Part 3
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discussion, it probably was the same title. And remember we talked a year prior we weren't sure there was a presentation, never concluded there was or wasn't. I'm thinking this is the annual presentation to ExCom, similar to what we discussed two years earlier.

Q  Do you know whether or not you had any involvement with the creation of these slides?

A  Again John and his group would have put these originally together. I normally would have been in the review. I'm not saying really I wasn't, but again I knew that, too, that I was out of the office almost all the time during this period, but therefore I can't confirm I was part of the review process, but . . .

Q  Is it possible that this slide presentation was part of the presentation that was made to the CMD?

MS. WICKHEM: Object to form.

MR. MORSE: Lack of foundation.

BY MS. MARSHALL:

Q  You can answer.

A  Some of the charts here are same as the Note for Information, but a Note for Information
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protocol would not, would not have a presentation
with it, so there would not have been a
presentation at CMD with this note.

Q. So the note was sent to CMD; that you
know?

A. Yes.

Q. Okay. Do you know if the slides that
are included in Exhibit 9 is a complete set of the
slides that were sent to the CMD?

MS. WICKHEM: Object to form; lack of
foundation.

THE WITNESS: I can't be sure other
than -- you know, when retrieving this document,
this was a package, but I can't be sure it's
complete or incomplete.

BY MS. MARSHALL:

Q. Okay. Do you recall a presentation to
ExCom in February of 2000 (sic) that included
these slides that are on Exhibit 10?

MR. CLARK: Objection. Do you mean
February of 2002?

MS. MARSHALL: I do. Thank you.

THE WITNESS: Really, all those slides
look familiar. Again I'm not recalling the
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meeting itself.

BY MS. MARSHALL:

Q   Do you recall whether or not Mr. van der
Vijver viewed these slides prior to any ExCom
meeting?

A   No, I don't.

Q   Earlier when we were looking at the Note
for Information, which is Exhibit 9, and the
potential -- the fields with potential exposures,
if you look at Page -- it's Bates 10208, which I
think is the second to the last page of the
document.

A   Yes.

Q   Is this completely --

MR. MORSE: Are we on Exhibit 10?

MS. MARSHALL: Yeah.

MR. MORSE: Sorry.

MS. MARSHALL: That's okay.

BY MS. MARSHALL:

Q   Is this a complete list of the fields
you recall being made for those with reserves at
risk for new fields?

MR. CLARK: Objection to form.

Do you understand the question?
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THE WITNESS: My understanding is, of the category of new fields, of the category of discrepancies between SEC Guidelines and Shell Guidelines, does this comprise the totality of the list of new fields, uh --

BY MS. MARSHALL:

Q    Yes.

A    Yeah, I mean again I recognize these, but I can't, I can't actually swear that this is the complete list.

Q    Okay. And the next page, Bates 10209, is titled "End License -- Reserves at Risk." Do you recall this list?

A    Yes.

Q    What do you recall it being a list of?

A    The fields that had licenses, ends of licenses coming up where there was some question whether or not we could produce all the reserves prior to end of license.

Q    If you turn to Page 10207 where it says, "New Fields -- Guidelines Currently Too Lenient," and it says, "SEC clarifications in 2001 clearly insist on full project maturity, company commitment and absence of possible showstoppers."
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Do you know who drafted this chart that appears underneath that statement?

A No. It's the same chart I recall in my discussions with John when they were briefing me on the differences.

Q Do you recall whether or not Mr. Van der Vijver had any comments with respect to this chart?

A This chart?

Q Yeah.

A The 10207? No, I don't recall.

Q Did you ever learn whether there was a reaction to the Note for Information, which is Exhibit 9 that was sent to the CMD, by the CMD?

A No. I recall Walter committing to tell them more about this in the ensuing months. That's all I recall as feedback.

Q And how did you learn that Walter had committed to tell them more about this in the ensuing months?

A It appeared in a note, and I don't recall the date and all the to's and from's, but it was a note that I read.

Q Was it an e-mail exchange?
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A Probably an e-mail. Well, no. Sorry. My recollection it was a -- it was simply a hard copy of a note that had some other text on it, and I don't recall that text.

Q Who was the note addressed to?

A I don't recall.

Q Do you recall the circumstances by which you saw that note?

A As part of the review for this process.

Q So after the Note for Information was sent to the CMD, when is the next time you heard about it?

A The next time that we had a discussion with CMD was the next, you know, event we were working for, and that occurred in July of 2002. Again we sent them a note ahead of time, and this time it was a note requiring a presentation that went with it.

Q What transpired during, in between the February 11th presentation and the July presentation or the February 11th note and the July presentation?

A In general, work continued on all these topics, including the license extension, the
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understanding of the fields. We did even more
digging as to the background and histories of the,
of the bookings that had been done and tried to
look more at what more could be done going
forward, not just here's the situation, but also
put some additional plans in place in order to
improve the situation.

Q And did you do that at the direction of
Mr. Van der Vijver?

A Yes.

Q And when did you receive that direction
from him?

A I don't recall.

Q Did you receive any direction from him
after the Note for Information went to the CMD on
February 11th, 2002?

A I don't recall.

Q The note that you recall -- the hard-
copy note that you recall reading, was that after
the February 11th, 2002, note went to the CMD?

MR. CLARK: Objection; misstates prior
testimony.

BY MS. MARSHALL:

Q You can answer the question.
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A    I think it was.

Q    And do you recall what further action --
what do you recall about that note specifically
requesting Mr. Van der Vijver to look into?

A    I suppose it was really no surprise,
because notes for information are really that. In
the style of both CMD and EP ExCom, Notes For
Information are really there for the participants
in the meeting to have read and understood. If
there are questions about it at the meeting, then
they're brought up. Actually, if there's no
questions at the meeting, they're just passed
over, because they're really a Note for
Information. So to follow it up with another note
and a presentation for a much thorough discussion
made all the sense in the world to me, because
this would have been a bit of a warm-up, get them
understanding what the issues are and what our
thoughts are, have them absorb that, and then come
back as soon as practical with a much more
detailed note and a better discussion.

Q    What, if any, was Mr. Watts' involvement
in the Note For Information -- the 11th of
February, 2002, Note For Information?
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A He would only have been a recipient of the note.

Q Do you recall ever learning about whether he had any particular reaction to the information contained in the note?

A No.

Q Did you ever have any conversations with Mr. Watts during 2002 on any subject? I mean did you have any interaction yourself with Mr. Watts during 2002?

A Not one on one; only in presentations at CMD.

Q And was the first presentation that you made to CMD regarding reserves in July of 2002?

A Yes.

MR. CLARK: I'm going to need a break at some point.

MS. MARSHALL: Do you want a break now?

MR. CLARK: Yeah.

THE VIDEOGRAPHER: This marks the end of Tape 2, Volume II, of the deposition of Mr. Brass. We are going off the record. The time is 2:40 p.m.

(Whereupon, a short recess was taken.)
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THE VIDEOGRAPHER: This marks the beginning of Tape 3, Volume II, in the deposition of Mr. Brass. We are back on the record. The time is 2:57 p.m.

