Part 3
JOHN RICHARD PAY

Q. With regard to Mr. Coopman, do you know if he had a dotted line person that he reported to?

A. Not that I'm aware of.

Q. Do you know who Judith Boynton is?

A. I believe she was -- I don't know formally her job title, but I understood she was a senior financial officer within the group.

Q. Do you know if Ms. Boynton was the dotted line person to whom Mr. Coopman reported?

A. I think I already stated I'm not aware of any dotted line relationships for Mr. Coopman.

Q. Do you recall during the time where Mr. Coopman served as the CFO of EP in your tenure as GRC having discussed Shell's reserves replacement ratio, generally speaking now?

A. With whom?

Q. Mr. Coopman, I'm sorry?

A. From time to time, yes.

Q. Do you recall the sum and substance of those discussions?

A. I would characterize them
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generally as being information similar to the
type of information we reviewed earlier under I
think it was Exhibit 5. So information on
latest estimates and so forth -- no, it wasn't
5. 6.

Q. Do you recall having discussions
with Mr. Coopman concerning the projects or
operating units that were identified on the
potential reserves exposure catalog?

A. Yes.

Q. When do you recall having those
discussions?

A. Specifically towards the end of
2002 we considered the items on the list and we
made proposals for the approval of Mr. Coopman
and Mr. Brass of certain debookings that we --
that I was recommending. So that is a specific
instance of, frankly the only one I can
specifically recall, of discussing those items
with Mr. Coopman.

Q. Do you recall Mr. Coopman
expressing any concern about the items on that
list?

A. At that time, no.
Q. How about subsequent to that time?

A. In connection with project Rockford, once the decision had been made to recategorize reserves, Mr. Coopman expressed the opinion to me that all items on the list ought to be recategorized for the sake of prudence.

Q. Do you know if Mr. Coopman was on a team that was responsible for conducting the investigation that was project Rockford?

MR. TUTTLE: Objection, foundation.

THE WITNESS: I only hesitate because I'm not sure there was a defined team in relation to project Rockford, but certainly from the instigation of project Rockford I and Mr. Coopman worked very closely on the project.

BY MR. HABER:

Q. Were there other people who you worked closely with on the project?

A. Initially it was Mr. Bell and Mr. Darley.

Q. Who is John Darley?

A. John Darley was the EP executive responsible for the technology function within
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Exploration and Production.

Q. Prior to your work with Rockford had you interacted with Mr. Darley in your function as group reserves coordinator?

A. No, not substantially.

Q. When you say not substantially, in what way did you interact with him?

A. He was, I believe, present, for example, at ExCom meetings where I may have delivered presentations containing information similar to that contained in Exhibit 5. So he would have been present when I was discussing these conditions with ExCom generally, but I don't recall any discussions with him one to one with one another.

Q. Do you recall ever having any discussions with Mr. Coopman concerning the Sarbanes-Oxley Act of 2002?

A. Yes. I'm trying to remember precisely when. Certainly in relation to project Rockford, yes.

Q. And what was the sum and substance of those discussions?

MR. TUTTLE: I'm just going to
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instruct the witness if those discussions
included counsel to Shell that we should go off
the record and talk about that to ensure we
don't waive a privilege inadvertently.

MR. HABER: Okay, that's fair.

MR. TUTTLE: If your discussion
involving Sarbanes-Oxley involved counsel we
should talk about that off the record.

THE WITNESS: That's not how I was
going to characterize my response.

MR. TUTTLE: Okay.

THE WITNESS: Really all I can
recall in relation to such discussions was that
Mr. Coopman took the Sarbanes-Oxley Act and
requirements and what it embodied very seriously
and I recall he spent a lot of time
familiarizing himself with that act and taking
actions, the detail of which I don't know,
within his financial community to ensure that
appropriate actions were taken, to assure
compliance. And my perception is that he saw
the role of reporting the Rockford project
essentially a part of that piece of work.

BY MR. HABER:
JOHN RICHARD PAY

Q. Do you recall any discussions with Mr. Coopman prior to Rockford where the subject matter was the requirements under Sarbanes-Oxley?

A. I don't recall any particular one on one discussions I had with him before then.

MR. HABER: Let's mark.

(Pay Exhibit Number 10 was marked for identification.)

MR. HABER: For the record, we've marked as Pay Exhibit 10 is a one page series of e-mails being two e-mails. The last of which is from Frank Coopman to John Pay with a cc to Lorin Brass. It's dated January 29, 2003 and the subject line says reserves letter of assurance and there are two Bates numbers on this. The first one is V 00070710 and the second one is DB 04809.

THE WITNESS: Yes.

BY MR. HABER:

Q. Have you seen this e-mail correspondence before today?

A. Yes.

Q. Okay. If you look at the e-mail
JOHN RICHARD PAY

which is the last one from Mr. Coopman to you it
says, "with all due respect, I think you should
first sit down with me and/or Lorin, I'm not
just a joker signing the reserves and I want to
give my boss completed staff work. If you do
not change your approach I will no longer sign
off!"

