08:16 20 find that they are acceptable and accurate, and

10:08:26 21 therefore telling that to the advisors.

10:08:32 22 Q Who drafted the letter?

10:08:37 23 A I really can't be sure.

10:08:39 24 Q Is that your signature on the letter?

10:08:41 25 A Yes.

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10:08:43 2 Q In the pages that follow the letter,
10:08:47 3 there's a note dated February 23rd, 2000, from
10:08:50 4 Remco Aalbers to yourself. Was this note sent
10:08:56 5 with the letter to the auditors, if you know?
10:08:59 6 This was how the document was produced, so I'm
10:09:02 7 just trying to understand that.

10:09:05 8 MR. CLARK: Objection to form, but . . .

10:09:08 9 THE WITNESS: I really can't say. I
10:09:10 10 don't know.

10:09:23 11 BY MS. MARSHALL:

10:09:23 12 Q Do you recall receiving that note dated
10:09:24 13 February 23rd from Remco Aalbers?

10:09:27 14 A Oh, really as a result of this review,
10:09:30 15 yes.

10:09:37 16 Q Were any other letters sent in 2000 to
10:09:39 17 the External Auditors that had your signature?

10:09:42 18 A Yes. There would have been the
10:09:44 19 equivalent of this letter.

10:09:45 20 Q And that's Exhibit Number 6?

10:09:47 21 A Yeah, but this is for 2001.

10:09:49 22 Q I see that, yeah. Thanks.

10:09:52 23 A So, yeah, those two letters are the
10:09:54 24 standard -- are the two letters that are sent to
10:09:57 25 the External Auditor on an annual basis for the

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10:10:01 2 work that we did.

10:10:02 3 Q So if you look at Exhibit Number 6, do
10:10:05 4 you recognize this document?

10:10:07 5 A Yes.

10:10:09 6 Q And what would you describe it to be?

10:10:11 7 A Again it's our Letter of Representation,
10:10:13 8 sometimes called our Letter of Comfort, to the
10:10:16 9 External Auditors confirming our views pf the
10:10:20 10 reserve situation for the company.

10:10:23 11 Q Is it a standard form letter?

10:10:30 12 A Although it tends to cover the same
10:10:32 13 categories year by year, there's always some
10:10:35 14 differences, obviously, in the text pertaining to
10:10:38 15 what the situation is every year, but the format
10:10:41 16 you'll find is generally the same.

10:10:45 17 Q So you signed a similar letter in 2000
10:10:51 18 regarding --

10:10:53 19 A Yes.

10:10:54 20 Q -- the reserves, correct?

10:10:56 21 A Yes. Myself and Linda Cook signed that
10:10:59 22 letter.

10:11:02 23 Q Why, if you know, did Phil Watts sign
10:11:05 24 the February 1st, 2001, letter?

10:11:08 25 A He specifically wanted to.

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10:11:14 2 Q When did that come to your attention
10:11:16 3 that he wanted to sign that letter?

10:11:18 4 A Oh, I don't recall.

10:11:20 5 Q Had he, to your knowledge, signed
10:11:24 6 similar letters in prior years?

10:11:27 7 A All I know is the prior year, as I
10:11:29 8 recall, Linda and I signed the letter. I don't
10:11:31 9 know what had happened prior to that.

10:11:38 10 Q Did he ever communicate to you why he
10:11:42 11 wanted to sign the 2001 letter?

10:11:52 12 A No.

10:12:04 13 Q Prior to his signing this letter in
10:12:06 14 February of 2001, which is Exhibit 6, were you
10:12:12 15 aware of any issues that had been raised by KPMG
10:12:21 16 regarding the reserves information for 2000?

10:12:30 17 MR. MORSE: Objection to the form.

10:12:35 18 THE WITNESS: I'm not aware of any.

10:12:59 19 BY MS. MARSHALL:

10:13:02 20 Q Why were you the person or one of the
10:13:05 21 people that was responsible for signing these
10:13:07 22 letters?

10:13:13 23 A The reserves work, through the work of
10:13:16 24 the like of Remco and Roelof and others we've
10:13:21 25 discussed, were in my organization, and had -- and

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10:13:31 2 secondly, simply that it had been tradition for
10:13:36 3 the support organization that had that function
10:13:38 4 within it to sign off on the Comfort Letter.

10:13:46 5 Q In Exhibit 6, Number 3, where it says,
10:13:47 6 "The information and the underlying data have been
10:13:51 7 prepared and reviewed by employees having
10:13:53 8 appropriate experience and qualifications for
10:13:55 9 estimating oil and natural gas reserves," were
10:14:00 10 there any particular individuals that that
10:14:02 11 statement was referring to?

10:14:09 12 A Clearly it would have been the likes of
10:14:10 13 a Remco and Roelof, but it also refers to the
10:14:14 14 Reservoir Engineering community throughout the
10:14:16 15 company.

10:14:19 16 Q And Item 4 where it says, "No matters
10:14:22 17 have come to our attention to the present time,
10:14:25 18 which would materially affect the information in
10:14:30 19 respect of oil and gas reserves included in the
10:14:33 20 supplementary information referred to above," what
10:14:41 21 did you understand "materially affect" to mean?

10:14:55 22 A Well, the information that we had
10:14:57 23 gathered and put together to the best of our
10:14:59 24 accuracy was correct, and that we weren't aware of
10:15:02 25 any matters that would have any sort of

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10:15:05 2 substantial change to those numbers.
10:15:09 3 Q What would be considered "substantial"?
10:15:15 4 A You know, it's typical to always put
10:15:17 5 some sort of quantification to that. I guess I
10:15:20 6 would always think of it as, you know, what should
10:15:22 7 the market know. If there is something we had to
10:15:25 8 change, is it, is it discloseable, so I would put
10:15:29 9 that kind of materiality in the same kind of
10:15:32 10 category as anything that is material to the
10:15:34 11 market.
10:15:35 12 Q And was any particular person charged
10:15:38 13 with making the decision about what the market
10:15:42 14 might consider to be material?
10:15:47 15 MR. CLARK: Objection to form.
10:15:51 16 THE WITNESS: I don't recall any
10:15:52 17 particular person. If you recall kind of the
10:15:56 18 review path, of course, it goes up through the
10:15:58 19 financial organization, up to the Group
10:16:00 20 Controller, through the CMD, CFO, even on to the
10:16:04 21 Group Audit Committee. So with that review -- I
10:16:08 22 guess I don't know a named person to tell you, but
10:16:12 23 with that review I would consider they would be
10:16:14 24 responsible -- that would be exposed as to
10:16:17 25 materiality somewhere along that line.