BY MS. MARSHALL:

Q  Mr. Brass, going back to Exhibit Number 10, which is that slide presentation, the February 4th slide presentation, do you recall whether or not Peter van Driel was involved in this slide presentation?

A  No, I don't.

Q  What was his role at that time if you can recall?

A  I don't recall.

Q  Do you recall ever hearing any views expressed from Mr. Warren regarding presentation on reserves to ExCom?

A  No.

Q  And just quickly going back to our discussion about the Enterprise acquisition, do you know -- I think you said that one of the fields -- the reserves were booked for both fields, and one field was ultimately sold because that company was sold; is that correct?
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A  Yes.

Q  And the other field was -- do you know whether or not that other field, whether that other field's reserves were restated as part of the recategorization in 2004?

A  I don't know.

Q  I'm going to show you a document that we'll mark as Exhibit Number 11. It's Bates HAG00082964 through 988. There's three pages of e-mails, and then there's a document attached.

A  You --

Q  I wouldn't read through the whole document. If I have particular questions, I'll ask you, but you might want to look through the e-mail pages, the first couple of pages of the documents, to see if it refreshes your recollection.

A  Right.

(Exhibit No. 11 was marked for identification and attached to the deposition transcript.)

THE WITNESS: Okay.

BY MS. MARSHALL:

Q  Do you recognize this e-mail exchange
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that begins on -- it's really just the first page
of this document.

A Yes.

Q Do you recall the circumstances
surrounding this e-mail exchange?

A He was getting ready for CMD.

Q And by "he" you mean --

A Excuse me. Walter was getting ready for
CMD, and since this note is attached and the dates
match, I'm assuming it's a CMD in which this
reserves outlook was going to be discussed.

MR. CLARK: I'll just note that the
Bates numbers on the document are not contiguous.
They represent a gap of approximately 20 pages
between the third page and the fourth page.

MS. MARSHALL: Sure. Well, you know
what I think it might be, actually? I probably
should have -- I'm not sure, but --

MR. CLARK: Moreover, the pages -- it
looks like maybe pages were brought from the back
as well, put in the front, and so --

MS. MARSHALL: Why don't we take a quick
break for a minute, and I'll try to figure out
what the issue is.
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MR. CLARK: That would be great.

THE VIDEOGRAPHER: We are going off the record. The time is 3:03 p.m.

(Whereupon, a short recess was taken.)

THE VIDEOGRAPHER: We are back on the record. The time is 3:06 p.m.

MS. MARSHALL: For the record, the way that the exhibit was stapled has the pages out of order. The first page of the exhibit should be HAG00082964, then 965, then 966, which is three pages of e-mails. The page that is Bates stamped 82988 was put in front of --

MR. CLARK: 989.

MS. MARSHALL: Oh, I'm sorry, 989, which is titled "Note to CMD," was put in front of Bates 82967, which was out of Bates order.

MR. CLARK: And should be the last page of the exhibit.

MS. MARSHALL: Correct.

MR. HABER: Bottom line.

MR. CLARK: Agreed.

BY MS. MARSHALL:

Q Now that we're all on the same page, if you look at the first page of the document -- give
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You testified that Walter was getting ready for CMD. What was he doing to get ready for the CMD around this time?

A  Asking me or giving advice as to presentation material.

Q  Was a note prepared that was sent to CMD prior to the presentation?

A  Yes.

Q  And is that note attached to this document or part of this exhibit?

A  Yes.

Q  Do you know who drafted this note?

A  John Pay.

Q  Did you participate in the creation of this note?

A  In review.

Q  And was Mr. Van der Vijver the sponsor of the note to the CMD?

A  Yes.

Q  And when you say "review," can you describe what steps you took to review this document?

A  Really to read it and make editorial or
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ask questions relative to elements of it.

Q Do you know when -- was this note
prepared at the direction of Mr. Van der Vijver?

A Yes.

Q And do you know when he requested that
this note be prepared?

A No.

Q If you look to the first page of the
exhibit, there's an e-mail dated July 18th from
Mr. van der Vijver to yourself, and it says, "At
CMD I want to see a presentation that simplifies
some of the messages," and then there appears to
be a list. Did you -- had you been in the process
of preparing a presentation to CMD when you
received this e-mail?

A Myself and/or again John or John, John
Bell or John Pay.

Q Is this a presentation that you had been
aware of for some time?

A I think it is. The presentation isn't
here, but I think it is.

Q When -- did you understand this e-mail
when you received it?

A Yeah, I think so.
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Q  When he said, "At CMD I want to see a
presentation that simplifies some of the
messages," the first point is "2002 to 2006 plus
FIDs that already have proved reserves (summary)
and impact on F&D unit cost and how we benefitted
in prior years." What did you understand that to
mean?

A  For the years 2002 to 2006 plus -- "FID"
is "Final Investment Decisions," so in our
Business Plan in that period, 2002 to 2006 plus,
what are the Final Investment Decisions for
projects that we intend to take, and how many of
those already have Proved Reserves booked, and
hence, when they were booked back in prior years,
how did into impact the Reserves Replacement
Ratios, Finding and Development costs, et cetera.
And the fact that those bookings were made then
show me what the Finding and Development unit
costs are now and back then.

Q  And what is meant by "Finding and
Development unit costs"?

A  That's, that's an industry parameter
that adds together your exploration costs and all
the costs to develop the fields, and there are
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some other categories I'm not remembering; and
divides it by the bookings in those years, proved
bookings, proved reserve bookings.

Q So what was the relevant -- relevance of
the impact on the F&D unit costs?

A Since, on a stand-alone basis, because
those Proved Reserves were not there when we take
the FID, overall our Finding and Development costs
would be higher and the Finding and Development
costs prior would have been lower.

Q And is one preferable to the other?

A Lower is better.

Q Did you understand why Mr. Van der
Vijver wanted that to be part of the presentation
to CMD?

A I know we were -- well, there were
questions about why is our Finding and Development
cost so high. That had been a topic of
discussion, and I won't be able to quote when they
were or with who. And I think he's getting ready
for that question, you know, what are the elements
of your Finding and Development costs and why are
they as high as they are.

Q So was there a -- had it determined that
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the Finding and Development costs were so high
because of what had happened in prior years?

A It was an element. There were several
elements, including just the overall portfolio
again that we had, the cost to develop these major
projects, our bookings would be spread out, et
cetera, so it was an element.

Q In the next item it says, "What we are
doing to raise reserves basis, both expectation
and proved," and then there's a list. What did
you understand him to mean by "reserves basis"?

A Only what are we doing to reserve -- my
interpretation is what are we doing to raise both
Expectation Reserves and Proved Reserves.

Q And then under that is a list. What is
E&A?

A Exploration and --

Q Is it acquisition?

A No. Appraisal. Exploration and
Appraisal.

MR. CLARK: I was going to give you a
hint.

THE WITNESS: Thank you.
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BY MS. MARSHALL:

Q   And what was being done with respect to exploration and appraisal in order to raise the reserve basis?