Can you tell me the context in
which this e-mail was sent?

MR. TUTTLE: Objection to the
extent it calls for speculation.

MR. HABER: It's in response to an
e-mail that he sent.

MR. TUTTLE: You're asking him why
Mr. Coopman sent this e-mail?

MR. HABER: If he has an
understanding in the context in which it came,
yes.

THE WITNESS: It's in the context
of an e-mail I had written to -- I'm struggling
to understand what it is that you would like me
to say.

I had sent an e-mail to Jan-Willem
van der Vijver copying Lorin Brass and Frank
JOHN RICHARD PAY

Coopman. I believe this was in reply to another
e-mail Walter had sent me previously and Frank
Coopman, I think, is registering some discomfort
with the fact I was communicating directly with
Walter without first consulting him or Lorin.

BY MR. HABER:

Q. Is that what you understood him to
mean by I'm not just a joker signing the
reserves and I want to give my boss completed
staff work?

A. I understood that at the time to
mean that he was disappointed that I had not
discussed my e-mail to Walter with him before
sending it.

Q. Do you recall having any verbal
communication with Mr. Coopman about this
subsequent to the e-mail?

A. I know that I discussed this with
him. I cannot sitting here today remember
exactly what was said, but the tone of my
discussion was apologetic, I believe.

Q. The subject line of your e-mail
says reserves letter of assurance?

A. Yes.
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Q. As does the other one. What is a reserves letter of assurance?

A. This was a letter signed each year as part of the compilation of the reserve statement for form 20F. It was signed by, in this case it would have been signed by Mr. Coopman, the chief financial officer, and Lorin Brass, the director, with responsibility for preparing those numbers. And it was a letter to, I believe, the external auditors KPMG and PricewaterhouseCoopers to the effect giving their approval of the numbers and/or endorsement of the numbers that had been compiled.

Q. Now, the signature that you just talked about, is that a signature on a certification that is included in the 20F?

MR. TUTTLE: Objection to form, foundation.

THE WITNESS: Are you asking me if that letter itself was reproduced in the 20F?

BY MR. HABER:

Q. Let me rephrase that. You mentioned in your testimony a moment ago that the letter each year, you say this was a letter
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signed each year as part of the compilation as part of the reserve statement for the form 20F. And I guess I want to know is that letter included in the 20F?

A. No. I intended that to mean the reserves that are included in the 20F are the subject of a letter that is signed.

Q. Now, do you know, are you aware of a Sarbanes-Oxley certification being included in the form 20F?

A. No.

Q. Now, if you look at the e-mail from you to Mr. Van der Vijver, the second paragraph in particular it says, "KPMG have asked us to acknowledge certain areas of potential overstatement of reserves in the letter of assurance that Frank and Lorin will give them."

Who did you communicate with at KPMG where this request was made?

A. If it wasn't Mr. Van Dalen it would have been one of his assistants.

Q. Do you recall when the request was made?
JOHN RICHARD PAY

A. No.

Q. Do you recall the sum and substance of -- withdrawn.

A. I'm struggling to remember precisely the manner in which it was brought to my attention, whether it was a written statement or whether it was verbal. That's the only reason I hesitate, but the matters that I've drawn attention to here were brought to our attention by KPMG as being areas that they stated here felt there may be a potential for overstatement and wished to have some comfort that the letter of assurance, at least acknowledged those areas.

Q. Do you recall if the letter of assurance did acknowledge those areas?

A. To the best of my recollection, I think it did.

Q. Did you prepare the letter of assurance?

A. I -- I certainly assisted in its preparation. Whether I was the sole author, I can't remember.
Q. If you look down to the last full bodied paragraph, the one that begins further uncertainties?

A. Yes.

Q. There is a reference to a volume of cash again reserves. To what does that refer?

A. At this time, at the end of 2002 we registered reserves for the cash again field, I believe, in a quantity of 380 million barrels. Very late in the process we discovered that there had been a calculation error, an arithmetic error in the calculation of that figure such that -- -- it wasn't a calculation error, it was a misunderstanding, I think on the part of those preserving the reserves estimates to cash again. We discovered that they had included in that figure of 380 million barrels a figure of 45 million barrels that would have been produced beyond the end of the production license for cash again. The reason for the uncertainty, as I recall, stemmed from there being a lack of clarity on precisely the duration of that production license.
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Q. In particular, what was the issue that surrounded this lack of clarity on the duration of the production license?

A. As I recall it, it was different interpretations of what the wording of the license actually implied. As I recall it, the duration of the license was clear in terms of number of years. The issue that was not clear from the terms in the license was when that period began. And as we were reviewing this we came to the conclusion that an earlier start date and therefore an earlier end date would be appropriate in reading the license which would mean some of the volume that had been registered and included in all our tabulation and data included that 45 million barrels that would fall outside the license period.

