Part 4
JOHN RICHARD PAY

letter that we prepared as if responding to a
question, should it have been raised by the SEC
concerning license expiry in Nigeria. So it was
our position, written as if it was in the form
of a letter to the SEC, assuming they would
asked us a question, which at that time they had
not. It was felt helpful. I can't remember who
suggested it. It was felt helpful to write it
in those terms so that we would have documented
on the shelves the activities that would be
necessary, but at the same time documentary to
internal views.

Q. Who was responsible for drafting
this letter?

A. I was -- I wrote a lot of it. I
corresponded in -- I was assisted in so doing by
as I recall Mr. Klusener and Mr. Hooks.

Q. Who is Andrew Hooks?

A. To be perfectly honest I don't
know what his exact job title was, but he was
identified to me and was very active in terms of
providing advice and guidance on the issue of
license, license expiry, license renewal in
Nigeria.
JOHN RICHARD PAY

Q. Now, if you look at Exhibit 14, which is the e-mail from you to Mr. Hooks and Mr. Klusener, with the cc to Phil Davis and Malcolm Harper, it has three attachments. Have you seen this document before?

A. Evidently I must have done. However, until you refreshed my memory of it I didn't recall. You asked me a question earlier about whether Cravath's opinion was sought. Evidently it was. I'm sorry, I didn't remember that.

Q. It's okay. If you look at Exhibit 13 for a moment. I know that your name does not appear on the e-mail from Mr. Van Poppel to Mr. Rogers, but I'm just wondering if you have ever seen this document in connection with your work involving the license expiry and SPDC?

A. I'm not sure that I have.

Q. Do you recall having any discussions with William Rogers or Bud Rogers, as he's known?

MR. TUTTLE: Other than what he testified before in project Rockford?
JOHN RICHARD PAY

MR. HABER: Correct. Well now in
the context --

MR. TUTTLE: Of this. Your
question was open ended on that point.

MR. HABER: Okay.

THE WITNESS: Since I had
forgotten the fact that Cravath was consulted my
memory has not been jogged whether or not I
spoke to Mr. Rogers. I don't believe that I
did.

BY MR. HABER:

Q. If you go to Exhibit 14 for a
moment, and if you turn the page again to the
second e-mail on that page. And I again
recognized that your name is not on it, but it's
an e-mail from Mr. Rogers to Mr. Van Poppel and
I believe it's a cc to a C. Taylor at Cravath.
Does a Mr. or Ms. Taylor refresh your
recollection about someone you may have
interacted with at Cravath at this time?

A. No.

Q. Now, while we're still on
Exhibit 14, if you can turn to Harper 0124 and
the pages that follow. Is this a draft of the
JOHN RICHARD PAY

SEC defense letter that you were talking about?

A. Yes.

Q. Do you recall discussing the work that was done with regard to the license expiry issue in SPDC with Mr. Van der Vijver?

A. No, I don't recall any particular involvement of Mr. Van der Vijver in this work.

Q. How about involvement by Mr. Coopman?

A. I'm sorry. I don't remember.

Q. You can put these aside.

Now, in talking about the Kluesner review. Do you recall when the term of reference was executed?

A. The work proceeded in phases or had been planned to proceed in phases. I believe the original terms of reference for the first phase were concluded, I believe, late in 2002.

At the end of the first phase, which I understand to have been principally a data gathering phase, there was a term of reference set for a more detailed review, the second phase, and my recollection that was early
JOHN RICHARD PAY

in 2003, in the first quarter or so,
approximately.

Q. Did you have any discussions with
Mr. Kluesner about the results of -- let's start
with the phase one aspect of the study?

A. I think I might have discussed the
phase 1 results with Mr. Kluesner early in 2003,
but my recollection most of the discussion
around that work was with Mr. Hoppe.

Q. When do you recall talking with
Mr. Hoppe about this study?

A. At various times, particularly
through the year 2003.

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

A. As I believe I've already
mentioned, as part of the work there was an
endeavor to substantiate the audit trail behind
various aspects of SPDCs resource inventory,
including proved reserves.

Throughout the majority of 2003 up
until on or around November 14th the substance
of the information I was given by Mr. Hoppe was,
as I've said before, that certain elements of
JOHN RICHARD PAY

the portfolio appeared to lack the requisite
audit trail, but that -- which would lead to
potentially debooking, whereas other elements
had been identified which would be capable of
being booked as new reserves additions, thereby
canceling to a large extent the debookings that
may be necessary.

Q. Now, when you're referring to the
November 14th time frame are you referring now
to the second phase of the study?

A. Yes. At around that time the
second phase had been completed or substantially
completed such that as I recall it the proved
reserves inventory of SPDC had been categorized
into or subdivided into a number of categories
according to the relative strength, if you like,
of the audit trail.

Now, at around that time or
sometime before there had been a discussion with
Mr. Barendregt who had been planning to make an
audit of the SPDC inventory in 2003, but due to
ill health was unable to travel to Nigeria.

And so I think sometime before
November 2003 a team from SPDC had visited
JOHN RICHARD PAY

Mr. Barendregt to seek guidance, if
Mr. Barendregt would have any, in terms of input
to phase 3 of the study which was as I recall
intended to look at ways in which the audit
trail would need to be substantiated and
established.