A   This is mid-2002. I suppose I would refer back to the Exploration FRD that we talked about yesterday and the action items that ensued from that, which were all geared toward improving the value added from exploration. I can't recall if there were other, more events in mid-2002, like lease sales, et cetera, that might have also gone towards improvement of exploration activities.

Q   How would lease sales increase the reserve basis?

A   If you're actively acquiring good leases, you have more opportunities to drill for hydrocarbons. And with the onset of finding hydrocarbons, eventually you have the possibility or the likelihood of booking reserves. It's a long-term. It wouldn't do anything in 2002. A lease acquired might be ten years before you're even close to booking reserves.

Q   So when you said "lease sales," that meant they were purchasing leases?
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A Yeah, I'm sorry. A lease goes for sale.
A government puts a lease up for sale. Those are called lease sales, and we go to the lease and buy the lease. Sorry.

Q No, no, it's fine. Thank you for clearing that up.

And what is the next item, "Acq"? What did you understand that to mean?

A Acquisitions.

Q And how are -- is that what we talked about, how acquisitions were being used to raise the reserve basis?

A Yes.

Q Such as the Enterprise acquisition?

A Yes.

Q And what about revisions?

A That's one of the categories in your booking of reserves, so he's just saying what are we doing around revisions.

Q And was there anything happening with respect to revisions in 2000 (sic) that was raising the reserve basis?

MR. CLARK: 2000 or 2002?
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BY MS. MARSHALL:

Q 2002. Thank you.

A I can't recall anything specific.

Q And what does "T&OE" drive refer to?

A It's another one of the initiatives we have. It stands for "Technical And Operational Excellence," and there was again a whole -- a number of various activities that were identified to improve the business, both on the technical and the operational side.

Q And what were some of those?

A Well, there were teams that were looking specifically at enhanced recovery; for instance, waterfloods. There was a team that was looking at production, ways to improve production rates from existing wells. There was a team targeted towards reserves, the maturation of the reserves primarily from Scope of Recovery to Expectation and Proved. There was, I think -- well, there was some also related to the actual facilities where a lot of the oil and gas are processed. So it spanned elements of the entire Oil and Gas or most all of the Oil and Gas operations.

Q Did -- was John Pay involved with the
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T&OE?

Q Did he ever become involved with that?
A No.

Q What about John Bell?
A Yes.

Q That's who I was thinking of. Thank you.

A Yes.

Q What was his involvement?
A When we first started the initiative, he was chosen to lead it.

Q Why was he chosen to lead it?
A Because he seemed like an excellent candidate, given his experience, background, capabilities, communication skills, et cetera.

Q And do you know the time period that he was chosen to lead the T&OE drive or team?
A Well, he did that when he left this job.

Q Which job?
A I'm sorry. The head of Strategy and Planning, and I can't recall when that was.

Q Was the T&OE team created to look into ways to raise the reserve basis?
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A As I mentioned, one of the teams, because there were several -- one of the teams' concentrated on primarily ways to move reserves from Scope of Recovery, Expectation, into Proved category.

Q Do you know who led that team?

A No.

Q Where was this team located?

A John was there still in, in The Hague, and most of the team members, although we pulled several from the Operating Units as well, were officed at Rijswijk.

Q And how long did -- is this team still in creation, in existence?

A I don't think so. It was an initiative, and it did last for years, but I don't, I don't think it's in existence as that same name anyway at this point in time.

Q Did you have interaction with this team?

A Not particularly.

Q Do you know whose idea it was to form this team?

A It was, it was discussed and agreed at ExCom and even more broadly at the EP leadership
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Q: Do you know if any of the teams, any of the T&OE teams were located in the United States?
A: I'm not aware of any.
Q: Okay. Further down under "T&OE" it says "License Issues." Was anything in particular going on with respect to license issues that was raising the reserve basis as you were putting together the presentation to the CMD?
A: Well, we were certainly working on the, uh, specifically the Nigeria license extension, and I would have interpreted that to, to what he meant. I don't know when we kicked off --

THE REPORTER: To a what? To a meant?
THE WITNESS: Meant what he -- sorry.

And the other one we talked about was the Oman License Extension Team.

MS. MARSHALL: I think he said "I would have interpreted that to be what he meant."

THE REPORTER: Thank you.

BY MS. MARSHALL:
Q: And what was "New Projects"?
A: Well, anything again that was -- for
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instance, this list of FIDs from 2002 to 2006, you
would have seen things like the large Kashagan
field, the Sakhalin activities; you would have
seen things like Angola Block 18, all those major
new projects coming forward.

Q What about this "big ticket items NBD"?
A "NBD" stands for "New Business
Development." It was an internal label we placed
on the large -- the largest opportunities that we
had in New Business Development. These would not
be major corporate acquisitions, but they would be
various -- associated with various fields around
the world.

Q He wrote here, "Please share draft with
me." Do you recall sharing a draft of your
presentation with Mr. Van der Vijver?
A Well, I would have done what I said in
the response. I don't recall the review itself,
but yes, I certainly sent him a draft of the
presentation.

Q Do you recall whether or not you
received comments?
A No, but I would have gotten a response
either that they're fine or that he had some
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changes.

Q    If you turn to Page -- I think this
might be easiest to do it this way. Page 4 of the
Note For Discussion, which is Bates Number 970.

A    Okay. Do you want me to read it, or --

Q    No, I'm just going to point you. Under
"2.4, 2003 Upside" it says, "Backfilling 2003 by
accelerating bookings from later years might be
feasible." Do you know what "backfilling" means
in this context?

A    Well, increasing the reserves booking in
2003, backfilling may have, may have referred to
prior portions of the notes. For instance, in
2002 that is the year we booked the first tranche
of Kashagan, which is a pretty sizable lump, and
originally I think that had been in our Business
Plan for 2003, so by taking that out of 2003 and
moving it to 2002 left a bit of a void in 2003,
and so what he's saying here is: Are there ways
we can do the same thing by changing our drilling
programs, accelerating exploration activities, et
cetera, that are currently on FID lists later?
Can we do things in the field to bring those
forward into 2003?
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Q    When you booked the first tranche of
Kashagan in 2002, had an FID been made?

A    There was a Declaration of Commerciality
in 2002, so the partners had given notice to the
government that we are ready to proceed with the
project. It's called a Declaration of
Commerciality. I don't recall the exact date of
the FID, but that was a significant commitment
towards the project when you declare
commerciality.

Q    And had that happened earlier than had
been anticipated?

A    I know we always were a bit pessimistic
how soon that would occur, and for our Business
Plans we would generally, outside the partnership,
keep our startup a little later than what the
other partners were carrying, what the operator
was carrying.

Q    And that's what's referred to in the
first paragraph on Page 3 of the note, the first
paragraph under "2002 Latest Estimate"?

A    Yeah, I'm just reading it.

Q    Okay.

A    Yes. Yes.
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Q Now, if you look at the next paragraph, there's a discussion about the UFDC, and it refers to a "$3-5 per boe comfort zone."