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10:16:36 2 BY MS. MARSHALL:

10:16:36 3 Q And in Item Number 2 it says that "The
10:16:38 4 information has been properly prepared and
10:16:39 5 disclosed in accordance with SFAS 69 and SEC Rules
10:16:45 6 and Regulations, and as clarified by subsequent
10:16:48 7 SEC staff accounting bulletins and interpretive
10:16:53 8 guidance issued by the SEC." Were you relying on
10:17:09 9 any particular individuals to confirm that the
10:17:15 10 information had been properly prepared in
10:17:18 11 accordance with the SEC Rules and Regulations?

10:17:22 12 A Yes.

10:17:23 13 Q And which individuals were those?

10:17:26 14 A Primarily Anton and Remco.

10:17:45 15 Q After you -- strike that. Can you take
10:17:57 16 me through the process in February of 2000 that
10:18:05 17 led to you signing letters to be sent to the
10:18:10 18 External Auditors.

10:18:14 19 A Yes. For the, for the reserves process,
10:18:19 20 again the collection of all the data from the
10:18:21 21 Operating Unit comes in at or near the end of the
10:18:24 22 year, that is pulled together by Remco or the
10:18:27 23 equivalent person in that job. He then makes sure
10:18:31 24 that it's, all the corrections and edits are
10:18:35 25 clarified, and reviews it with the likes of a

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10:18:40 2 Roelof position, gets that input and discusses it
10:18:44 3 with the position I was in. In that loop the CFO
10:18:51 4 would have gotten involved about at the same time
10:18:54 5 I would. At that point in time our internal
10:19:01 6 review at that level would have been relatively
10:19:05 7 complete.

10:19:06 8 We would have shown it then to the ExCom
10:19:09 9 and gotten any input from them, discussions like
10:19:15 10 had occurred in January 31st and a few weeks after
10:19:19 11 that occur. Phil or someone in his position would
10:19:23 12 be taking their view as to their decisions that
10:19:28 13 need to be made regarding the open issues. Once
10:19:33 14 that is all complete and everyone has reached
10:19:37 15 satisfaction and decisions have been made, then
10:19:39 16 the letter is drafted and signed and sent to the,
10:19:43 17 to the auditors.

10:19:46 18 On the standardized measure side, Remco
10:19:52 19 or people in that equivalent position, working
10:19:55 20 very closely with the financial staff, run through
10:19:59 21 the calculations of the discounted cash flows of
10:20:02 22 all the Operating Units and all the fields in the
10:20:05 23 company, and again go through the process of
10:20:09 24 clarifications, edit, corrections, et cetera.
10:20:12 25 There would have been some finance review of this,

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10:20:18 2 and then Remco would have reviewed it with me and
10:20:20 3 prepared the letter. As you see here, I'd sign
10:20:23 4 the letter and send it to the auditors.

10:20:32 5 Q If you look at item -- Exhibit Number 6,
10:20:35 6 the letter that went to KPMG, there's an attention
10:20:40 7 and there's a name, Mister -- I don't know how you
10:20:45 8 pronounce it -- Eeftink.

10:20:50 9 A Uh-huh.

10:20:53 10 Q Is it possible that that's one of the
10:20:56 11 individuals that you met with from the External
10:20:58 12 Auditors that you mentioned yesterday?

10:21:05 13 A I, I don't remember the name of the
10:21:07 14 person I met with.

10:21:08 15 Q Okay. That doesn't refresh your
10:21:10 16 recollection?

10:21:10 17 A No.

10:21:11 18 Q Okay. Now, after the letters were sent
10:21:17 19 in 2000, do you recall having any other -- or what
10:21:27 20 was the next thing you did that year with respect
10:21:32 21 to reserves reporting?

10:21:41 22 A Well, assuming there was no further
10:21:46 23 feedback or need for further clarifications with
10:21:49 24 the auditors themselves -- but I should mention
10:21:52 25 there was always a meeting with those auditors,

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10:21:55 2 and of course, the likes of a Remco and Roelof, to
10:22:01 3 the extent they want to, Anton, and to the extent
10:22:04 4 they want me in the room, fine, so that meeting
10:22:07 5 occurs, and if there's any follow-up questions, et
10:22:10 6 cetera, that occurs.

10:22:11 7 Q That occurs after the letter gets sent?

10:22:14 8 A You know, I actually can't remember if
10:22:15 9 it's done before or after. Just right in the same
10:22:18 10 time frame.

10:22:19 11 Q Do you recall in 2000 whether or not
10:22:22 12 there were any particular issues of follow-up when
10:22:29 13 it came to light with the auditors?

10:22:31 14 A I don't recall any.

10:22:33 15 Q Do you recall having any interaction
10:22:36 16 with Mr. Watts or ExCom regarding any issues that
10:22:45 17 the auditors had brought up?

10:22:47 18 A No, I don't.

10:22:49 19 Q Did you have any communication with
10:22:51 20 Mr. Watts regarding reserve reporting after
10:23:02 21 February of 2000, in that year?

10:23:10 22 A The only thing would have been preparing
10:23:13 23 materials for him for presentation purposes, if
10:23:18 24 and whenever he had discussions with the analysts
10:23:21 25 or the investment community, and we would

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10:23:25 2 sometimes get involved in preparing his material
10:23:27 3 for Board presentations, so in the process of
10:23:32 4 getting presentation material together, there
10:23:35 5 would have been interaction.

10:23:37 6 Q Did you have the need to make any
10:23:42 7 presentations, any additional presentations to
10:23:46 8 ExCom in 2000 with respect to reserves?

10:23:53 9 A Not that I recall.

10:23:54 10 Q Do you recall Mr. Watts asking you to
10:23:56 11 assist in the presentation -- assist in the
10:24:01 12 compilation of any materials to be presented to
10:24:05 13 CMD regarding reserve reporting in 2000?