Q. And who was taking the contrary position?

A. Again, the cash again operating unit who had originally filed the numbers.

Q. And who was that?

A. I believe my contact in that organization was Zaheer Malik, Z-A-H-E-E-R new
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word, M-A-L-I-K.

Q. Now, was Mr. Malik an employee of Shell?

A. Yes.

Q. This would then be the operating unit in cash again or Kazakhstan?

A. They were not physically located in Kazakhstan, as I recall, and we were not the operator of that field. The team representing Shell's interest was based in The Hague in Rijswijk.

Q. Who was the operator of that project?

A. I believe it was Agip, A-G-I-P.

Q. Had the project reached FID at this time? At this time being January of 2003?

A. I understood that it had.

Q. Do you know if any reserves that were booked as proved in the cash again project had been restated as part of Rockford?

A. I can't recall if they were or not.

Q. With regard to the work you had done on Rockford, do you recall reviewing and
JOHN RICHARD PAY

considering the cash again booking?

A. Yes, we did. I'm struggling to recall what the outcome of the Rockford work on -- specific was.

Q. Do you recall what the substance of the consideration in the review was?

A. I believe the issue was whether in hindsight, in fact, full commitment to proceeding with the project had at that particular time, the end of 2002, been achieved.

Q. And what were you looking at with regard to the analysis concerning full commitment to proceeding with the project? What factors were you looking at?

A. Internal approvals, approvals of all the partners in the venture. All government approvals and permits required to execute the development. I believe it was subsequently found that there were one or two that were not actually achieved until the year after.

Q. You're referring now to government approvals?

A. I believe that was the issue.

Q. Do you recall having any
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discussions with Ms. Boynton concerning the
issues that were raised by this e-mail, the
e-mail now is from you to Mr. Van der Vijver?
A. I think I can honestly say I've
never had a conversation with Ms. Boynton.
Q. Okay.
A. Sorry. Correct that.
I delivered a report to her as
part of project Rockford at a hotel where she
was staying and that, as I recall, is the only
interaction I had with her.
Q. Prior to Rockford you don't recall
any interaction?
A. Absolutely not.
Q. Did Mr. Coopman ever communicate
to you the relationship that he had with
Ms. Boynton?
A. Yes.
Q. And do you recall what he said?
A. He indicated to me that he did in
a professional sense not get along with
Ms. Boynton very well and had therefore -- had
been previously working, as I understand it,
directly for her and had chosen to cease that
JOHN RICHARD PAY

job and come to work in EP instead.

Q. Did he explain to you why in a
professional way they had not gotten along?

A. Not in detail, no.

Q. Do you recall making any
presentations to the CMD during your tenure as
GRC?

A. To the CMD, only in connection
with project Rockford during and after
December 2003.

Q. Prior to project Rockford do you
recall being asked to prepare materials in
connection with a CMD meeting?

A. Yes.

Q. And when was that?

A. There was one specific occasion
on -- I'm just trying to remember.

My recollection is that in
October 2003 there was -- I believe it was a CMD
meeting that took place on the, I think it was
the 21st of October, at which Walter, Walter van
der Vijver had asked me to prepare some
information that he would then present. I was
not myself present in that meeting.
JOHN RICHARD PAY

Also, I understand that some of the documents that I did prepare during my tenure of which Exhibit 5 would be a type example, that at least some of those documents I understand were made available to the CMD.

Q. And what's the basis of your understanding?

A. My recollection or the impression I have is that there were notes that were prepared for CMD.

Q. Is it possible the meeting that you're referring to in October of 2003 was a meeting to the Group Audit Committee?

A. No. That was a separate meeting at which I was present.

Q. Okay. Were you invited to attend that meeting?

A. Which meeting?

Q. I'm sorry, the Group Audit Committee meeting?

A. I believe Frank Coopman was invited to attend and he asked me to attend with him.

Q. Did you, in fact, attend that
JOHN RICHARD PAY

meeting?

A. Yes.

Q. Did you stay for the entire meeting?

A. No. I was present only for the topic that Mr. Coopman and I were specifically there to present.

Q. And what topic was that?

A. The Group Audit Committee I presume through its chairman had asked Mr. Coopman to prepare a -- sorry, strike that.

I don't know if Mr. Coopman was asked to prepare or whether he volunteered it, so sorry, strike that.

But the two items on the agenda were to provide the Group Audit Committee with feedback, a report on status of the progress in -- that had been made in relation to the group reserves auditors recommendations at the end of 2002 and my mind's gone blank on what the second agenda item was.

Q. Do you recall if the second agenda item had to do with the status of the reserve situation in Oman, Gorgon and Nigeria SPDC?
JOHN RICHARD PAY

MR. TUTTLE: Objection,

foundation.

BY MR. HABER:

Q. You can answer.

A. It certainly was not that.

Q. Do you recall during the time that you attended the meeting, the GAC meeting, those issues, those particular operating units or projects were discussed?