A Uh-huh.

Q Can you explain to me what that comfort zone is.

A Yeah, as I recall, again two or three organizations collect data from all the Oil and Gas industry, and they display what the industry's performance is in a number of categories, including Finding and Development costs. And in general our competitors and others would be in that range, and, of course, there's a wide spread always, and so being in that range would be good, because you're right up with the competition.

I think the other element is the investment community, the analysts, would start to raise their eyebrows if Finding and Development costs go higher, and again not recalling specifically, but I'm assuming, you know, once you get over five dollars, you're going to be answering a lot more questions from the analyst community about your Finding and Development costs.
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Q So is that a figure that was closely followed within the company?

A Yes, we followed it, because it was an industry number that people talked about and the analysts used. We found it to be a very poor measure of performance, and therefore we didn't do a lot of internal work with it other than produce the number and know how we stacked up with the competition.

Q So according to this, even if reserves could be fully replaced, the figure would be reduced only to $6.4 per boe. Is that for the year 2002?

A Yes.

Q And do you know what is meant by "even if reserves could be fully replaced"?

A It's just saying $9.40 is what you get with our current estimate of Reserves Replacement Ratio, and just as a "what if," what if we had a hundred percent reserve replacement, just to say that even if we did that good, which we're not going to do, we still wouldn't be in the comfort zone, so he's simply saying it's still -- we're saying it's still a high number.
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Q  Why wouldn't a hundred percent Reserves Replacement Ratio get you into that comfort zone?

A  It's a simple math of how much --

Q  Simple for you, right?

A  It's just finding all the money we spent in 2002 divided by all the barrels we would have booked, which would have been what we produced.

So that math still comes up with a number, and, you know, what's happening here again is that our capitalists are having to see quite some increases because of these major projects. I'm not sure we raised the ceiling a lot yet by 2002, but our spend rate was going up because of all these projects.

Q  So in order to get the UFDC in the comfort zone, the Reserves Replacement Ratio would have to have been well over a hundred?

MR. CLARK: Objection.

THE WITNESS: Right, or the, or the costs would have had to come down, one or the other or both.

BY MS. MARSHALL:

Q  Now, if you look at the, toward the bottom of the page under "2002 Upside," it says,
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"Further upside may stem from organic revisions to the acquired Enterprise portfolio. Review of their practices show that they were conservative in their approach to SEC reserves declarations compared with Shell."

How were they conservative in their approach to the SEC or reserves declaration compared with Shell?

MR. MORSE: Objection to form.

THE WITNESS: Yeah, I don't recall.

BY MS. MARSHALL:

Q Do you recall conversations regarding whether Enterprise was conservative in their approach to SEC reserve declarations compared with Shell?

A Only the topic. I don't recall any of the content.

Q Do you recall how Shell learned what Enterprise's approach to SEC reserve declarations was?

A Only after having enough time to work with their data. Some of the people, of course, we hired, and so we could talk to them as well, but it took some time to really understand how
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they did their work, so this is still a relatively early days. We basically -- yeah, this is July, so the acquisition is essentially just, just happening at this point in time.

Q It says, "Application of the Shell Guidelines should yield a few tens of millions of barrels, possibly with more to come from the natural flow of revisions within the portfolio."

Do you recall which year's Guidelines this was referring to?

A No.

Q Since it had become a point of discussion in early 2002 that there was a discrepancy between the SEC Rule and the Shell Guidelines, were the Shell Guidelines revised?

A Work was begun to revise the Guidelines. I don't recall exactly when those were completed.

Q If you turn to the sixth page of the note under "Historical Context," the second paragraph, it says, "With the benefit of hindsight, some of the organic revisions made in recent years now appear somewhat aggressive; principally Australia (Gorgon, struggling to reach maturity) and SPDC (bookings continued on the back
of expected production growth that has still to materialize, contributing to a bow-wave problem in the remainder of the license)."

Do you recall whether or not you agreed with that statement at that time?

A By mid-2002, I, I think I would agree with that statement.

Q If you look to Page 13 of the note, it's titled "Attachment 1d," and it's titled "Possible Constraints on Within-License Resources (at 1.1.2002)." Do you know who compiled this list?

A John Pay.

Q Do you know if an effort was made to make this list complete?

A Yes. This would be, this would be a very complete list.

Q And were the possible constraints -- strike that. If you look at the document, it's organized under different headings. Do those headings describe what the possible constraints within license were summarized to be?

MR. CLARK: Objection to form.

THE WITNESS: I'm just reading through
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them a minute.

BY MS. MARSHALL:

Q    Sure.

A    By and large, yes.

Q    If you turn to Attachment 1g, which is

on Page 16, what did you understand this list to

be?

A    It's, it's taking now just an

Operating-Unit-by-Operating-Unit description of

what some of the challenges are, whether it's on

resources, so not, they're not -- it's not just a

listing of the challenges for Proved Reserves;

it's, it's for all categories of reserves for

Expectation Reserves, for Scope of Recovery, et

cetera.

MS. MARSHALL: I'm going to show you a

document which we'll mark as Exhibit Number 12.

It's Bates number V00230877 through 903.

(Exhibit No. 12 was marked for

identification and attached to the deposition

transcript.)

THE WITNESS: Okay.

BY MS. MARSHALL:

Q    Do you recognize this document? And I'm
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less concerned with the first two pages, which is
the e-mail exchange or the attachment which begins
on Page 879.

A Yes. I guess it just starts twice,
though, a little bit, doesn't it?

Q Does it? I don't know.

A It just seems like a repeat of the first
two pages.

Q Yeah, I believe this is the way the
document was produced to us.

A Yeah, that's fine.

Q So maybe if we start at Page 882, that
might be cleaner.

A Yes.

Q Can you tell me what this document is.

A This is a -- this is what I told I'd
send to Walter the next day in that last note, so
this is a draft. It's not complete. This is a
draft of the presentation to CMD.

Q And is that a presentation that you made
to the CMD?

A Yes.

Q And how did the final version differ
from the draft?
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Q. There's some, there's some charts near the back that obviously aren't complete, 894, 895, so -- plus I know he's -- yeah, other than that, I couldn't be able to -- you know, the rest all looked familiar, but there may have been some minor edits here and there that got made for the final presentation.

A. Now, was the CMD given copies of the presentation, or was it just a visual presentation?

A. It was customary -- it was not customary at that time to give them a copy of the presentation before the meeting.

Q. Did they get a copy of the presentation after the meeting?

A. They normally wouldn't. They're offered one, but they normally wouldn't need one or wouldn't take one.

Q. Do you recall the CMD meeting where you made this presentation?

A. Yes.

Q. What do you recall about that meeting?

A. Well, having read the note, I think everyone understood what the issues really were;
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therefore, it wasn't a -- it was a good discussion, but there wasn't a large controversy, et cetera, at the meeting. People appreciated that there was a problem. They began to understand the problem much better. They looked for us to do all we can to, on the way forward, to continue to improve upon the situation we're in with reserves, so, you know, I would categorize it as meaningful questions and meaningful discussion around the topic at hand in a very business-like manner.