10:24:11 14 A Yeah, I just don't recall.

10:24:18 15 Q Do any issues regarding reserve that
10:24:27 16 came up in 2000, after February of 2000, come up
10:24:31 17 in your mind as part of what you were focusing on
10:24:35 18 that year?

10:24:37 19 A Only what I've just said, and, you know,
10:24:39 20 in preparation of materials, which would have
10:24:41 21 included all the various categories, not just
10:24:43 22 reserves, but I don't recall any other meetings
10:24:48 23 targeted towards reserves with Phil or the ExCom.

10:24:51 24 Q Do you recall any meetings targeted
10:24:54 25 towards any of the OUs that came up in the

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10:25:00 2 preparation for the January 31st, 2000, meeting?
10:25:15 3 I can ask it a different way. You're looking
10:25:16 4 like -- which is understandable.

10:25:23 5 Do you recall whether or not any
10:25:26 6 reserves issues, with respect to Nigeria, for
10:25:27 7 example, came up after February of 2000, in the
10:25:32 8 remainder of that year?

10:25:46 9 A What I know is that Nigeria did get
10:25:49 10 discussed very frequently. I don't recall
10:25:53 11 specific discussions on just the topic of
10:25:55 12 reserves, but typically there would be very
10:25:59 13 frequent updates as to production profiles in
10:26:02 14 Nigeria, all kinds of issues relating to, of
10:26:06 15 course, what's happening in the country, so
10:26:08 16 Nigeria always got a lot of attention. I just
10:26:12 17 don't recall a meeting that was really just
10:26:14 18 targeted towards a discussion of reserves during
10:26:16 19 the course of 2000.

10:26:18 20 Q Okay. Then if you -- do you recall
10:26:22 21 whether or not the Shell Guidelines regarding
10:26:32 22 reserves were ever a point of discussion in 2000?

10:26:54 23 A No, I don't.

10:27:04 24 Q Towards the end of 2000, is that when --
10:27:13 25 is that when, in the normal course of the cycle,

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10:27:14 2 reserves would come to the forefront as part of
10:27:20 3 your job?

10:27:21 4 A Yes, and that was what I was just trying
10:27:23 5 to think through, do I recall anything near the
10:27:25 6 end of the year, because that's when the process
10:27:27 7 starts all over again. Obviously in the course of
10:27:29 8 the year both Remco and Anton visit many of the
10:27:34 9 OUs. Anton goes on his audits, and he talks and
10:27:39 10 audits each of several OUs per year. All those
10:27:42 11 reports come back to me, so I know those events
10:27:45 12 occur routinely and did occur in the course of
10:27:49 13 2000.

10:27:50 14 Q Were you -- was Anton reporting directly
10:27:53 15 to you during 2000?

10:27:59 16 A You know, as we prepared again for this,
10:28:02 17 I, I have to say I don't know exactly who Anton
10:28:05 18 reported to.

10:28:06 19 Q Did his reports all pass through you?

10:28:09 20 A Yes.

10:28:09 21 Q Or to you?

10:28:10 22 A Yes, as well as, as well as others, but
10:28:13 23 yes, he would send me all his Audit Reports.

10:28:17 24 Q Did he have anybody working with him on
10:28:21 25 those reports?

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10:28:27 2 A No, not really. He would go to the OU,
10:28:31 3 and, of course, they would give him presentations
10:28:33 4 and show him all their materials, so in that
10:28:35 5 light, the Reservoir Engineering community,
10:28:37 6 wherever he visited, did all the work to prepare
10:28:40 7 for the audit as he was coming. If he then had
10:28:42 8 any questions to feed back to Remco, the likes of
10:28:46 9 a Remco or Roelof, he would do that, but as he
10:28:50 10 prepared his document, he did that pretty much on
10:28:53 11 his own.

10:28:54 12 Q Did he have anybody with him visiting
10:28:55 13 these OUs, if you know?

10:28:58 14 A I don't.

10:28:59 15 Q Did you have any role in determining
10:29:03 16 which OUs he was going to visit and when?

10:29:06 17 A No. He would put together an Audit Plan
10:29:09 18 that would span several years, but I let that be
10:29:12 19 the responsibility of the likes of Remco and
10:29:14 20 Roelof for the most part.

10:29:15 21 Q Did anybody have to approve the Audit
10:29:17 22 Plan?

10:29:18 23 A Yes. Again someone like a Roelof would
10:29:23 24 have approved that plan. I guess the only thing
10:29:26 25 I'd add is on some occasions he would make

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10:29:29 2 specific requests for audits in the following year
10:29:32 3 as a result of his current, and of course, we
10:29:34 4 would try to make those happen.

10:29:43 5 Q And what was your role in making those
10:29:45 6 happen, trying to make those happen?

10:29:52 7 A Perhaps only to --

10:29:53 8 THE REPORTER: What was the answer?

10:29:54 9 THE WITNESS: I hadn't finished my
10:29:54 10 answer.

10:29:54 11 MR. CLARK: "Perhaps only to."

10:29:56 12 THE WITNESS: Perhaps only to remind
10:29:59 13 Roelof or Remco to help if there is anything we
10:30:02 14 need to do to try to make sure that happens.

10:30:13 15 BY MS. MARSHALL:

10:30:13 16 Q Did you see the reports from the OUs
10:30:15 17 regarding reserves?

10:30:19 18 MR. CLARK: Objection to form.

10:30:20 19 THE WITNESS: Which reports?

10:30:21 20 BY MS. MARSHALL:

10:30:21 21 Q Well, did you ever see reports from --
10:30:23 22 directly coming from the OUs themselves?

10:30:26 23 MR. CLARK: Objection to form.

10:30:29 24 BY MS. MARSHALL:

10:30:30 25 Q Of any kind.

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10:30:35 2 A If you mean the, for instance, as part
10:30:40 3 of the annual cycle when the OUs submit their
10:30:43 4 reports to the likes of a Remco, yeah, I'd flip
10:30:47 5 through one or two, but I left it to him. You
10:30:50 6 know, the mountain of those reports was very high,
10:30:53 7 and although I saw them, basically I left those to
10:30:57 8 Remco to review.