A. No, they were not, to the best of my knowledge.

Q. You mentioned auditors recommendations that were made at the end of 2002. Do you recall what those recommendations were?

A. I'm sorry, it probably seems like I have an atrocious memory. If you have the document available I could refresh my --

Q. If I had it I would refresh your recollection. I'm just trying to see what you know.

A. There were I think seven recommendations by the reserves auditor as part of his end of year report at the end of 2002. I
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can't remember specifically what the issues were.

Q. Okay. When you were referring to the auditor's recommendations you were referring to the group reserves auditors recommendations?

A. Yes.

Q. You were not referring then to any recommendations that may have been made by the external auditors?

A. No.

Q. Okay. And if I understand it correctly, those recommendations that were made by the group reserves auditor, were they also included in his year end report?

A. That's where they were documented.

Q. Okay. Do you know if the Group Audit Committee acted on those recommendations?

MR. TUTTLE: Objection, form, foundation.

THE WITNESS: No.

BY MR. HABER:

Q. During the part of the meeting that you attended did the -- did any member of the Group Audit Committee say that they were
JOHN RICHARD PAY

favorably supportive of the recommendations that

Mr. Barendregt made in his report?

A. I don't recall. My recollection

of the meeting was that the Group Audit
Committee of which this meeting -- meeting of
which this was one item on the agenda was that
day running late, behind schedule. Mr. Coopman
and I were kept waiting for quite a period of
time before we were invited in for the subject
matter. We had a presentation prepared which
had been submitted in advance to the group which
we were prepared to present. There had also
been a briefing paper that had been submitted I
believe some weeks in advance, as well. And
when we walked into the meeting the chairman
suggested that since they were running late the
presentation would be dispensed with and he
invited simply a question and answer session
from the members of the Group Audit Committee
which is then what proceeded. And my
recollection is most of that discussion centered
around the recommendation that we were making
that proved reserves from major projects should
be deferred until FID. My recollection is the
JOHN RICHARD PAY

Group Audit Committee, two or three of its members spoke, some in favor of the recommendation, some against. Beyond that, I don't recall any substantive discussion.

Q. Do you recall who spoke in favor of the recommendation?

A. I have no idea who these people were.

Q. How many members of the Group Audit Committee were there?

A. Present in the room, I would guess maybe 10. 8 to 10, something like that.

Q. Who was the Chair of the committee?

A. I believe that's Mr. Aad Jacobs or was at the time.

Q. I think I asked you about the Group Audit Committee when you talked about the CMD meeting, so let's talk about that meeting. You said that you recall a CMD meeting on October 21, 2003?

A. I recall it because it was happening at the same time.

Q. Did the CMD meeting precede or
JOHN RICHARD PAY

follow the Group Audit Committee meeting?

   A. My recollection is that the two
   meetings proceeded in parallel, at the same
   time.

   Q. Were you invited to attend to make
   a presentation on a particular issue or issues?

   MR. TUTTLE: Objection, form.

   It's inconsistent with his prior testimony.

   MR. HABER: Okay. I'll rephrase.

   I'll withdraw.

   BY MR. HABER:

   Q. Let me just go back.

   Did you attend that October 21,

   2003 CMD meeting?

   A. No.

   Q. Okay. Do you recall preparing any
   materials in connection with that meeting?

   A. Yes. I recall preparing two or

   three slides that Walter would present and

   delivering, hand delivering those slides to

   Mr. Van der Vijver before the CMD meeting

   started.

   Q. And do you recall what the nature
   of those slides were, what the content of those
slides were?

A. It was in relation to the latest estimate as it was then for proved reserves additions in 2003.

Q. Did that information include information concerning PDO?

A. I can't remember.

Q. Do you know if that information included information concerning SPDC?

A. Yes, it did.

Q. What in particular about SPDC was included in the slides?

A. Through 2000 -- well, beginning in 2002 and proceeding through 2003 there had been a study in progress, which I referred to previously in my testimony as the Kluesner study, which was an attempt to gain a deeper understanding of the reserves disposition in Nigeria SPDC. Through 2003 -- from earlier in 2003, typically quarter one, quarter two, the information, the preliminary information that had come from that study was that areas had been identified in the proved reserves balance of SPDC that were not complying with the SEC rules.
JOHN RICHARD PAY

This suggested that those particular volumes may well need to be debooked at the next report end of year report which is at the end of 2003.

However, the information that also accompanied that preliminary information concerning noncompliant reserves. At the same time the study team was reporting that they believed that they had identified several areas where reserves could have been booked but had not been. Therefore, the perception was that whilst some debookings would need to be made at the end of 2003, also some new bookings could be made to other properties and fields. Through 2003, the majority up to that point in October I in my role had formed the view that while some debookings would be necessary they would be counteracted by some bookings and there would be a -- there may be a net -- negative revision, but I think through much of the year I was thinking that would be -- according to the information I had available to me, I had the impression that would be on the order of 200 million barrels negative revision.