Q    Do you recall whether, prior to the presentation to CMD, there was any concern regarding Mr. Watts' reaction?

A    Well, I was wondering a little bit what the reaction might be myself, but -- and whenever I wasn't as explicit as Walter wanted me to be, he would chime in and make comments that were very explicit about his views, and Mr. Watts understood. There was discussion. There was no -- there was no negative reactions.

Q    Why were you wondering a little bit about what their reaction might be prior to the meeting, Mr. Watts' reaction might be prior to the
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meeting?
A    Well, we've hit on the topic but haven't
really said it directly. It's this issue of the
bookings made in earlier years which now are not
available to be made. I'm not saying they were
erroneously made, but they were made earlier, and
hence when we are now spending the money and
signing the FIDs in some of these projects, we are
not able to book reserves. That's a fact, but I
was a bit curious how would the reaction be.
Q    Is that because the bookings were made
when Mr. Watts was the head of EP?
A    Some of them. Not all of them. Some
even preceded him, but some of them certainly
were.
Q    Do you recall whether or not you ever
discussed your concern with Mr. Van der Vijver?
MR. CLARK: Objection.
THE WITNESS: I really don't recall.
BY MS. MARSHALL:
Q    Do you recall whether or not you ever
discussed with anybody prior to the meeting
what -- whether they were concerned about what
Mr. Watts' reaction was going to be?
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A    I guess there was curiosity in the
process as to how this meeting would go. I don't
remember any specifics, but it wasn't a new topic.
We had discussed this many, many times with Walter
and with ourselves about when these bookings were
made, and so it wasn't necessarily so focused on
this exact point in time, but there was curiosity
if there would be any kind of reaction.

Q    Who expressed curiosity?

A    I don't recall. In these preparations,
the same people we've just talked about were the
ones that were always working on the project.

Q    And that would be Mr. Pay?

A    The Johns -- John Bell, John Pay,
myself, et cetera.

Q    Did Mr. Van der Vijver ever express
frustration that there had been so many bookings
in prior years?

A    Yes.

Q    When did he first express frustration?

A    I don't recall.

Q    Do you recall how he expressed his
frustration?

A    I recall one example, and I forget the
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project that we were about to take FID on. It may
have been one of those that we talked about, but I
don't recall. And his question really is: When I
take this FID, how many reserves are we going to
book? And the answer was: None. They're already
booked. So -- and that wasn't the first, and
hence in that sequence of things then -- and again
this was earlier than now, obviously, so maybe six
months or so earlier or maybe even more, that's
when he started asking, well, give me a full
description now, because if I'm not certain what
we're going to book when we take FIDs, you know, I
want to know. I want to understand what's in the
Business Plan going forward that occurs now.

Q Did he ever express surprise when
informed that no bookings could be made in a
project that he was taking to FID?

A Can you do that one again.

Q Yeah, sure. Earlier you said that his
question was, "When I take this FID, how many
reserves are we going to book? And the answer
was: None. They're already booked." Did he
express surprise when you told him the reserves
had already been booked?
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A  Yes.

Q  And was it surprising to you that the reserves had already been booked, or was that something you were already aware of?

A  I guess through the analysis we've done and also looking back at the records, and inconsistent with Anton's reviews, et cetera, yes, we were aware that there was bookings prior to taking FID. And of course, if we go back far enough, that was part of our procedures. So even though, while we're sitting in 2002 in a bit of newer world when it comes to understanding of Guidelines and Rules, it didn't necessarily mean that -- didn't necessarily mean that the bookings we had made in those prior years were against those Rules and Guidelines. It's just sitting in today, the frustration is they're not there to be booked.

Q  Do you know whether or not Mr. van der Vijver ever expressed frustration to Mr. Watts about this fact?

A  Not, not -- no.

Q  Now, during the CMD meeting I believe you said that some things you didn't go into. I
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03:55:14  can find -- maybe I'll just ask you a different
03:55:17  question. Were you -- while you were making your
03:55:19  presentation, were you conscious of the fact that
03:55:25  Mr. Watts might be sensitive to some of the
03:55:28  information you were presenting because it
03:55:31  involved bookings that had been made while he was
03:55:34  the head of EP?
03:55:38  MR. CLARK: Objection to form.
03:55:43  MR. MORSE: Objection to form.
03:55:44  THE WITNESS: I think I sort of go back
03:55:46  to the statement I made earlier that, yeah, I had
03:55:49  a bit of question as to whether any of these,
03:55:51  particularly that chart, would cause any, any
03:55:54  reaction from Phil.
03:55:56  BY MS. MARSHALL:
03:55:57  Q Did you temper your -- was your
03:56:01  presentation at all affected by your questions as
03:56:08  to whether the chart would cause any reaction from
03:56:13  Phil?
03:56:14  A Well, certainly I would try not, but I
03:56:17  specifically remember in that account that Walter
03:56:20  picked up the baton at that point and made his own
03:56:22  statements, so whatever I might have said, if it
03:56:26  wasn't enough, then Walter, I know on that
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particular one -- and it was just again an
explanation to all the CMD colleagues about what
had happened, so he took over kind of the script
at that point.

Q   Do you recall at what point you passed
the baton?

A   He took it, but I specifically remember
him making comment on the chart where it showed
the historic bookings. I don't recall other times
like that. I guess I was sensitized to that
particular one a bit more, but he certainly
commented, as was very typical, commented
throughout the presentation when he had remarks to
make.

Q   Did he express frustration during the
presentation about the historical bookings?

A   As I recall, it was handled very
professionally, very business-like. It was not an
emotional discussion on his part or anyone else's.

Q   Were there any questions from any of the
CMD members during the presentation that you can
recall?

A   There were lots of questions, but, you
know, I don't -- I'm trying to think of an
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example, but I, I --

Q  Maybe what we'll do is give you a copy
of the Minutes.

A  Okay.

MS. MARSHALL: We'll mark this as
Exhibit 13 for identification. It's LON00031491
through 31521.

(Exhibit No. 13 was marked for
identification and attached to the deposition
transcript.)

BY MS. MARSHALL:

Q  I'll direct you to Page 18 of the
Minutes, because I think that's the relevant
portion, and if I'm wrong, you can let me know.

A  That certainly looks like the relevant
section.

Q  If you want to take a minute and read it
through, that's fine. Why don't we give you a
minute to read it. We can go off the record.

THE VIDEOGRAPHER: We are going off the
record. The time is 3:58 p.m.

(Whereupon, a short recess was taken.)

THE VIDEOGRAPHER: We're back on the
record. The time is 4:10 p.m.
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BY MS. MARSHALL:

Q Did you have an opportunity to review Page 18 of the exhibit before you?

A Yes.