It was -- so the discussion I had
prior -- the information that was available to
me immediately prior to November was the
categorization of those proved reserves and it
was, I think, part of the fallout from the
discussion with Mr. Barendregt and subsequently
information received in the middle of November
that indicated whilst we had clarity now on the
status of the proved reserves through the
categorizations indicated, the possibility to
offset with debookings by new additions was
found not to be there.

Q. And that was found as part of the
phase 2 aspect of the study?

A. I think it was -- my recollection
is it was in the context of assessing the
results of phase 2 and setting a work path for
phase 3.
Q. Do you know if the results of the phase 2 study were presented to the ExCom?
A. No.

Q. Do you know if the results of the phase 2 study were presented to the CMD?
A. No.

Q. Do you know if the results of the phase 2 study were presented to Walter van der Vijver?
A. No.

Q. Do you know if the results were -- of the phase 2 study were presented to Mr. Barendregt?
A. My understanding is that the information that was available at the time that the SPDC delegation met Mr. Barendregt, that information included a summary of the then results of the study.

Q. Now, at the time the phase 2 study had pretty much concluded and the results communicated had Mr. Barendregt conducted his audit of SPDC?

MR. ADLER: Objection.

THE WITNESS: Well, as I think
JOHN RICHARD PAY

I've already said, it was not a full audit of SPDC so, no, he had not conducted an audit of SPDC.

BY MR. HABER:

Q. Do you know if Mr. Barendregt had conducted a full audit of SPDC in 2003?

A. My understanding is he didn't.

Q. And the reason he didn't -- withdrawn.

Do you have an understanding of why he did not conduct a full audit?

A. I believe I'm on record as saying he was too ill to travel and, therefore, the full audit had to be postponed but was substituted in the meantime by a visit from personnel from SPDC to visit him in Holland to discuss reserves issues as part of which the Kluesner study results were discussed primarily with a view to seeking his guidance as to what additional work he would consider appropriate to be done between when he met them and the end of the year in order, if possible, to substantiate reserves bookings by the end of the year.

Q. Do you know who the personnel from
JOHN RICHARD PAY

SPDC were that visited him in Holland to discuss
the reserves?

A. I can't remember who they were.

Q. Before I pass out that document,
one other follow-up question on the phase 2
results.

Do you recall having a telephone
conversation with David Kluesner towards the end
of November 2003 to discuss this study?

A. No, I don't.

MR. HABER: Okay.

(Pay Exhibit Number 15 was marked
for identification.)

BY MR. HABER:

Q. I'm marking as Pay Exhibit 15 the
proved reserves process audit, SPDC Nigeria,
dated 18-19 September 2003. The note in the
upper left-hand corner reads, 30 September 2003
is from Anton Barendregt. Its Bates numbers are
V00211034 through V00211043. And there's
another range of DB 018009 through DB 018018.

I ask you as you're looking this
over to -- the first question I'm going to ask
you is if you recall seeing this document before
JOHN RICHARD PAY

Q. And, in fact, you are on the circulation distribution list; correct?
   A. Yes.

Q. And the Hans Bakker that is also listed as being from EPS-P. That was your boss at that time?
   A. Yes. He was the successor to Mr. Nauta.

Q. Okay. Had you seen a draft of this audit report before the distribution to the larger number of recipients?
   A. I can't remember whether I did or not.

Q. Do you recall if Mr. Barendregt had provided you with copies of his audit reports before they were finalized?

MR. TUTTLE: In general?

BY MR. HABER:

Q. Yes. During your tenure as group reserves coordinator?
   A. I seem to recall that, yes, it would be normal for me to receive an advance
JOHN RICHARD PAY

copy just to correct any factual errors, but
that's only for that purpose.

Q. Do you recall any instances where
you provided a challenge to his conclusions?

A. No, I don't. I didn't feel,
unless there was misrepresentation of something,
I was qualified to comment on then it wasn't my
place to comment.

Q. If you look down to the second to
last paragraph Mr. Barendregt gives a grade, if
you will, for his audit finding. And what he
says is, "the audit finding is therefore that
the present status of SPDC's proved oil reserves
is unsatisfactory." Do you see that?

A. Yes.

Q. Do you recall if in the prior
audit of SPDC Mr. Barendregt had given a
satisfactory report?

A. I don't know if he had. I recall
that the one immediately prior to this -- well,
in 1999 was also unsatisfactory.

Q. Do you recall the 1999 audit
report was unsatisfactory?

A. If it was '99 or 2000, whenever it
JOHN RICHARD PAY

Q. What was your reaction when you reviewed this report?
A. I don't recall any particular reaction. It was consistent with what I was going to understand from in particular the Kluesner study at the time.

Q. Do you know how Mr. -- withdrawn.
A. Do you know if the results of this report were provided to Mr. Van der Vijver?
A. At the time that the report was issued I believe they were not. They were, however, provided to him later.

Q. Do you recall when?
A. I believe shortly after the start of project Rockford.

Q. When did project Rockford start?
A. I'm not sure there was an exact date. I was aware that activity was ongoing upon my return from leave on or around the 25th of November 2003.