I believe as part of the
JOHN RICHARD PAY

information I gave on SPDC in the presentation to which you're referring, I was at that stage beginning to contemplate that the volume might be bigger than 200, although I had no clear evidence for that at that time. Such evidence came on November 14th, some three, four weeks later, but I indicated in that slide that the volume to be debooked may be bigger than 200 million barrels, although we didn't know precisely how much at that stage.

Q. What happened on November 14th?
A. My recollection is that on November 14th we received a report or a communication from Nigeria from the studies team which indicated that whilst previously they had been of the opinion that there would be these positive bookings possible to offset the debookings, that that was no longer the case and, in fact, there were no or very limited opportunities to add reserves to the inventory on the basis of the work they had done.

Q. Do you recall any other findings of -- that were made and that were related to you on November 14th?
JOHN RICHARD PAY

A. From that particular study?
Q. Yes.
A. Not -- not specifically, no.
Q. Okay. Since we're on it --

(Pay Exhibit Number 11 was marked for identification.)

BY MR. HABER:

Q. I'm going to hand you what we just marked as Pay Exhibit 11. While Mr. Pay is looking at the document I'm going to identify it for the record. It's a series of e-mails with an attachment. The last of the e-mails is from John Hoppe, H-O-P-P-E, dated February 5, 2003. It's to Mr. Pay with a cc to Anton Barendregt, Phil Davis, Ojo Sanni, Mark Corner, Guy Cowen and Promise Egele.

The subject line reads SPDC forecast constrain reserve estimates versus business plan. There are two Bates ranges identified in the document. The first one is V 00130581 through V 00130589 and the second one is Corner, C-O-R-N-E-R, 00579 through Corner 00587.

A. I haven't read through it fully
JOHN RICHARD PAY

now, but I'm reminded of the issue.

Q. I have a few questions about the
exhibit. We've been talking about this Kluesner
team and I think this document precedes the
team, but it does sort of talk about the issues
with SPDC that we've been talking about
yesterday and today so I want to ask you a
couple of questions, almost as sort of a
starting point.

With regard to the e-mail from
Mr. Hoppe to you and it's -- I want you to look
at the third paragraph, the one that begins
Anton's statement and in particular towards the
bottom of that paragraph, although certainly you
can look at the paragraph to refresh your
recollection, but I'm interested in what of sort
of ends the paragraph, the sentence that begins,
"there remains scope for debate over whether or
not the levels of technical maturity of some of
the projects are adequate for them to be counted
as proved reserves and further work is desirable
to the extent which expectation forecasts need
to be discounted to support group undeveloped
volumes."
JOHN RICHARD PAY

Do you recall what the debate was at this time that's being referred to?

   A. I'm not aware of an actual debate going on. If you're drawing attention to this specific word on the page.

   Q. Was there an effort to look at the technical maturity of some of the projects at SPDC at or about this time?

   A. That's what I understood the Kluesner project to be doing.

   Q. And why was there an emphasis on looking at the technical maturity of some of the projects at SPDC?

   A. Well, my understanding that that was a key part of the study conducted by Mr. Kluesner and his team was to review the full scope of not only proved reserves, but all categories of reserves and scope recovery efforts and to, shall we say investigate the degree of maturity, the firmness of each of the projects underpinning the volumes that we had in the inventory for Nigeria.

   Q. Now, prior to this time had such a study or analysis been conducted at SPDC?
JOHN RICHARD PAY

A. I don't know if it had or not.

Q. In the about nine months or so in your position as group reserves coordinator had you directed anyone to conduct such an analysis or study?

MR. TUTTLE: I'm sorry, other than the Kluesner study?

BY MR. HABER:

Q. Yes. Other than the Kluesner study, yes?

A. No.

Q. Who initiated the Kluesner study?

A. That I can't remember. I'm pretty sure I didn't initiate it. Precisely how I came to hear that it was planned, also I can't recall, but I know that I was very supportive of it in terms of -- that it would be a good step in underpinning the audit trail, as we referred to it yesterday, for the Nigeria inventory.

Q. Do you know if Mr. Barendregt had audited SPDC before February 2003?

A. I believe his previous audit was some years before, some time before 2003.

Q. Do you know when?
JOHN RICHARD PAY

A. I think it was 1999 and another
audit was due in 2003.

Q. Did you ever form an opinion of
whether it was appropriate to have such a long
period of time between audits by the group
reserves auditor?

MR. TUTTLE: Objection to form.

THE WITNESS: Prior to project
Rockford since that was the established practice
I did not object or -- I didn't form any other
opinion to it other than being supportive of it
as a business control.

BY MR. HABER:

Q. So you never questioned whether it
was appropriate to space out the audits or have
them more frequent?

MR. TUTTLE: Objection to form.

THE WITNESS: No, I don't think
so.