Q Before we turn to the text of the page, I just want to ask you a couple questions. If you turn to the front of the page, there's a list of who is present at the meeting: Mr. Watts, Mr. Van der Vijver (sic), J. van der Vijver (sic), P.D. Skinner, W. van der Veer -- I'm sorry. I should put my glasses on. Mr. Watts, Mr. Van der Veer, Mr. Skinner, Mr. Van der Vijver and Mr. Brinded, and Ms. Boynton is listed as "in attendance." Do you know why that was?

A Of course, Judy was our CFO, and she attended routinely -- she attended CMD meetings routinely.

Q Why was that?

A I would, I would have thought because she was the CFO.

Q But she wasn't a member of the CMD?

A No.

Q Had you had any interaction with her outside of the CMD meeting regarding the reserves
04:12:41  issue?
04:12:43  MS. WICKHEM: Object to form.
04:12:44  THE WITNESS: No.
04:12:47  BY MS. MARSHALL:
04:12:56  Q  If you go to the Page 18, it starts out
04:13:08  saying you entered the meeting, so I take it to
04:13:11  mean that you had not been present during any of
04:13:13  the prior agenda items; is that correct?
04:13:16  A  Yes.
04:13:30  Q  It says here that "he explained that
04:13:34  some of the main challenges facing EP in respect
04:13:37  of its reserves outlook related to securing
04:13:40  extensions of license periods, finding new
04:13:43  material investment opportunities, and in
04:13:45  developing a well-thought-through strategy on the
04:13:50  timing of booking reserves. For example, in 1966
04:13:54  (sic) it may have been preferable, instead of
04:13:57  booking all the reserves at once, to have booked
04:14:01  these over a longer period."
04:14:04  Do you recall giving this example?
04:14:10  MR. MORSE: Objection to form.
04:14:14  MR. CLARK: It would be a really long
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period if it was 1966.

MS. MARSHALL: Yeah.

THE WITNESS: I recall -- I mean this also links to the last sentence of Paragraph 2. I recall the topic of the vastly unevenness in which reserves get booked. As we've seen before, 1996 was a very large year. 1998 was another pretty large year, and under the general principle or thought that consistent performance over a long period of time is sometimes better for a company's profile than vast swings in any performance category.

Now, what was the thinking behind these words, and I was surprised actually when I reviewed this document for the first time in this process, that this whole topic of the bookings, the lumpiness and strategy actually featured so much, because it was really a very small portion of the presentation and discussion, but nonetheless, the process by which we develop our Business Plan and decide which projects to work on which lead to these bookings, as we described earlier, is part of our annual process of budgeting and business planning. And I mentioned
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earlier, too, that, generally speaking, we rank projects on the basis of value, and I was saying then other things flow from that.

And when you do it just on value, things like this can occur. Then one year you're going to have drilled wells that tremendously contribute to Proved Reserves, and other years you're not. The same on the revision side on your technical resources, you can decide which projects they work on, and again generally they're working on the projects that have the highest value, and when they get those projects done, reserves are booked, and so the thought was that you can control both those parameters if you were to want to. You can control how you deploy your capital and how you deploy your people, and perhaps you could think about a different mix of how you choose projects.

Obviously, you're always going to look at value, but as reserves had become more important, perhaps you do want to feature projects with different size reserves as you develop your plan. So that was, that was the thought behind these comments, that in addition to taking the reserves as they come with the well, you could
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mix -- you could change the weighting of your parameters by which you choose which projects to work on, and therefore there's a possibility it could result in a different timing of the bookings.

BY MS. MARSHALL:

Q When the bookings had been made in 1996 through 1998, were those bookings made prior to FID being reached in some cases?

A Yes, in some cases.

Q If that hadn't happened, would there have been a more consistent booking through the years?

MR. CLARK: Objection to form.

THE WITNESS: I don't know. I'd have to go back and look at the specific projects in those years.

BY MS. MARSHALL:

Q Was that a question you were ever asked to look at?

A As to whether the prebookings amplified the performance in '96 and '98, we looked at all the, all these prebookings by -- prior bookings by year. Those were all examined, so yes, they were,
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they were looked at.

Q Is it possible that if bookings were
made only after FID had been taken, that would
increase the likelihood of smoothing out the
booking profile?

A Not necessarily.

Q Is it possible?

MR. CLARK: Objection to form; asked and
answered.

THE WITNESS: If you were to do what I
said before and in your planning process consider
the size of reserves that go with projects, you
know, that would allow you to help smooth the
profile.

BY MS. MARSHALL:

Q When -- the statement is in the document
at the bottom of the last, second to the last
paragraph, the third paragraph; it says, "It was
also recognized that some booking practices had
been too aggressive in the past." Was that
recognized by the Committee during the meeting?

MS. WICKHEM: Object to the form.

THE WITNESS: Yeah, and I, I suppose,
you know, I would also not have recalled that we
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used those words, but perhaps there were those

words "being too aggressive." It was recognized

as, as per the discussion I had between Walter

also making a contribution to the discussion at

that point, so it was very clear from the charts,

you know, that there had been bookings made under

some different premise, Guidelines, et cetera,

which caused those bookings to be made prior to

FID and hence were not available for booking when

FIDs were taken now or in 2002/2003. That was

recognized.

BY MS. MARSHALL:

Q    Was there discussion about whether the

Shell Guidelines were aligned with -- had been

consistently aligned with the SEC Rule regarding

proved bookings at the CMD meeting?

MR. CLARK: Objection to form.

THE WITNESS: Oh, I'd have to go back

and just refresh myself from the presentation, but

I'm nearly positive they were.

BY MS. MARSHALL:

Q    If you look at the first sentence of

the -- the first sentence of the second paragraph

where it says, "With regard to when reserves could
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be booked, it was noted that the SEC was
tightening its requirements in this area."

A Yeah.

Q Was it your understanding that the SEC
was tightening its requirements, or was it your
understanding that the Shell Guidelines had not
been in compliance with the SEC Rule?

MR. CLARK: Objection to form.

THE WITNESS: It was my understanding
that definitely the second part of what you said
is true, that we bring our Shell Guidelines --
there was a gap between our Shell Guidelines and
the SEC Guidelines as to when to book reserves.
It was also my understanding that there was
further clarifications upon the SEC Guidance as to
booking and reserves.

BY MS. MARSHALL:

Q The statement that says "It is
considered unlikely that potential over-bookings
would need to be de-booked in the short term"; do
you know if that was something that CMD considered
during the meeting?

A I recall being asked the specific
question, "Do we need to de-book now?" And my
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response was along these lines, that given the expert advice we have from the likes of Anton and others, that we don't have to book (sic) now, but if these discrepancies remain, like license' extensions issues, then de-bookings would have to occur.

MR. CLARK: I think you're -- just an issue on the record. I think he said — and it was correctly recorded -- that "we don't have to book now." That may be what he meant, but I think he meant "de-book."

THE WITNESS: Did I say "book"?

MR. CLARK: Yeah.


MS. MARSHALL: Yeah, I think that's accurate.

BY MS. MARSHALL:

Q Do you recall who asked that question?

A My recollection is that it was Phil.

Q Do you recall any other specific questions you were asked?