(Pay Exhibit Number 16 was marked for identification.)

BY MR. HABER:

MERRILL LEGAL SOLUTIONS
(800) 325-3376 www.MerrillCorp.com
JOHN RICHARD PAY

Q. We've just marked as Pay Exhibit 16 a string of e-mails, the last of which is from Mr. Van der Vijver, it's dated November 23, 2003, to John Pay, with a cc to John Bell and Frank Coopman. Subject line reads 2003 RRR review. The Bates range is V00090852 through V00090854. There's also another Bates range of TT 000695 through TT 000697. Have you seen this e-mail correspondence before today?

A. This is the -- yes. This is the manner in which I provided those audit reports to Mr. Van der Vijver, the second e-mail.

Q. So the second e-mail being the one from you to Mr. Van der Vijver dated November 17, 2003?

A. Correct.

Q. And if you look at the content of that e-mail you state that the SPDC report, the audit in 1999 got a satisfactory report?

A. I misremembered in my recent answer to the previous question.

Q. There's also a reference to a good report with regard to Oman?
JOHN RICHARD PAY

A. Correct.

Q. Do you recall Mr. Barendregt doing
an audit of Oman in 2003?

A. Yes.

Q. And do you recall what the result
of that audit was?

A. Unsatisfactory.

Q. If you look at Mr. Van der
Vijver's e-mail of November 23rd to you he says
-- and I'm looking at the bottom now after the
bullet points, the hyphenated points he says, "I
still find it amazing to compare the '99 and the
'03 audit write-ups for Nigeria and Oman." Do
you see that?

A. Yes.

Q. Do you recall having any
communications with Mr. Van der Vijver where you
discussed the reports for Oman and SPDC with him
and the discussion involved a comparison of the
prior reports and the reports in 2003?

MR. TUTTLE: Objection to form.

BY MR. HABER:

Q. You can answer.

A. No, I don't. This e-mail was
JOHN RICHARD PAY

written while I was on leave and so I didn't
read it at the time it was sent. By the time I
returned from leave, as I recall on or around
the 25th of November, Mr. Coopman had already
set in his mind that a debooking would be
necessary, leading -- that was effectively
project Rockford. I don't recall then having a
discussion with Mr. Van der Vijver on the audit
reports.

Q. Do you recall having a discussion
with Mr. Coopman? And I take it this may be in
the context of what started project Rockford,
again on this issue of the reports?

MR. TUTTLE: Object to form. Can
we just get that back one more time, because I'm
not sure I followed that.

BY MR. HABER:

Q. Okay. All I want to know is you
said you don't recall having the conversation
with Mr. Van der Vijver when you were on leave.
When you came back did you have a conversation
about the audit reports for Oman and SPDC with
Mr. Coopman?

A. Since it was the audit reports and
JOHN RICHARD PAY

the ancillary information that was coming in, especially from SPDC that had caused those to come to the conclusion that a recategorization would be necessary, yes, I had discussion with Mr. Coopman. Whether I discussed in detail these particular reports, I can't recall.

Q. Do you recall any discussions with Mr. Coopman at this time, November/December, time frame where Mr. Barendregt's ability to conduct the audits was called into question?

MR. TUTTLE: Object to form.

THE WITNESS: No, I don't.

BY MR. HABER:

Q. Do you recall any discussion with Mr. Coopman where Mr. Barendregt's judgment as a reserves auditor was questioned?

MR. TUTTLE: Object to form, foundation.

THE WITNESS: No.

BY MR. HABER:

Q. Do you recall any discussion with Mr. Van der Vijver at or about this time where Mr. Barendregt's judgment as a reserves auditor was questioned?
JOHN RICHARD PAY

MR. TUTTLE: Same objection.

THE WITNESS: Actually, no.

BY MR. HABER:

Q. If you look at the next part of
that sentence that we were just talking about it
says, "We better categorize the differences to
have a logical explanation." Do you know who
was tasked with that?

MR. TUTTLE: Object to form,

foundation.

BY MR. HABER:

Q. That project?

MR. TUTTLE: Sorry. I was waiting

for the end.

THE WITNESS: My recollection is

that each individual item specified here by

Mr. Van der Vijver was not specifically

allocated to any particular person. Mr. Coopman

and I principally prepared a response to this

e-mail. I'm not sure it actually addressed each

individual item that Mr. Van der Vijver talks

about here and I don't recall that sentence that

you referred to being addressed specifically in

that reply.
BY MR. HABER:

Q. Do you know to whom a logical explanation would have to be made?

MR. TUTTLE: Object to form, calls for speculation.

THE WITNESS: Indeed you would have to ask Mr. Van der Vijver, I think.

BY MR. HABER:

Q. I was wondering if you had an understanding as to whom he was referring?

A. No, other than a logical explanation would be required for a number of purposes I can imagine.

MR. HABER: We have to change the tape but while we're doing that I'm going to mark another exhibit.

THE VIDEOGRAPHER: This marks the end of tape two, Volume II in the deposition of Mr. Pay. We're going off the record. The time is 3:30 p.m.

(A brief recess was taken.)