10:31:05 9 Q Would anybody be reviewing them with him
10:31:07 10 if you know?

10:31:09 11 A If he needed help, and because of the
10:31:11 12 work load, then, of course, he could ask for that
10:31:16 13 help, and of course, he did a lot of, a lot of
10:31:19 14 discussions back to his focal points in each of
10:31:21 15 the OUs. So when the reports first started coming
10:31:24 16 in, he would be on the phone constantly, because,
10:31:26 17 of course, to really clarify questions on an OU,
10:31:29 18 the only people that can really help with that are
10:31:32 19 the people in the Operating Unit.

10:31:35 20 Q And once he -- after receiving these
10:31:37 21 reports, then he compiled his own report?

10:31:41 22 A He compiled the summation of the total,
10:31:43 23 the total picture.

10:31:45 24 Q And that report would be submitted to
10:31:46 25 you?

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10:31:49 2 A Well, you say "that report." Remco and
10:31:54 3 Roelof would bring me highlights and issues. His
10:31:59 4 total summary eventually, of course, gets digested
10:32:04 5 down into what goes into the Annual Reports and
10:32:06 6 the 20F, and the actual internal document on the
10:32:10 7 Reserve Report was not something that I, that I
10:32:13 8 recall getting or receiving in wide distribution.
10:32:18 9 It was a massive display of numbers from all the,
10:32:21 10 from all the, from all the world, so what we
10:32:24 11 reviewed was really a summary of that, along with
10:32:27 12 any issues.

10:32:29 13 Q When you say "Remco and Roelof would
10:32:32 14 bring me highlights and issues," when would this
10:32:40 15 typically occur? What time of year?

10:32:42 16 A In January.

10:32:46 17 Q Did this happen in January of 2000?

10:32:50 18 A To the best of my recollection.

10:32:53 19 Q And do you recall what the highlights
10:32:55 20 and issues that they brought to your attention in
10:32:58 21 January of 2000 were?

10:32:59 22 A It's really the same ones that we've
10:33:01 23 been talking about that appeared in the document
10:33:05 24 to ExCom and the presentation to ExCom.

10:33:09 25 Q Do you recall if they brought you

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10:33:11 2 highlights and issues in January of 2001?

10:33:16 3 A Again I, I don't recall the specific
10:33:18 4 meeting, although -- it's just hard to remember.

10:33:33 5 MS. MARSHALL: Okay. I'm going to show
10:33:34 6 you a document which we'll mark as Exhibit Number
10:33:38 7 7, which bears Bates Number RJW00151343.

10:34:10 8 (Discussion was held off the record.)

10:34:12 9 THE VIDEOGRAPHER: We are going off the
10:34:13 10 record. The time is 10:33 a.m.

10:49:47 11 (Whereupon, a short recess was taken.)

10:56:07 12 THE VIDEOGRAPHER: We are back on the
10:56:08 13 record. The time is 10:55 a.m.

10:56:11 14 (Exhibit No. 7 was marked for
10:56:11 15 identification and attached to the deposition
10:56:11 16 transcript.)

10:56:15 17 BY MS. MARSHALL:

10:56:15 18 Q Mr. Brass, have you had an opportunity
10:56:17 19 to look at a document I just handed you, which is
10:56:20 20 Exhibit Number 7?

10:56:22 21 A Yes.

10:56:23 22 Q What do you recognize this to be?

10:56:25 23 A This is Anton's Annual Review which
10:56:29 24 would have covered the year 2000.

10:56:37 25 Q And do you recall receiving this report

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10:56:39 2 in January of -- well, strike that. Do you recall
10:56:43 3 receiving this report?

10:56:44 4 A Yes.

10:56:45 5 Q Do you recall whether you saw it for the
10:56:51 6 first time in January, or did you see it earlier?

10:56:57 7 A I don't recall seeing an earlier
10:56:59 8 version.

10:57:04 9 Q Do you recall having any discussions
10:57:05 10 with him at the end of 2000 regarding any of the
10:57:09 11 issues raised in this report?

10:57:17 12 A I don't recall.

10:57:39 13 Q Do you recall ever having any
10:57:41 14 conversations with Remco Aalbers about any of the
10:57:44 15 issues raised in this report?

10:57:53 16 A What I recall is the events leading up
10:58:02 17 to the booking of Angola Block 18.

10:58:10 18 Q What do you remember about those events?

10:58:14 19 A Well, Block 18 was an offshore deepwater
10:58:19 20 prospect offshore Angola, and the question was:
10:58:24 21 Do we have proved reserves to book in this year or
10:58:28 22 do we not?

10:58:29 23 Q When was the first time you remember
10:58:31 24 that question being posed?

10:58:37 25 A Oh, it would have been somewhere in the

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10:58:40 2 last half of 2000.

10:58:47 3 Q Do you recall the context in which you
10:58:49 4 first heard the issue of potential bookings for
10:58:54 5 Angola Block 18 for 2000 discussed?

10:59:01 6 A The context?

10:59:03 7 Q Was it in a meeting?

10:59:05 8 A Oh. I don't recall.

10:59:09 9 Q Do you recall who brought it to your
10:59:13 10 attention?

10:59:15 11 A No.

10:59:17 12 Q Well, what do you recall?

10:59:20 13 A That there was work commissioned to take
10:59:27 14 a look at a variety of potential Development Plans
10:59:32 15 that would lead to a commercial development for
10:59:38 16 Block 18. I recall that work was done and
10:59:42 17 reviewed and presented and discussed. I recall a
10:59:50 18 wide variety of opinions being raised as to
10:59:54 19 whether or not that substantiates the booking in
10:59:58 20 Block 18. I recall sitting in those meetings and,
11:00:08 21 you know, listening to the debate, participating,
11:00:12 22 et cetera.

11:00:14 23 Q Did any of those debates occur at ExCom
11:00:19 24 meetings?

11:00:23 25 A Well, the ones I'm remembering weren't

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11:00:24 2 ExCom meetings actually.

11:00:27 3 Q Who he was present in the meetings
11:00:28 4 you're remembering?