A This helped refresh some -- I know there was a question about whether we had enough technical expertise, for instance.
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Q   Whose question was that?
A   I don't recall.
Q   Why was there a question about whether or not EP had enough technical expertise?
A   I think it was us having shared our concerns and issues about reserves as being a challenge for us. It seemed like a logical question. Well, when you're faced with this challenge, do you actually have enough capability and expertise in your organization to rise to improving upon this challenge?
Q   Do you recall why it was explained to you that the potential over-bookings would unlikely be needed to be booked in the short term?
MR. CLARK: Objection; misstates prior testimony.
THE WITNESS: As I said, when asked the question "do they need to be de-booked now," my answer was: As of July as we sit here in this room, no. And I based that primarily on Anton's reports which supported the bookings that we had for the prior year.
BY MS. MARSHALL:
Q   Why did Anton not think that you needed
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to de-book then?

MR. CLARK: Objection to form.

THE WITNESS: I think that the contents

of his rationale are listed in his report year on

year, each year.

BY MS. MARSHALL:

Q Did you speak with Anton prior to the

presentation that you made to the CMD?

A I don't recall.

Q Do you recall whether or not you had

ever specifically talked to him about whether or

not the potential over-bookings would need to be

debooked in the short term?

A I don't recall specific conversation,

but again in his reports he's pretty explicit

about his views on each of the major issues we've

talked about, and he makes those comments in those

reports.

Q Had you had any conversations since the

SEC issued its clarification?

MR. CLARK: Objection to form.

THE WITNESS: Any conversation with,

with Anton?
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BY MS. MARSHALL:

Q Yes.

A I certainly had discussions with Anton.

I don't recall, you know, the timing.

Q Well, did he typically give you his report in January of each year?

A Yes.

Q He had given you a report in January of 2002; is that correct?

A Yes.

Q You made this presentation in July of 2002; is that correct?

A Yes.

Q Do you recall what, if any, contact you had with Mr. Barendregt between January 2002 and the date of this presentation in July of 2002?

A I don't recall.

Q Do you recall what you considered the "short term" to be in July of 2002?

A What -- again in combining both my own thoughts and referencing Anton's documents as well, I would have thought that if, for instance, the license extension in Nigeria hadn't reached some sort of resolutions in 2002, we would
probably be -- I would be of the mind that the de-bookings should start occurring in 2003.

Q Is that what happened?
A We got the license. It was agreed that we had the license extension, so that issue went away.

Q What about with Oman?
A We also got that license extension, but not in 2002. I forget -- again we talked about that earlier. It was a more recent time that we got that license extension.

Q Well, in terms of the, all the potential over-bookings taken generally, did you have a view of what a short-term view was? Was it six months, was it a year, was it two years?
A I suppose it would be, you know, after we have done appropriate analysis to see if again production profiles are now our best understanding they can be, decline rates the best they can be. For instance, options throughout license extensions have been investigated to the best of our ability, and if all those have led to a situation where there still seems to be no evidence that we can resolve this, at that point
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in time we'd be de-booking.

Q Was there a timetable put in place for those investigations to be made or completed?

A Well, there was -- I don't recall a timetable. There was a sense of urgency around the topic, and so there was strong encouragement to work with diligence to come to our conclusions.

Q Were you given any deadlines?

A The only deadline that comes to mind was again with the PDO team, and they were given a very specific deadline and a project timeline.

Q Do you recall what the deadline was?

A No, I don't.

Q Do you recall whether they met the deadline?

A Yes, within a very tight window, a short time after that, they did achieve their goal.

Q And what was their goal?

A The license extension.

Q Do you know why -- are you aware that there were reserves from Oman that were ultimately restated as a result of the recategorization?

A Yes.

Q And why, why did that happen?
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MR. CLARK: Objection to form.

THE WITNESS: I don't know.

MS. MARSHALL: I'm going to show you a
document which we'll mark as Exhibit Number 14.

It bears Bates numbers V00230920 through 924.

(Exhibit No. 14 was marked for
identification and attached to the deposition
transcript.)

THE WITNESS: Okay.

BY MS. MARSHALL:

Q Do you recognize this document?

A Yes.

Q Can you explain what it is.

A It's a response to a question that
Walter has asked, and those are the two listed on
top of the second page. And John Pay has provided
answers to these questions, which I then forwarded
to Walter.

Q And were his questions the two questions
that are listed at the top of the Note For
Information that is Bates V00230921?

A We don't have -- well, you either ask me
these questions verbally or we don't have the
e-mail in which he asked them, but I'm reasonably
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sure these are the two questions he asked.

Q  Do you recall whether or not you had any conversations with Mr. Van der Vijver concerning any questions that were posed and answered in the note?

A  No.

Q  Did you have any involvement in preparing the answers to these questions?

A  No. I would have passed these directly over to John, and, you know, I may have made a minor edit to his note, but I doubt that I did. I think I just accepted his response, read it, reviewed it and then sent it on to Walter.

MS. MARSHALL: I'm going to show you a document which we'll mark as Exhibit 15 for identification.

(Exhibit No. 15 was marked for identification and attached to the deposition transcript.)

THE WITNESS: Okay.

BY MS. MARSHALL:

Q  Do you recognize this document?

A  I did after I looked at it for a while.

Q  What do you remember about this
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document?

A   Well, we -- I now realize what was

happening is that the note we had sent that we

just reviewed, which is Exhibit 14, was our

preliminary answer to his questions which I sent

to him before he was actually going on a trip and

mentioned to him we'd be doing some further work.

This is the further work that had been done.

Q   And who was involved in doing the

further work?

A   John Pay.

Q   I see that you've cc'd this document to

Ceri Powell. Who is that?

A   That's Ceri Powell.

Q   Ceri Powell?

A   She was Walter's -- I'll use the word

"assistant," but that's not accurate. She was a

technical professional that Walter had reporting

to him, to do a lot of help with the work he had,

that was help that a secretary couldn't do but yet

wouldn't require him to do, so she helped with a

lot of the routine sorting of information and

coordination and all kinds of things.

Q   And what was Malcolm Harper's role at
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that time?

A He had replaced John Bell.

Q If you look at Page 2 of the Note For

Information, it says on the third paragraph from

the bottom, it says, "In 1999 and 2000, actual

performance was just above a hundred percent, but

these years would have fared considerably worse if

pre-FID bookings had been deferred, reducing to 50

and 70 percent respectively."

What is meant by the term "actual

performance"?

A Oh, that doesn't strike me in the first

instance as being correct, but I see it's the same

way in both documents. I'm assuming, since he's

talking about Reserve Replacement Ratio, the

hundred percent is a Reserve Replacement Ratio

number, but we know very well that our performance

in those years weren't a hundred percent, so I'm

trying to quickly figure out what that means.

I'm sorry. I just can't piece it

together.

Q Well, does the actual performance have a

standard meaning within a company?

A Well, I would have, I would have thought
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certainly that it means the, the actual numbers
for those years, the actual performance.

Q Meaning the actual Reserve Replacement
Ratio?