THE VIDEOGRAPHER: This marks the beginning of tape three, Volume II in the deposition of Mr. Pay. We are back on the
JOHN RICHARD PAY

record. The time is 3:47 p.m.

(Pay Exhibit Number 17 was marked for identification.)

BY MR. HABER:

Q. We've just marked as Pay Exhibit 17 the SEC Proved Reserves Audit for PDO Oman which was conducted on October 25th through 28, 2003. The note is dated in the upper left-hand corner, November 29, 2003.

There are two Bates ranges on this document. The first is V00102442 through V00102456. The second range is OM 000590 through OM 000604.

A. Yes.

Q. Mr. Pay, have you seen this report before today?

A. Yes.

Q. And, again, you are on the circulation, the distribution list; correct?

A. Yes.

Q. Do you recall being provided a draft of this report before it was formally circulated?

A. If formal circulation occurred on
JOHN RICHARD PAY

the 29th of November, 2003, as seems to be
indicated I'm quite sure I saw a draft of it
before that date.

Q. Do you recall having any
discussions with Barendregt about his findings?
A. I don't recall any particular
discussion with Mr. Barendregt.

Q. As you see, at the bottom of the
first page, PDO was given an unsatisfactory
report; correct?

A. Correct.

Q. Did you have any reaction to that
finding by Mr. Barendregt?
A. It did not surprise me.

Q. Why didn't it surprise you?
A. During the course of 2003, earlier
in 2003, I believe, possibly in May, I had made
a visit to Oman to better understand the basis
for the reserves estimates for PDO and I had
come to the conclusion that a significant
portion of the PDO reserves might not be
substantiated by the required level of technical
and commercial maturity.

Q. Did anyone accompany you when you
JOHN RICHARD PAY

visited Oman?

A. No.

Q. Did you take any notes of your visit?

A. I believe I prepared a two or three page summary of my visit.

Q. Was that summary in a typed format or a handwritten format?

A. Typed. I believe it was -- I shared it with the people I had visited in Oman, after the fact.

Q. Who are the people that you met in Oman?

A. One was a Mr. Briyya, who was my reserves focal point in Oman, B-R I believe the spelling is B-R-I -- I believe the spelling is B-R-I double Y A. Another was Mr. Stewart Clayton. And the third was Dave Kemshell, K-E-M-S-H-E-L-L.

Q. How long was this visit?

A. The visit at the time was, I think, two or three days.

Q. Did you meet anyone from the Omani government?
JOHN RICHARD PAY

A. No.

Q. Did you discuss your findings with Mr. Clayton while you were in Oman?

MR. TUTTLE: Objection to form, foundation.

BY MR. HABER:

Q. I'll withdraw.

Did you make any findings during the time you were in Oman?

A. My recollection is that I expressed concern over the audit trail and the degree of technical and commercial maturity over some of the projects, constituting a significant proportion of the PDO proved reserves inventory. My recollection is that I recall discussing with -- sorry, repeating myself.

I recall discussing with the people I mentioned that I visited a suggested plan forward which was founded on plans they already had in place to address this matter.

Q. And what were those plans?

A. It was essentially in relation to studies plans in terms of field development projects and seeking to define with them a
JOHN RICHARD PAY

process by which reserves that would not be -- were not then planned to be underpinned by the requisite study and technical definition within a reasonable time frame might be reprioritized for such definition.

However, I would like to continue.

Q.  Sure.

A. My perception was it was unlikely that such definition would be available in time for the end of the year. I knew this audit would happen, I expected the audit to confirm my views, and that is what happened.

Q. You mentioned study plans. Were there any study plans that were developed at the time of your visit?

A. I recall that PDO presented me with a five-year study plan covering all of the studies they intended to do within the next five years.

Q. Do you know if those study plans were prepared by PDO personnel only?

A. They were presented as such. I had no reason to suspect otherwise.

Q. Do you know if any service
JOHN RICHARD PAY
organization provided any assistance in the
preparation of the plans?

A. No.

Q. Did you communicate the findings
that you made while you were in Oman to your
bosses?

MR. TUTTLE: Objection to form,

foundation.

BY MR. HABER:

Q. You can answer.

A. I included an entry in the
potential reserves exposure catalog indicating a
possible volume that might be at risk, pending
confirmation from the audit.

Q. Other than the potential reserves
exposure catalog was there any other means of
communicating the findings that you had made?

A. Not as I recall.

Q. Do you recall communicating your
findings to Mr. Van der Vijver?

MR. TUTTLE: Objection to form,

foundation.

THE WITNESS: No, I don't.

BY MR. HABER:
JOHN RICHARD PAY

Q. If you -- if you look at Pay Exhibit 17, the paragraph, the third to last paragraph, the one that says, "the audit found that PDO's Group share." Do you see that?

A. Yes.

Q. In the middle of the paragraph towards the bottom there's a discussion of the technical maturity of the projects and then in particular it says, "PDO have recognized this and have embarked on an aggressive study program to address the maturation of the associated projects."

Is this the program that you just testified about or is this -- or is the reference here to some other program, if you know?