11:00:33 5 A Heinz Rothermund and -- I can't think of
11:00:38 6 his name, but he was Regional Business Advisor for
11:00:43 7 Nigeria. Yeah, I can't remember if both Remco and
11:00:54 8 Roelof were in the room or just one or the other.
11:00:59 9 One of them was certainly there.

11:01:01 10 Q Is Martijn Minderhoud who you were
11:01:04 11 thinking of?

11:01:05 12 A Yeah, that's who I was thinking of.

11:01:30 13 Q So Heinz Rothermund, Martijn Minderhoud
11:01:36 14 and Remco and Roelof, one of them was present in
11:01:42 15 these meetings?

11:01:45 16 A (Nods.)

11:01:45 17 Q You've got to say yes or no.

11:01:47 18 A Yes. Sorry.

11:01:49 19 Q That's okay. And who called these
11:01:51 20 meetings?

11:01:53 21 A Oh, I don't recall.

11:01:57 22 Q Was Phil Watts ever present in any of
11:02:01 23 these meetings?

11:02:03 24 A Not the ones I'm remembering.

11:02:08 25 Q How many meetings do you recall?

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11:02:11 2 A Well, definitely more than one and less
11:02:15 3 than five.

11:02:24 4 Q And would these meetings all have
11:02:26 5 occurred in 2000?

11:02:29 6 A The ones I'm remembering, yes.

11:02:37 7 Q Do you recall whether or not any
11:02:38 8 representatives from SDS were present at these
11:02:41 9 meetings?

11:02:43 10 A I don't recall, but they had done the
11:02:44 11 technical work.

11:02:50 12 Q Had you ever had any conversations with
11:02:55 13 Mr. Bichsel about Angola?

11:03:00 14 A Not that I recall.

11:03:09 15 Q Do you recall what view Mr. Rothermund
11:03:12 16 was expressing with respect to the booking of
11:03:15 17 Angola during these meetings?

11:03:21 18 A I don't know where he landed. I know he
11:03:24 19 was asking lots of challenging questions, but I
11:03:27 20 can't recall, at the end of all that, which side
11:03:30 21 he landed on.

11:03:33 22 Q Who was he asking challenging questions
11:03:35 23 to?

11:03:37 24 A To the representative from SDS, to
11:03:42 25 Martijn, not so much from me and my staff, but

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11:03:48 2 just trying to clarify and understand the
11:03:51 3 information that was being prepared and discussed
11:03:54 4 relative to the Development Plans and the
11:03:56 5 potential for them to lead to bookings of proved
11:04:00 6 reserves.

11:04:12 7 Q Were you involved in 2000 in a
11:04:18 8 decision-making process regarding investments,
11:04:22 9 strategic investments in Angola?

11:04:29 10 A I would always get a copy of the FID for
11:04:32 11 any input, but I was not in the decision loop for
11:04:36 12 the investments in Angola.

11:04:39 13 Q Why is that?

11:04:40 14 A Because that was well beyond my level of
11:04:44 15 authority, first of all, and second of all, that
11:04:47 16 was Heinz Rothermund's Business, so he would have
11:04:51 17 taken the FID and brought it to, to the ExCom, and
11:04:54 18 Phil would have made a decision. I can't recall
11:04:55 19 eventually when -- how much it was, but I'm
11:04:59 20 assuming it was large enough it would have had to
11:05:04 21 go probably all the way to the Board.

11:05:07 22 Q Do you recall learning that Phil Watts
11:05:09 23 wanted to increase Shell's position in Angola in
11:05:22 24 2000?

11:05:28 25 A What I recall is that there were

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11:05:29 2 additional blocks on bid in this time frame, and I
11:05:34 3 don't remember the year.

11:05:36 4 Q Block 34?

11:05:37 5 A Yeah, exactly, and that was a prize
11:05:40 6 block, and he was very favorable towards trying to
11:05:43 7 win that block.

11:05:44 8 Q Phil Watts was?

11:05:45 9 A Yes.

11:05:46 10 Q Do you know why?

11:05:48 11 A The data is supported that it had great
11:05:51 12 potential for hydrocarbons, and in general we
11:05:58 13 believed we had expertise in deepwater and we had
11:06:02 14 other blocks there; however, the materiality of
11:06:07 15 the amount we had there with just what we had
11:06:10 16 would not be the best position. It would be
11:06:12 17 better if we had a bigger position in order to
11:06:14 18 spread expenses and costs and have a larger
11:06:17 19 production from that area.

11:06:21 20 Q Do you recall ever learning that Phil
11:06:23 21 Watts wanted there to be a booking for Angola
11:06:39 22 Block 18 in 2000?

11:06:42 23 MR. CLARK: Objection to form.

11:06:46 24 THE WITNESS: No, I don't recall.

11:06:46 25

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11:06:48 2 BY MS. MARSHALL:

11:06:48 3 Q Do you recall his, Phil Watts's views
11:06:55 4 ever coming up in these meetings with Rothermund
11:06:59 5 and Minderhoud?

11:07:00 6 A No, as I said, the ones I'm remembering,
11:07:03 7 he wasn't in those meetings.

11:07:06 8 Q Do you recall his views ever being
11:07:07 9 discussed in those meetings?

11:07:09 10 A No, I don't recall.

11:07:10 11 Q Do you recall what Mr. Minderhoud's
11:07:13 12 views were?

11:07:13 13 A No, I don't recall.

11:07:16 14 Q Earlier you testified that there was a
11:07:18 15 wide variety of opinions expressed. Can you tell
11:07:21 16 me what the variety of opinions were.

11:07:25 17 A Well, in general it was those that were
11:07:29 18 supportive, believed it could be appropriate, and
11:07:32 19 those that believed that it was perhaps not, and
11:07:39 20 those that were a little bit on the fence, so it
11:07:42 21 was --

11:07:43 22 Q Where would you place yourself?

11:07:45 23 A Well, I was one that was probably more
11:07:47 24 on the fence, because the data did -- the proposed
11:07:51 25 data did represent a commercial development.

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11:07:53 2 Eventually the doability of that commercial
11:07:58 3 development was where I was questioning, saying,
11:08:00 4 at the end of the day would we ever do that. Yes,
11:08:03 5 its a high-graded project. Yes, it's designed and
11:08:05 6 can deliver enough reserves, although barely, but
11:08:13 7 can deliver enough reserves to make it a
11:08:13 8 commercial development.