BY MR. HABER:

Q. Looking again at Exhibit 11. If
you look at the second page of the document --
by the way, who is Ojo Sanni, if I'm pronouncing
that correctly?
JOHN RICHARD PAY

A. Yes. At the time he was my contact point, my focal point for reserves matters in SPDC.

Q. If you could just take a look for a moment on the first page at his reference indicator. What is the D-P-E-N-R-E-S stand for, if you know?

A. I don't know.

Q. Looking at the second page now.

The first paragraph of the e-mail from you to Mr. Sanni, which is dated January 20, 2003, you say, "a couple weeks ago we asked SPDC to provide additional information on the relationship between proved reserves, expectation reserves and the business plan forecast. So far this information has not been forthcoming."

During your time as GRC did you find that SPDC was not responsive to requests for information?

MR. TUTTLE: Objection.

MR. HABER: You can answer.

THE WITNESS: My experience it was generally difficult to get questions of this
JOHN RICHARD PAY

nature answered.

BY MR. HABER:

Q. Did you ever talk with any of your
predecessors to see if they had similar
experiences in obtaining information?

A. No, I don't recall such
discussions.

Q. Why did you seek this information
from SPDC?

A. It was in -- may I just take some
time?

Q. Please.

A. Mr. Barendregt had relayed an
e-mail to me, sent an e-mail to me on the 7th of
January which is in this pack in which he is
suggesting that I require of three OUs,
operating units, information on the relationship
between the reserves that are booked and the
production forecast for those companies. And
my -- that is the context in which this e-mail
discussion is occurring.

Q. Do you have an understanding of
why Mr. Barendregt needed the information that
he requests in that e-mail?
JOHN RICHARD PAY

A. What my understanding was is that it was as part of his procedures to verify the reports of the individual OUs concerned at the end of 2002.

Q. So this was in connection with his function in the ARPR process that we had discussed yesterday?

A. Correct.

Q. Now, if you look down at the next e-mail, which is dated January 7, 2003, from you to Mr. Sanni with a cc to Mr. Barendregt, looking at the second paragraph it says, "whilst the issue of 2019 license expiry has largely been resolved now, we still need to be able to check the consistency of SPDC's proved reserves and projection profiles against the approved corporate business plan in view of the continuing influence of OPEC quota and constraints."

What were you referring to with regard to the influence of OPEC quota constraints?

A. Well, Nigeria is a member of OPEC and as such is subject to OPEC production quotas
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and therefore by being situated in Nigeria so is
SPDC. There is only a share of the production
that is available to the various companies
operating that. In aggregates they can only
produce up to the quota that's been assigned to
Nigeria.

Now, in order to produce the
proved reserves that SPDC had registered before
the 2019 license expiry, SPDC would have had to
significantly increase their production rate.
The business plan showed this is what they
expected to do and I had previously inquired and
I think previously mentioned that I made some
inquiries with them in relation to the
production gross that they expected and it's the
degree of certainty they had over whether it
would actually occur. And also I had made
inquiries as to whether it would be possible for
that production growth to occur given that the
country and therefore SPDC itself would be
subject to quotas. The answer I had received
from them from SPDC on that issue was that the
production growth included or took cognizance of
the effect of the OPEC quota, so it was not an
unconstrained growth, it acknowledged a plan that would still adhere to the OPEC quota.

So that had allayed my questions that I had over the quota constraints, but still it's a significant item -- it's a significant element of the business in Nigeria and therefore I wished to see that SPDC could produce a production forecast which address both the proved reserves they had on their books and the expectation reserves which generally is a higher figure, taking into account whatever influence of OPEC constraints there would be.

Q. Now, did you form an opinion of whether SPDC could attain the production forecasts that it had included in its business plan?

MR. TUTTLE: Ever -- is there a time period.

BY MR. HABER:

Q. During this time period?

MR. TUTTLE: He covers two years or two different business plans.

MR. HABER: We're talking right now in January 2003.
JOHN RICHARD PAY

MR. TUTTLE: Okay.

THE WITNESS: The business plan current would be the one prepared in 2002, which is --

BY MR. HABER:

Q. Correct.

A. The one that I had asked questions of SPDC about?

Q. That's correct.

A. It's not my place to approve or disapprove their business plan, but the questions I asked of SPDC in relation to the production growth contained in that business plan was such the answers clearly indicated to me the people working in SPDC clearly believed and stood by their business plan and quoted specific projects which they stated would contribute to the production growth.

Q. I'm not asking what they believed, I'm asking what you believed. Did you believe what they were telling you was attainable?

A. Based on the information I had available, I had no reason to doubt what they were saying.
Q. Well, among the pieces of information that was available to you, had you ever seen historical data showing SPDC's annual production?

MR. TUTTLE: Objection, argumentative. Excuse me.

THE WITNESS: Yes.