A. I understand it to refer to the same thing.

Q. Okay. As part of Rockford were reserves restated in Oman?

A. Yes.

Q. Do you recall the volume?

A. I believe the volume is consistent with the figures that you'll find in here,
JOHN RICHARD PAY

roughly 400 million barrels of Shell share reserves.

Q. And do you recall the reasons that were attendant to the decision to restate the reserves?

A. The confirmation of the lack of technical maturity in relation to those volumes, as was confirmed by the audit report.

Q. Do you recall what it was about the technical maturity that was found to be problematic?

A. My recollection is principally twofold: Either the technical studies had not been progressed to the required level of maturity. In other words, the studies hadn't been concluded. Or the studies were in relation to the application of enhanced recovery techniques which had yet to be proved effective, which would discount them from proved reserves attribution.

Q. Let's take the first issue that you identified, the technical studies had not progressed to the required level of maturity. What was the required level of
JOHN RICHARD PAY

maturity?

A. According to the guidelines at the
time, the internal Shell guidelines on reserves
estimating for major projects. And at the time
major projects I believe were defined as those
requiring more than $100 million of capital
expenditure and that would have applied to many
of the projects concerned, according to our own
guidelines must have reached VAR 3, which is a
milestone in our project maturation system and
they had not done so.

Q. Also in your answer when you're
referring to technical studies had not
progressed are you referring to field
development plans?

A. Usually incremental field
development plans. Many of the properties for
which -- which we're discussing here are in fact
fields which were in production at that time and
they're in production today, but the plans
specifically addressed further development of
those same fields.

Q. So the issue was not with the
portion of the fields that were actually
developing, but for future?

A. Incremental development plans and specifications of what those plans should be.

Q. Now, the other part of your answer you said that the studies hadn't been concluded or the studies were in relation to the application of enhanced recovery techniques which yet had to be proved effective.

What are you referring to there?

A. Well, there is specific guidance in the SEC clarification of the regulation SX 410 which states that improved recovery techniques must be proved effective before proved reserves can be attributed to them.

Q. And how are those techniques to be proved effective?

A. Through observation of production conformance, consistent with what had been expected.

Q. Do you know who within Shell was providing PDO with the enhanced recovery techniques?

A. To the best of my knowledge, PDO was responsible for its own definition of the
JOHN RICHARD PAY

techniques it would use.

Q. Do you know if SEPTAR was providing a definition of techniques to be used?

MR. TUTTLE: Objection, foundation.

THE WITNESS: The answer is no.

MR. FERRARA: Sorry. The answer is, no, they were not or, no, you don't know?

THE WITNESS: No, I don't know.

BY MR. HABEL:

Q. Do you know a person by the name of Said Al Harthy or Harthy?

A. I'm familiar with the name. I believe he was involved in, I believe he was involved in business planning for PDO.

Q. Do you recall meeting with him when you went to PDO?

A. I believe we met in the corridor and exchanged a few words. I don't think we had any more substantive discussion than that.

Q. Do you know what negative reserves are?

A. I'm familiar with the expression, yes.
Q. And what is your understanding of that expression?

A. It's an issue of arithmetic, primarily. Typically, proved reserves estimates are not updated on a continuous basis.

Typically, estimates might be made when a field development plan is prepared.

Production pursuant to that plan might then occur through the execution of the activities that are planned on bringing the facilities and wells into production.

It can happen that if in the intervening years no updates to the -- no revision is made to the proved reserves estimate that the amount of production that has occurred in the intervening years actually exceeds the proved reserves estimate originally placed on the books, causing the apparent amount of reserves left to be produced to be negative.

And it's essentially an issue that's created when an estimate of proved reserves is registered in the database or whatever system is used to capture the information and is then not updated in
JOHN RICHARD PAY

subsequent years.

Q. When you went to Oman did you find

that there was an issue of negative reserves

with PDO's reporting?

A. I can't recall whether or not I
did.

Q. Okay. Have you heard of the

acronym STOIIP, S-T-O-I-I-P?

A. Yes.

Q. What does that stand for?

A. It stands for stock tank oil

initially in place.

Q. Do you recall a STOIIP review

being conducted in Oman during your tenure as

GRC?

A. Now that you mention it it rings a

bell, but I'm struggling to remember the detail

of it.

Q. Do you know what the focus of what

a STOIIP review is?

A. Yes, indeed. STOIIP is a measure

of the amount of oil that is present in a

reservoir at initial conditions upon discovery.

By developing a reservoir a proportion of the
STOIIP can be produced. Typically, not a very high proportion. It's typical that an oil reservoir if an average -- on average one would expect to produce maybe 30 or 35 percent of the STOIIP over the lifetime of the field. Many of the reservoirs in Oman have been on production for a long time, maybe are approaching that 30 to 35 percent recovery point and, therefore, being close to being exhausted in terms of their primary development many of the enhanced oil techniques that I previously referred to are in effect targeting the 65 to 70 percent of STOIIP that is still sitting in the reservoir and which may be exploited by additional recovery techniques.

So a STOIIP review, to me would suggest an inventory is being made of the amount of oil that was originally in place for each reservoir, how much is left to be produced, and which might therefore be targeted by additional recovery techniques.