11:08:14 9 At the end of the day, though, is that
11:08:16 10 the development that we would ever do was what my
11:08:19 11 question was, and that's hard to resolve, because
11:08:21 12 you just don't know. You don't know what the
11:08:22 13 future brings. You don't know what other things
11:08:26 14 come to bear eventually. And upon further study,
11:08:27 15 we generally always change the Development Plan
11:08:29 16 until we're ready for that final Development Plan
11:08:32 17 concept to be finalized.

11:08:36 18 So I, at the end of the day, after
11:08:39 19 discussing it again with others, also I guess put
11:08:43 20 a lot of stake in what Anton was seeing, and he's
11:08:48 21 clearly the expert or one of my experts that I
11:08:51 22 always looked to, and, of course, he's just barely
11:08:55 23 over the margin in order to say that yes, it's
11:08:59 24 bookable.

11:09:00 25 Q Did anybody -- who was espousing the

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11:09:03 2 view that it was not appropriate?

11:09:05 3 A I just don't remember.

11:09:06 4 Q But that view was espoused?

11:09:08 5 A Yes. I suppose my clarification was,
11:09:18 6 when you said "bookable" -- others in the room,
11:09:26 7 including myself, were not all experts on SEC
11:09:30 8 Rules, and so the views were a little bit more
11:09:35 9 towards -- my question is: Should this be a
11:09:39 10 Development Plan that we could support? It wasn't
11:09:41 11 always around the question of, you know, what is a
11:09:44 12 bookable reserve for SEC, although that discussion
11:09:48 13 was happening as well.

11:10:01 14 Q Did you understand there to be any
11:10:02 15 correlation between the SEC Rules and whether or
11:10:06 16 not this was a Development Plan that you could
11:10:10 17 support?

11:10:20 18 A I understood that if we had a
11:10:21 19 Development Plan, a doable, viable Development
11:10:26 20 Plan that was commercial and could develop the
11:10:32 21 reserves, those reserves could be booked.

11:10:37 22 Q Did you understand there to be a
11:10:41 23 requirement in SEC Rules of an intention to
11:10:47 24 actually go ahead with a Development Plan?

11:10:53 25 A In 2000, no.

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11:10:56 2 Q Did you ever come to understand there to
11:11:02 3 be a requirement in the SEC Rules of an intention
11:11:05 4 to actually go ahead with a Development Plan?

11:11:07 5 A Yes.

11:11:07 6 Q And when did you learn that to be the
11:11:10 7 case?

11:11:11 8 A That would have been probably in either
11:11:14 9 later 2001, 2002, but probably in 2001.

11:11:21 10 Q Do you recall the context in which you
11:11:23 11 learned that?

11:11:24 12 A Through the process of the guidance
11:11:32 13 coming out of the SEC and also from Anton's
11:11:36 14 reports, especially the following year -- and I
11:11:40 15 can't remember again if it's 2001 or 2002 -- where
11:11:42 16 he very specifically makes comments relative to
11:11:47 17 the move from just not commerciality but an
11:11:51 18 economics that would support moving forward with
11:11:54 19 the project.

11:11:58 20 Q So had you known that to be the case in
11:12:01 21 2000, would you have supported the booking of
11:12:04 22 Angola in 2000?

11:12:06 23 MR. CLARK: Objection. Is that a
11:12:08 24 hypothetical question?

11:12:12 25 MS. MARSHALL: The question is what it

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11:12:13 2 is. I don't think I need to characterize it.

11:12:17 3 MR. CLARK: His testimony is that --

11:12:18 4 MS. MARSHALL: I know what his testimony
11:12:19 5 is. Are you directing him not to answer the
11:12:21 6 question?

11:12:22 7 MR. CLARK: No, I'm asking you whether
11:12:23 8 you want to clarify an unclear question.

11:12:28 9 MS. MARSHALL: I'll see if he
11:12:29 10 understands it.

11:12:30 11 MR. CLARK: Okay.

11:12:32 12 BY MS. MARSHALL:

11:12:32 13 Q You just went through -- we were just
11:12:40 14 talking about what you understood the SEC
11:12:43 15 requirements to be in 2000 and then what you
11:12:49 16 understood them to be in 2001 and there being a
11:12:52 17 change in your understanding; is that correct?

11:12:54 18 A Yeah, and I was not sure if it was 2001
11:12:58 19 or 2002, but yes, there was a change in my
11:13:00 20 understanding.

11:13:00 21 Q Okay. If your understanding in 2000 had
11:13:07 22 been the same as it was when you had this change
11:13:10 23 of understanding, whether it was 2001 or 2002,
11:13:14 24 would you have supported the booking of Angola in
11:13:18 25 2000?

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11:13:19 2 MR. CLARK: Objection.
11:13:23 3 THE WITNESS: I'm not sure what I'm
11:13:24 4 supposed to do here.
11:13:25 5 BY MS. MARSHALL:
11:13:26 6 Q You're supposed to answer the question.
11:13:28 7 MR. CLARK: If you understand the
11:13:28 8 question.
11:13:28 9 THE WITNESS: It's a what-if question.
11:13:30 10 It's trying to put me back there with different
11:13:33 11 knowledge that I had, and that's very difficult to
11:13:36 12 do.
11:13:37 13 BY MS. MARSHALL:
11:13:37 14 Q Why?
11:13:38 15 A Well --
11:13:41 16 Q I don't understand. Why?
11:13:46 17 MR. MORSE: Are you asking him --
11:13:47 18 BY MS. MARSHALL:
11:13:47 19 Q Why is it difficult, yeah.
11:13:51 20 A Let me think about the question --
11:13:54 21 Q Okay.
11:13:54 22 A -- and see if I can put myself in that
11:13:57 23 frame.
11:13:58 24 Q Great.
11:14:14 25 A I guess I would again rely on the

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11:14:16 2 experts then as I would in that scenario as I had
11:14:20 3 in others, and I probably would have, you know,
11:14:23 4 discussed that situation. If someone like Anton
11:14:27 5 was very clear that that now is the case, that the
11:14:30 6 SEC had not allowed for just commerciality but
11:14:36 7 economics, then I would not have supported that
11:14:39 8 decision.