BY MR. HABER:

Q. Yes?

A. Yes, I had.

Q. Okay. And did that data also show SPDC's production, actual production against forecasts?

A. Yes. They had a history of showing in their business plans growth and production which had not materialized. Therefore, I was skeptical when the next business plan continues to show that which is why I asked the questions. However, in view of the responses to those questions it is true to say I still remained a little skeptical but less skeptical than I had been before I asked the questions.

Q. Do you know if one of the items
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that the Kluesner team was to look at was the
ability of SPDC to attain the production targets
in the business plan?

A. I'm not today aware of that being
on their terms of reference.

Q. Other than the Kluesner team, do
you know if there was any other study conducted
by anyone within Shell to determine -- let me
rephrase that.

Other than the Kluesner study team
and other than SPDC, do you know if there was
any study conducted by anyone within Shell to
determine whether the production forecasts in
SPDC's business plan were attainable?

A. I'm not aware of any such study
nor would I imagine anyone outside SPDC would be
capable of doing such a study in the required
level of detail.

Q. Did you ever ask for such a study?

A. Not that I recall.

MR. TUTTLE: Objection.

BY MR. HABER:

Q. Do you recall what the production
growth rate that was targeted in SPDC's business
JOHN RICHARD PAY

plan was?

A. In terms of barrels per day?

Q. Yes.

A. Actually, no. I know the shape of the picture, but I can't remember specifically the numbers on it.

Q. How about in terms of percentage?

Do you know what percentage growth rate SPDC was forecasting?

A. Well, by growth rate, you mean the change in production level that would be required?

Q. Yes.

A. I believe it was -- I believe it was 70 percent. That's the figure I have.

Q. 70 or 17?

A. 70, compared with the 2001 production rate.

Q. Looking at the exhibit, again 11, I think we're on. Yeah, Exhibit 11. The paragraph that I --

A. The picture is here, actually.

Q. Oh, it is. All right. When you say the picture, are you referring to the graph
JOHN RICHARD PAY

on page 130585?

A. Yes.

Q. And what does this show?

A. This is -- this is showing the
historical production rate of oil in SPDC from
1990 to 2000 and the forecast of production for
years thereafter until 2019, which at the time
was considered to be -- well, the license expiry
date of the license is concerned.

Q. And the historical, the 1990
through 2000, shows that production is less than
what's being forecasted. Am I reading that
correctly?

A. Yes.

Q. This part of the e-mail chain
which reads recent history of proved reserves
booking, do you know who prepared this document?

A. No, I don't.

Q. Who is Mark Corner?

A. At the time I understood him to be
the supervisor of Mr. Hoppe.

Q. Now, on page 130582, which is the
second page of the document, the first part of
the paragraph that we were talking about talks
JOHN RICHARD PAY

about the issue of 2019 license expiry being largely resolved?

A. Yes.

Q. What does that refer to?

A. Well, the graph we were just looking at a minute ago helps to illustrate the amount by which production rates in SPDC would need to increase if the proved reserves that they had on the books would be produced before the license expiry in 2019. In view of the fact that production in previous years had not grown, this was raising concerns that it might not, as we've been discussing, be possible for SPDC to produce those volumes before 2019. The reason 2019 was seen as a significant date was that the licenses, production licenses on shore expire in that year and my recollection is that there had been the perception it would not be possible to consider any production that SPDC might make beyond that date as qualifying for proved reserves since there would be no production license.

However, towards the end of 2002, I or primarily -- I think it's another
Mr. Klusener actually.

Q. Kluesner?

A. Klusener, legal -- working in the legal department in SPDC itself, together with him investigated whether or not 2019 was generally a constraint given the SEC rules, the way I understood them at the time, would allow for the extension of licenses where it was certain that such licenses could be -- would be extended with reference to past practice, et cetera.

I believe Mr. Klusener commissioned a study from SPDC's own external legal counsel which gave an opinion on the matter that was quite strongly in favor of SPDC, in fact, having a right that could be exercised under Nigerian law to extend the licenses and therefore 2019 in itself actually was not a constraint on the forward time frame over which Nigeria could consider its production profile and reserves estimate.

Q. Now --

A. Sorry. This is what is meant by the issue is resolved.
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Q. In connection with the analysis, the legal analysis of the license expiry issue, do you recall outside counsel in the United States being contacted?

A. I can't recall whether or not they were.

Q. Do you recall hearing the name of a law firm by the name of Cravath Swaine & Moore?

A. I'm aware of that name. I've heard it, yes.

Q. Do you recall hearing it in connection with the license expiry issue you've just discussed?

MR. TUTTLE: Objection, foundation.

THE WITNESS: I'm not 100 percent certain, but it may be that somebody had made the suggestion to -- I don't know. Possibly.

BY MR. HABER:

Q. Do you know who Bud Rogers is?

A. I came to know Bud Rogers only in connection with project Rockford.

Q. Do you know who a Rory Milson is?
JOHN RICHARD PAY

A. Never heard of him.

MR. TUTTLE: Is this a good time
to take a break?

MR. HABER: Okay.