Q. So with regard to Oman this would be -- such a review would be conducted with regard to fields that were already producing but
JOHN RICHARD PAY

for which there was a belief that there would be
incremental production in a future date; am I
correct?

A. That might be one reason why such
a review would be done.

Q. With regard to Oman do you have
any recollection having discussed this now as to
reasons why a STOIP review was conducted?

A. My recollection and my memory has
been refreshed a little by the discussion we
just had, that a review was in progress
primarily for that purpose.

Q. Again, having discussed this, do
you recall when the review commenced?

A. My recollection is that it was in
progress in or around 2003. I can't remember
specifically the time.

Q. And, again, just trying to refresh
your recollection, do you recall if it was being
conducted during your visit to Oman? That is
was it in progress?

A. Thank you for reminding me.

I don't mean to be --

Q. That's okay.
JOHN RICHARD PAY

A. I believe it was. Actually, I remember walking into a room and having a brief discussion with a team that was looking at the portfolio. And now that you've reminded me I think that is the study they were engaged with.

Q. Do you recall who that -- who the members of that team were?

A. Not in -- not in detail. I can remember one or two individuals. I think Wim Swinkels, S-W-I-N-K-E-L-S, was on the team.

THE REPORTER: I'm sorry, the first name?

THE WITNESS: W-I-M.

BY MR. HABER:

Q. Do you know who the other person was?

A. I seem to recall there were five or six people in the room. It was a relatively brief visit. No, I can't recall who else.

Q. I'm sorry?

A. No. If I gave you a name I'm guessing. I think I know, but I don't know for sure.

Q. Do you know where Mr. Swinkels
JOHN RICHARD PAY

worked within Shell?

A. At that time, no, I don't.

Q. Do you know if he worked at PDO?

A. No, I don't.

Q. Who -- who was responsible for conducting STOIIP reviews?

A. I don't know.

Q. Did Shell have a particular service organization responsible for conducting STOIIP reviews?

A. Well, first of all I answer your question by saying it's not a routine type of thing to do.

This sounds like a study that had been -- to me it sounds like a study that had been commission by PDO for their own particular purposes.

Q. When you say a STOIIP review is not a routine review, can you recall any other instances during your tenure as group reserves coordinator where a STOIIP review had been conducted?

A. Well, clarify my previous answer in terms of STOIIP reviews that would go through
the entire portfolio of an operating unit are not typically things one encounters happening on a routine basis.

However, as part of an individual field or reservoir assessment the starting point is always an assessment of STOIIP. This is the starting point of the evaluation.

So STOIIP is calculated for individual assets on an individual basis. But to look at the whole portfolio of an operating unit, I can't recall any other instance of that happening.

Q. Now, was there any license expiry issue in Oman that you recall?

A. Yes. My understanding is that the license, PDO's operating license was due to expire, I think in either 2012 or 2014, I'm not entirely clear on the date just now. And that presented a similar issue to that prevalent in SPDC, which we've already discussed.

Q. Do you remember how that issue had been resolved, if it had been resolved?

A. There was discussion. I was involved in discussions with the regional
JOHN RICHARD PAY

advisor for the Middle East situated in The
Hague who advised me that negotiations were in
progress to seek a license extension.

Q. Do you know who was responsible
for the negotiations with the Omani government?
A. I don't know who was conducting
the investigations.

Q. Do you know if it with use Mr. Van
der Vijver?
A. No.

Q. Do you know if it was Mr. Watts?
A. No.

Q. Do you know if it was Ms. Boynton?
A. I don't know who was doing it.

Q. Again, just trying to refresh your
recollection?
A. No, I don't know.

Q. Do you know if a legal opinion was
sought with regard to the license expiry issue
in Oman?
A. No.

Q. With regard to seeking extensions
of a license do you have an understanding of
what Shell's prior practice had been with regard
JOHN RICHARD PAY

to the timing when an extension would be sought?

MR. TUTTLE: Objection to form, foundation.

THE WITNESS: I don't think there was a standard practice, if that is what you're referring to.

BY MR. HABER:

Q. Well, it is.
I want to go back for a moment to presentation to the CMD. I want to mark as the next exhibit, Exhibit 18.

(Pay Exhibit Number 18 was marked for identification.)

THE WITNESS: Yes.

BY MR. HABER:

Q. Have you seen -- let me -- sorry, identify for the record.

We just marked as Pay Exhibit 18 an e-mail from Ingrid De Wit, dated July 18, 2002, to Malcolm Brinded. The subject is CMD note pre-reading. It has two attachments, at least that's what's reflected on the e-mail. The Bates range is V00120778 through V00120801. There's another range, DB 07941 through
JOHN RICHARD PAY

DB 07964.

Have you seen this document before today?