11:14:40 9 Q Okay. When you first learned about the
11:14:54 10 question about whether to book reserves for Angola
11:14:58 11 Block 18 in 2000, do you recall learning that an
11:15:04 12 initial -- that there had been an initial
11:15:14 13 expectation from Management of approximately
11:15:17 14 300 million barrels?

11:15:21 15 MR. CLARK: Objection to form.

11:15:24 16 THE WITNESS: I don't recall that.

11:15:29 17 BY MS. MARSHALL:

11:15:30 18 Q Do you ever recall learning that there
11:15:35 19 had been an expectation of a certain amount as to
11:15:42 20 what the number that could be booked was going to
11:15:45 21 be?

11:15:46 22 MR. CLARK: Objection to form.

11:15:47 23 You can answer it if you understand the
11:15:49 24 question.

11:15:51 25 THE WITNESS: So the question is: Did I

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11:15:53 2 ever understand that there was an expectation of a

11:15:57 3 certain number?

11:15:58 4 BY MS. MARSHALL:

11:15:58 5 Q Yes.

11:15:59 6 A Regardless of what the final number was?

11:16:01 7 Q Yes.

11:16:02 8 A No, I don't recall.

11:16:03 9 Q Okay. If you'd turn to Exhibit Number

11:16:13 10 7.

11:16:26 11 A Seven?

11:16:26 12 Q It's the --

11:16:27 13 A Main observations?

11:16:28 14 Q No, no, just the exhibit itself.

11:16:31 15 A Oh, Exhibit 7. Sorry. Yes.

11:16:33 16 Q Sorry about that. If you look towards

11:16:36 17 the, uh, about three quarters of the way down the

11:16:42 18 page, there's a paragraph that reads, "Group

11:16:45 19 Proved Reserves receive increasingly close

11:16:48 20 attention by Group Management." Do you see that

11:16:53 21 paragraph?

11:16:54 22 A Yes.

11:16:55 23 Q What do you understand "Group

11:16:56 24 Management" to mean?

11:17:03 25 A Well, I suppose I can't speak for Anton.

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1
11:17:05 2 My understanding, knowing -- you know, knowing at
11:17:10 3 the time and now what I know, I would have put it
11:17:14 4 more on the E&P leadership or the E&P ExCom.

11:17:24 5 Q Are E&P leadership and E&P ExCom the
11:17:28 6 same?

11:17:28 7 A Yeah.

11:17:40 8 Q In January of 2001 did you agree with
11:17:43 9 the statement that Group Proved Reserves received
11:17:47 10 increasingly close attention by Group Management?

11:17:54 11 A Yes.

11:17:58 12 Q And how is that the case?

11:17:59 13 A I guess my example would be the things
11:18:05 14 we talked about yesterday, having come off of 1999
11:18:10 15 with a 2000 review that we discussed then and, of
11:18:13 16 course, the very low number we had at that time,
11:18:17 17 along with projections from the Business Plan that
11:18:21 18 didn't necessarily show a tremendous turn-around
11:18:24 19 in that number. So that is where my example would
11:18:26 20 be of saying that the reserve issue now is a
11:18:30 21 little bit higher on everybody's attention list,
11:18:31 22 priority list than it was before.

11:18:42 23 Q The next statement, "Target reserves
11:18:45 24 additions are set annually, both to OUs and to
11:18:50 25 SIEP Divisions, and progress is monitored

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11:18:53 2 throughout the year." When were the target
11:18:59 3 reserves additions set annually if you know?

11:19:04 4 A The fall of the previous year, actually
11:19:17 5 probably more toward the end of year, so probably
11:19:20 6 more toward October/November.

11:19:23 7 Q And how was progress monitored
11:19:25 8 throughout the year if you know?

11:19:28 9 A For almost all the fundamental
11:19:35 10 parameters of the business, again things like
11:19:38 11 production and costs and Capex, et cetera, were
11:19:41 12 monitored monthly. For reserves it's much more
11:19:45 13 difficult to do, because reserves are not
11:19:47 14 necessarily a monthly event, so reserves were, for
11:19:56 15 sure, looked at annually, and if we had estimates
11:19:59 16 of those reserves mid-year or towards the end of
11:20:02 17 year where they become a little more meaningful,
11:20:04 18 then we would look at those.

11:20:08 19 Q Next statement: "With future Proved
11:20:11 20 Reserves additions becoming much more challenging,
11:20:14 21 the resulting pressure on the staff raises
11:20:18 22 possible concerns with respect to the quality of
11:20:20 23 future reserves booking." What did you -- did you
11:20:28 24 agree with this statement -- strike that. Do you
11:20:33 25 agree that future proved reserves additions were

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11:20:37 2 becoming much more challenging?

11:20:39 3 A Yes.

11:20:41 4 Q And why was that the case?

11:20:45 5 A The portfolio at that time was shifting

11:20:50 6 much more towards very, very large, very

11:20:56 7 significant and very, very large projects, like

11:20:59 8 Kashagan and Sakhalin and those which take a very

11:21:03 9 long time to develop, and booking of those

11:21:06 10 reserves would be spread over a long period of

11:21:08 11 time in the future. So a lot of our capital was

11:21:14 12 being invested differently than it had in the

11:21:16 13 past, where it had been much more short-term to

11:21:19 14 allow there to be more frequent and more additions

11:21:22 15 to proved, and so when we looked ahead in the

11:21:25 16 Business Plan, as we have talked about, the

11:21:29 17 estimates of how many proved reserves we could

11:21:32 18 book on an annual basis appeared to be lower than

11:21:37 19 in the past.

11:21:38 20 Q The next statement, "the resulting

11:21:40 21 pressure on staff raises possible concerns with

11:21:44 22 respect to the quality of future reserves

11:21:48 23 booking," what did you understand that statement

11:21:54 24 to mean?