A Yeah. Now, a quick thought came to mind
whether -- I think he says earlier that this is
all organic, so again I'd have to go back -- in
1999 we noted, when we talked earlier, that there
were -- you know, if you back out the divestments,
the number shot up quite a bit, so it's possible
that could then justify or reconcile the hundred
percent. Maybe something like that is actually
true of 2000 as well, as you back out divestments,
but I don't recall there being a lot of
divestments in 2000.

Q And in terms of the projects that were
included in this note, who made the decision
regarding which projects would qualify as projects
that were booked prior to FID?

A Well, John did all the leg work for the
note himself, so he would have been the person
doing that.

Q Do you know whether or not this note was
forwarded to the ExCom committee?
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Q   Do you know whether it was forwarded to anybody than those individuals listed on your "to" line and the "CC" line?

A   No, I don't.

MS. MARSHALL: I'm going to show you a document which we'll mark as Exhibit 16 for identification.

(Exhibit No. 16 was marked for identification and attached to the deposition transcript.)

THE WITNESS: Do you want me to review it thoroughly, or --

BY MS. MARSHALL:

Q   No, not -- if I want you to review anything in particular thoroughly, I'll let you know, but if you could just review it long enough such that you could identify the document, that would be fine.

A   Okay, thanks.

Okay.

Q   Do you recognize this document?

A   Yes.

Q   What do you recognize it to be?
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A. In the, in the effort to overall improve the process by which we make decisions and book reserves, we had commissioned John to develop a more rigorous process. This is a description of the process, a summary of this process first, and then a detailed description of the proposed new process.

Q. Was this note submitted to ExCom?
A. Yes.

Q. Do you recall whether or not a presentation was made to ExCom regarding the subject matter of the note?
A. No, I don't recall.

Q. Was this note done at anybody's direction?
A. Well, I forget the precise timing and request, but yes, there was -- I think it was EPB's view, our own view, to propose a more rigorous process on the basis of all the things we started to see in reserves, and therefore we did that. I don't think it was a request from Walter or one of the ExCom members. I think it's something we could see the need for and simply put it together.
Q  If you turn to the second page, on Page 2 it says, on the bottom of this document, which is Bates Number 1199 at the end.
A  99? Okay.
Q  Yeah. It says under "Potential Reserves Exposure Catalogue" under Item 1e is the title. It says, "An inventory of potential exposure (reserves at risk of de-booking) will be reviewed at least annually at ExCom with actions being agreed."

What had been the practice prior to this?
A  Well, before we started -- in this regard, I assume, the exposure category?
Q  Yes.
A  Before we start the seeing these exposures in this process, I don't really -- that would have been before 2000, so I would not have known there to be one, but I was not aware that there was such a catalogue in the prior version, the prior style of doing things.
Q  What had been the style of doing things between 2000 and October of 2002?
A  Yes. We, of course, then began to have
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that, uh, that catalogue. It was probably not
shared with the ExCom and wasn't shared at the,
you know, at the, at necessarily any frequency
with the ExCom, but we did start to carry that
same exposure list that we've seen a few times
today. I'm trying to remember the first time, but
I think it was in 2001 we started publishing that,
and all we're doing here is taking that same
concept, that same idea, that if there are those
exposures, we'd be sure to show those to ExCom at
least annually.

MR. CLARK: Ms. Marshall, it's two
minutes to 5:00. Are you close to wrapping up,
because the witness needs to leave.

MS. MARSHALL: No, I have some more
questions.

MR. CLARK: All right. Well, he has to
go. We need to go. He needs to go. This is the
second day of the deposition. He has to leave at
5:00.

MS. MARSHALL: Yesterday I asked you
whether or not we were going to have a full day
today, and you said yes, and I said good, because
if that's the case, then I'm happy to end at
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5:00 today. I assume yesterday he had a plane reservation. You did not tell me about it until this morning.

MR. CLARK: Ms. Marshall --

MS. MARSHALL: I have made every effort to complete the deposition as quickly as possible.

MR. CLARK: Okay. Well, the deposition is going to be over in two minutes, so I suggest you wrap up.

MS. MARSHALL: Well, we are going to take issue with that.

MR. CLARK: Be my guest.

MS. MARSHALL: Because I have not completed my questions.

MR. CLARK: You had two days, far in excess of seven hours, and arguing with me about it is just wasting more time that you can ask questions.

MS. MARSHALL: I just want to put on the record that I did not learn that the witness needed to leave at 5:00 until today. You did not mention that yesterday. Had you mentioned it yesterday, I would have gone longer.

MR. CLARK: It's on the record.
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BY MS. MARSHALL:

Q Mr. Brass, were you aware yesterday that you had a plane reservation at 5:00 today, I mean at 6:15 today?

A Yes.

Q Was your counsel aware of that yesterday?

MR. CLARK: Just so it's clear on the record, I think Mr. Ferrara and I discussed it in your presence yesterday.

MS. MARSHALL: You certainly did not.

MR. CLARK: All right.

MR. MORSE: I heard them discuss it.

MS. MARSHALL: It was not discussed with me.

MR. CLARK: Okay. Fine, Caroline.

That's fine. Are you done?

MS. MARSHALL: No, I'm not.

MR. CLARK: Okay.

BY MS. MARSHALL:

Q Do you know whether or not this catalogue was shared with the External Auditors?

A The External Auditors? I don't know.

Q Was there any discussion about whether
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or not this catalogue should be shared with the

External Auditors?

A I don't recall.

Q Do you know who had access to this

exposure catalogue?

A Well, of course, all those in my

organization that worked on the list itself had

access to it. I had access to it. Certainly the

CFO and E&P had access to it, and all the ExCom.

Of course, CMD has now seen it a time or two as

well.

MR. CLARK: I want to confer with

Mr. Brass for a second.

MS. MARSHALL: Sure.

(Discussion was held off the record.).

BY MS. MARSHALL:

Q Mr. Brass, with respect to the Item

Number 1f under "Scorecards," it says, "Within the

Group there are mixed opinions on the inclusion of

Proved Reserves Additions on OU scorecards. On

the one" -- oh, I'm sorry.

(Discussion off the record.)

THE WITNESS: I'm on the page with you.
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BY MS. MARSHALL:

Q Okay, thanks.

A What paragraph are you on?

MR. CLARK: Counsel is not, though, so what exhibit are we talking about?

MS. MARSHALL: The exhibit that we were just talking about, which is Number 16.

MR. CLARK: What section of 16 are we talking about?

THE WITNESS: Page 8 of the document.

BY MS. MARSHALL:

Q It's Page 2 of the note, which is Bates ending 1199. We're all on different pages.

A Okay, I've got you now. Page 2.

Q Item Number 1f.

A Yes.

Q Under "Scorecards" where it says, "Within the Group there are mixed opinions on the inclusion of Proved Reserves Additions on OU scorecards. On the one hand it is seen to affect objectivity in reporting; on the other it is seen as a key means by which appropriate focus is maintained on this important business performance parameter."