A. The attachment to the e-mail, yes.

Q. And --

A. Or I should say the attachment to the cover note, the one that's behind the cover note.

Q. The attachment you're referring to, the note for decision reserves outlook?

A. Yes. The one beginning on page ending 780.

Q. Did you prepare this note for discussion?

A. Yes.

Q. Were you requested to do so by someone?

A. Mr. Van der Vijver, I believe.

Q. And do you recall the circumstances surrounding Mr. Van der Vijver requesting you to prepare this note?

A. Yes.

Q. What did he say? What were the circumstances?
JOHN RICHARD PAY

A. The circumstances as I understood them to be were in relation to the fact that Shell's Reserves Replacement Ratio in recent years had been below the 100 percent target and were projected to continue below that target in 2002 and 2003 and, therefore, I understand that Mr. Van der Vijver was seeking to understand the reasons for that.

Q. And in preparing this note were you trying to provide the reasons for the Reserves Replacement Ratio being below 100 percent over the past few years?

MR. TUTTLE: Object to form.

THE WITNESS: No. I would characterize this note as being forward looking.

BY MR. HABER:

Q. Was there any message or messages that you were trying to convey in preparing this note?

A. My intention in this note was to inform as to inform management as to the disposition of our hydrocarbon volumes inventory and to try and help them to understand the reasons why less mature, unproved resource...
JOHN RICHARD PAY

volumes were not maturing to the proved category
at the pace that might have been desirable.

My intention was also to indicate

areas where opportunities to improve that
performance might exist.

Q. Now, do you know if this note was
distributed to members of the CMD as pre-reading
material for a meeting?

A. The only evidence that it was is
the evidence I see before me now from the
covenants.

Q. Okay. Did you ever get any
feedback from any member of the CMD about the
content of the note?

A. No.

Q. Did you receive feedback from
Mr. Van der Vijver during the drafting phase of
the note?

A. It's kind of inconceivable he
wouldn't have given me comments at some stage,
but I can't remember specifically what the
comments might have been.

Q. I would like you to turn to page
16, and that's the page that ends 120795, it's
JOHN RICHARD PAY
Attachment 1g. Is this -- withdrawn.
What does this attachment show?
A. This attachment is entitled, Hydrocarbon Resource Challenges by OU, and it attempts to summarize some of the issues affecting hydrocarbon resource maturation in various different geographical locations.
Q. Is this a form of the potential reserves exposure catalog that we've talked about and looked at throughout proceedings yesterday and today?
MR. TUTTLE: Object to form.
BY MR. HABER:
Q. You can answer.
A. This is a report that I produced very early in my tenure of the resource coordinator's job. Several of the issues that you find on this attachment to which you've referred were reproduced in the catalog to which you've referred.
Q. Do you recall Mr. Van der Vijver commenting on Attachment 1g?
A. As I said, I don't remember specific comments received from Mr. Van der
Vijver.

Q. Other than receiving comments to any of the attachments or the note do you recall any conversations with Mr. Van der Vijver concerning the particular operating unit that's identified in Attachment 1g?

A. Can you please repeat the question?

Q. What I'm looking for is rather than just looking at this attachment do you recall any discussions with Mr. Van der Vijver around July 2002 where you discuss SPDC, for instance?

MR. TUTTLE: Object to the extent asked and answered. We spent a long time these two days on SPDC and I'm quite sure you asked him before if he had conversations with Mr. Van der Vijver. I just want that on the record.

MR. HABER: I'm sure I have.

However, I'm not certain that I've asked him in particular about July of 2002.

BY MR. HABER:

Q. Do you recall any discussions with Mr. Van der Vijver in July 2002 about SPDC?
JOHN RICHARD PAY

A. Sitting here today, no.

Q. Do you recall any discussions with Mr. Van der Vijver in July of 2002 where you discussed SNEPCO?

A. No, I don't.

Q. I believe we did have some testimony about some discussion with Mr. Van der Vijver concerning Australia; is that correct?

A. Yes.

Q. Do you recall discussing with Mr. Van der Vijver in July of 2002, Brunei?

A. No, I do not.

Q. How about discussing with Mr. Van der Vijver, Kazakhstan? Again, same time frame, July 2002?

A. I'm sorry, I can't help you.

Q. If you turn to page 8 of the note under 4. -- 4 and then 4.1, 4 being External Storyline. 4.1, 2001 Investor Relations, was there a reason why you included this section in the note for discussion?

A. My recollection is that I was either instructed or advised to after consultation with colleagues.
JOHN RICHARD PAY

Q. Do you recall who you consulted with?

A. Since this was the first example of such a note that I had written, I consulted primarily with a colleague by the name of David Freedman, F-R-E-E-D-M-A-N to seek his guidance as to the type of information I might include in such a document.

Q. Do you recall having any discussions with Rhea Hamilton?

MR. TUTTLE: In 2002?

BY MR. HABER:

Q. Again, in regard to this section, yes.

A. No. I couldn't say for sure that she had taken a job with Mr. Frank Coopman at that time.

Q. How about -- do you recall having conversations about this section with Simon Henry?

A. I'm reasonably certain I didn't encounter Mr. Henry until much later.

Q. If you take a look at this section what was the information upon which you based...
JOHN RICHARD PAY

this section when you drafted it?

A. May I read it again?

Q. Yes, please.

A. Are you referring to 4.1 and 4.2?


A. Could you please repeat your question?

Q. With regard to preparing 4.1 I asked what was the information upon which you based this section on?

A. Well, there would have been a combination of sources of the information. If you're referring specifically to the presentations to investors in 2001 then I would have been given access by, whom I can't remember, to such external presentations.