THE VIDEOGRAPHER: We are going
off the record. The time is 2:28 p.m.

(A brief recess was taken.)

THE VIDEOGRAPHER: We're back on
the record. The time is 2:51 p.m.

(Pay Exhibit Number 12 was marked
for identification.)

BY MR. HABER:

Q. During the break we marked as
three exhibits, documents relating to the SPDC
license expiry issue. The first exhibit which
has been marked as Pay Exhibit 12 is a series of
e-mails with an attachment, the last of which is
from Steve Ratcliffe dated January 8th, 2003 to
Mark Corner. The subject is reserves. The
Bates number, and there are two of them, is V
00130033 through V 00130039 and the other Bates
number is Corner 00032 through Corner 00038.

(Pay Exhibit Number 13 was marked
for identification.)
JOHN RICHARD PAY

BY MR. HABER:

We marked as Pay Exhibit 13 an e-mail with an attachment. This e-mail is from Johannes Van Poppel to William Rogers, the date is February 3, 2003, and there's a cc to Peter Folmer and the subject line reads urgent advice requested on SEC regulations. The Bates number for this document and attachment is LON 01540333 through LON 01540337.

(Pay Exhibit Number 14 was marked for identification.)

BY MR. HABER:

The final document that we marked as an exhibit is Pay Exhibit 14 which is in an e-mail that attaches three documents. The e-mail is from Mr. Pay, it's dated February 4, 2003, it's to Andrew Hooks Klusener with a cc to Phil Davis and Malcolm Harper. The subject line reads Nigeria oil/mining leases. Again, there are two Bates ranges on this document. The first is V 00372200 through V 00372210 and Harper 0120 through Harper 0130.

My first question to you, if you've had an opportunity to look at these
JOHN RICHARD PAY documents?

A. Not in detail, but I've browsed through them.

Q. Have you seen prior to today the documents that we've just marked as Exhibit 12, 13, and 14?

MR. TUTTLE: Can we take them one at a time?

MR. HABER: We can.

BY MR. HABER:

Q. Have you seen what we've marked as Pay Exhibit 12 before today?

A. I'm not sure that I've seen it in total. Much of it is an e-mail chain in which I'm not copied, although I do have a -- there is an e-mail from me included within it, apparently.

Q. You notice that you're included on the cc's beginning on the second -- I'm sorry, on the first page of the exhibit, the e-mail from Mr. Klusener to Mr. Ratcliffe?

A. Yeah.

Q. While we're looking at this document, if you look at the second page of the
JOHN RICHARD PAY

e-mail it says 2 of 3 in the upper right-hand corner, this is an e-mail from Mr. Klusener to Guy Cowan or G. Cowan. Who is Mr. Cowan?

A. I'm not sure I know.
Q. Who is Ron Van Den Berg?
A. Well, his reference indicator tells me he was the managing director of SPDC at the time.

Q. Had you ever had any interaction with Mr. Van Den Berg while you were group reserves coordinator, prior to December 2002?
A. Not that I recall.

Q. If you look at the e-mail it says, "John Pay is going to run this through the reserves auditors before year end but they have been kept on board all along, as I understand it."

Do you have an understanding of what reference Mr. Klusener is making here?

A. Does it not speak for itself?

There's correspondence here relating to the expiry of licenses in Nigeria and this is a statement that I'm going to seek guidance, so check with the reserves auditors on
JOHN RICHARD PAY the issue.

Q. Just so you understand, it was the word this. I wanted to make sure I knew what the word this referred to?

A. Okay.

MR. FERRARA: I'm sorry. I lost the question.

MR. HABER: He mentioned generally I thought the reference was to the SEC defense letter. What I'm trying to understand what his understanding was at the time.

MR. FERRARA: What page of the document?

MR. HABER: This on page 2 of 3, if you look in the right-hand corner. It says, "John Pay is going to run this through the reserves auditors."

THE WITNESS: Yes, the correspondence appears to be in relation to the so-called SEC defense letter, which I can explain in more detail if you wish, but the attachment to this package does not seem to be that defense letter and I'm not -- it refers to license extensions. I'm not sure the attachment
JOHN RICHARD PAY

is actually what is referred to in the e-mail.

BY MR. HABER:

Q. If you look at the next page, 3 of
3 in the upper left -- withdrawn. Sorry.

If you look at the next page

though, page 3 of 3, does this look like a draft

of a defense letter?

MR. TUTTLE: The text that's on 3

of 3?

MR. HABER: It says, "since 1999

the group has imposed," et cetera.

MR. TUTTLE: You can asked him if

that looks like the SEC defense letter?

THE WITNESS: No, it doesn't. The
SEC defense letter would appear to have been an
attachment to this original e-mail and this

suggested text for a cover note, I think, to

SPDC management.

BY MR. HABER:

Q. Now, you had mentioned in a prior

answer that you could explain the SEC defense

letter in more detail, and I would like you to
do that if you can?

A. The SEC defense letter is a typed