11:21:59 25 A My understanding would be that Anton

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11:22:02 2 believed that the lower estimated Proved would be
11:22:12 3 lower than what everyone, especially in Management
11:22:16 4 and even anyone who looks at an oil company would
11:22:19 5 want to see, and hence there would be even more
11:22:22 6 attention to try to find ways to get proved
11:22:27 7 reserves into the portfolio. His concern was
11:22:29 8 that, that extra attention, as he calls here -- he
11:22:34 9 uses the word "pressure" I guess -- to him, I
11:22:40 10 would interpret, means that people might be forced
11:22:44 11 towards higher stress levels, burn-out, might make
11:22:51 12 mistakes, might feel pushed into doing things that
11:22:57 13 they otherwise wouldn't have done. I don't know.

11:23:02 14 This was a -- this was really an Anton
11:23:06 15 concern, and it got discussed very regularly at
11:23:09 16 ExCom or at least annually when you brought this
11:23:12 17 up, and we really tried to understand from a
11:23:15 18 different angle is that true, and so the ExCom
11:23:18 19 members and their RBAs and the people running the
11:23:22 20 OUs, I mean we talked to all these people and said
11:23:25 21 do you see your staff differently, are they under
11:23:27 22 this pressure, do you think we should do things
11:23:30 23 differently, and we never -- we never could get
11:23:32 24 the same level of emphasis on this topic that
11:23:36 25 Anton seemed to bring forward, but we didn't

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11:23:39 2 disregard it. I mean we appreciated that he

11:23:41 3 really had a sincere concern.

11:23:44 4 We debated whether or not reserves

11:23:46 5 should stay on the scorecard because of this, and

11:23:51 6 we'd come back to saying reserves is such an

11:23:53 7 important part of running an E&P business; what

11:23:58 8 signal do we send to our organization if we

11:24:00 9 actually don't monitor it as per a scorecard

11:24:03 10 measure? And so there was quite a support

11:24:07 11 generally, although a lot of debate, but there was

11:24:10 12 general support to leave it on the, on the

11:24:12 13 scorecard.

11:24:36 14 Q Well, is it correct that he was

11:24:50 15 specifically concerned about the quality of future

11:24:52 16 reserves bookings --

11:24:54 17 MR. CLARK: Objection.

11:24:54 18 BY MS. MARSHALL:

11:24:54 19 Q -- as a result of the pressure?

11:24:56 20 MR. CLARK: Objection to form.

11:25:04 21 THE WITNESS: Well, I'm simply reading

11:25:05 22 what he has here, and he says "with respect to the

11:25:08 23 quality of future bookings," but your question

11:25:12 24 then is --

11:25:12 25

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11:25:12 2 BY MS. MARSHALL:

11:25:13 3 Q I think in your answer you talked about
11:25:15 4 the stress level and other things. I mean did he
11:25:21 5 mention those things or did he really talk about
11:25:24 6 the quality of the future reserves bookings --

11:25:28 7 MR. CLARK: Objection.

11:25:28 8 BY MS. MARSHALL:

11:25:28 9 Q -- as being his concern?

11:25:30 10 MR. CLARK: This is argumentative.

11:25:32 11 MS. MARSHALL: You can make your
11:25:32 12 objection. I have asked the question.

11:25:35 13 MR. CLARK: It's made.

11:25:37 14 THE WITNESS: Well, I answered in my
11:25:39 15 interpretation, and my interpretation is the same,
11:25:44 16 that that's how I, that's how I -- my
11:25:48 17 interpretation of his concern.

11:26:20 18 BY MS. MARSHALL:

11:26:21 19 Q Can you turn to Page 151346, which is --
11:26:29 20 it looks like Page -- it says "Page 2" at the
11:26:31 21 bottom of the first attachment.

11:26:34 22 A Okay.

11:26:36 23 Q Number 7. Here it says targets are also
11:26:52 24 set -- well, "Target reserves additions are set
11:26:57 25 annually, both to OUs and to SIEP Directorates,

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11:27:00 2 and progress is monitored throughout the year.

11:27:05 3 Targets are also set in scorecards for those on

11:27:08 4 variable pay." What does that mean, targets are

11:27:14 5 -- "those on variable pay." What does "variable

11:27:19 6 pay" mean?

11:27:20 7 A Can I just make sure I find your

11:27:21 8 sentences? Oh, it's way at the bottom. Sorry. I

11:27:25 9 was looking in the wrong place.

11:27:32 10 Variable pay is actually the same thing

11:27:34 11 we talked about yesterday. It's the portion above

11:27:40 12 the base pay that is awarded on the basis of both

11:27:44 13 business performance and individual performance.

11:27:55 14 Q The next statement: "Whilst these

11:27:58 15 measures are effective in ensuring proper

11:28:01 16 attention to Proved Reserves booking, the

11:28:03 17 resulting pressure on staff does raise concerns

11:28:08 18 with respect to the quality of future reserves

11:28:11 19 bookings." Did you understand him to be making a

11:28:19 20 connection between the quality of future reserves

11:28:40 21 booking being compromised as a result of pressure

11:28:52 22 being placed by Group Management?

11:29:07 23 MR. CLARK: Are you done?

11:29:08 24 MS. MARSHALL: Yeah.

11:29:09 25 MR. CLARK: Objection to form.

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11:29:12 2 MR. MORSE: Same objection.

11:29:26 3 THE WITNESS: After all that, could you

11:29:27 4 repeat the question.

11:29:28 5 BY MS. MARSHALL:

11:29:28 6 Q Sure. They're going to object again.

11:29:30 7 Did you understand him to be making a connection

11:29:33 8 between the quality of future reserves booking

11:29:37 9 being compromised as a result of pressure being

11:29:40 10 placed by Group Management?

11:29:44 11 MR. CLARK: Objection to form.

11:29:45 12 Vagueness.

11:29:47 13 MR. MORSE: Same objection.

11:29:52 14 THE WITNESS: I guess I can answer it

11:29:53 15 only in my interpretation of what he's trying to

11:29:56 16 say.

11:29:56 17 BY MS. MARSHALL:

11:29:57 18 Q Yeah, your understanding of what he was

11:29:59 19 saying.

11:30:04 20 A Yes, that the quality -- he says it

11:30:08 21 raises concerns, so my interpretation is that he

11:30:12 22 personally has a concern about the quality of

11:30:15 23 future reserves booking as a result of the

11:30:20 24 increased, as he calls it, "pressure,"

11:30:22 25 "attention," whatever, on reserves. That's my