Q. How about reviewing analyst reports that were written by analysts in the investment community?

A. I read those as a matter of routine.

Q. And why did you read those as a matter of routine?

A. Out of professional interest
JOHN RICHARD PAY

specifically in the way that information that we
were publishing and that I in my job was
responsible for collating was being used in the
analyst community.

Q. And with regard to the last
paragraph in 4.1, is that an example of an
awareness of what the analyst community was
saying about Shell?

MR. TUTTLE: Objection to form,
.foundation, document speaks for itself.

THE WITNESS: That paragraph does
not appear to refer to statements by analysts.

BY MR. HABER:

Q. The reference says, in "discussing
resource volumes." May I ask, who did you mean
in discussing resource volumes or with whom did
you mean?

A. What I meant was when Shell has
presented to, in discussions with external
parties, such as the analyst community, Shell
has stressed and I recall I saw presentations in
which statements to that effect had been made
that expectation resource based was a more
reliable indicator of performance.
JOHN RICHARD PAY

Q. And what is your understanding as to the reason why it is a more reliable barometer for, as it says here, growth potential?

A. My understanding?

Q. Yes.

A. As an individual, as an engineer I would agree with the statement on the basis that we plan our business and expect to achieve the expectation resource volumes, not the proved reserves volumes, over the full lifetime of a field or a project.

Q. Now, in your prior answer when I asked to whom you were referring in this sentence in discussing resource volumes you said with external parties such as the analyst community.

Were there other external parties that you were referring to?

A. At the time, and I'm pretty sure at the time I was referring exclusively to the type of presentation that would have been made by Shell representatives to shareholders or their representatives or analysts in open forum.
JOHN RICHARD PAY

Typically the sort of presentation
that would be made to a company at the release
of annual or quarterly performance figures.

I'm not aware of any other
discussions that may or may not have been
carried out.

Q. Okay. With regard to the
information as contained in this note, did you
believe that you accurately presented all of the
information for the CMD's consideration?

A. Yes.

Q. And did you believe that the
information in this note was presented in a
clear fashion so that the recipient would
understand the messages that were being
conveyed?

MR. TUTTLE: Objection to form,
calls for speculation.

MR. HABER: I'm asking what his
belief was.

BY MR. HABER:

Q. Did you believe you presented the
information clearly?

A. I believe I did.
JOHN RICHARD PAY

Q. Okay.

MR. HABER: Why don't we just take
a short break and then we'll go on to one, maybe
two more topics, but it should be relatively
brief.

MR. TUTTLE: Okay.

THE VIDEOGRAPHER: We're going off
the record. The time is 4:35 p.m.

(A brief recess was taken.)

THE VIDEOGRAPHER: We are back on
the record. The time is 4:46 p.m.

(Pay Exhibit Number 19 was marked
for identification.)

MR. HABER: Mr. Pay, I just handed
you what we're marking as Pay Exhibit 19, which
is an e-mail with an attachment. The e-mail is
from Frank Coopman, it's dated December 2, 2003.
It's to John Bell, Matthias Bichsel, John
Darley, with a cc to you. The attachment on the
e-mail is called Script for Walter on the prove...

If you look at the attachment it
is called Script for Walter on the proved
reserves position. The Bates number is
JOHN RICHARD PAY

RJW00780060 through RJW00780063.

THE WITNESS: Yes.

BY MR. HABER:

Q. Have you seen this e-mail and attachment before today?
   A. Yes.

Q. Did you have an understanding of why Mr. Coopman sent this e-mail to you and the others listed on here on the e-mail?
   A. I don't know why he sent it to the people on the to list; Bell, Bichsel, and Darley. He copied it to me I imagine because I'm a co-signatory to it.

Q. Did you assist Mr. Coopman in writing this script?
   A. My name is on the bottom of it as well as his. Yes, I did.

Q. Of the two of you who took the lead in preparing the document?
   A. Mr. Coopman.

Q. Do you recall what your contributions to these script were?
   A. In general?
   Q. Yes.
JOHN RICHARD PAY

A. Any matters relating to proved reserves estimates and the numbers involved. Not the materiality section. I contributed to the Fuel and Flare section. I believe that was it.

Q. Why was this script prepared?

A. In effect this was Mr. Coopman's and my response to the e-mail that I believe we saw previously as Exhibit Pay 16, which was an e-mail from Walter van der Vijver to me, copied to Mr. Bell and Mr. Coopman concerning -- well, we've covered what that document contains.

As I have mentioned before, when Mr. Van der Vijver sent that e-mail I was on leave. By the time I returned from leave it was evident to me that Mr. Coopman, informed primarily by the audit results or the emerging picture that we've discussed, particularly in relation to SPDC and PDO had formed in his mind the opinion that a recategorization of our reserves was required and it was in that vein that we prepared this note.

Q. Was he the one who had determined to write the note or as it's called here, a
JOHN RICHARD PAY

script?

A. Yes.

Q. And he approached you to assist
him in preparing it?

A. Yes.

Q. Did he explain why he was seeking
your assistance in preparing the script?

A. In my capacity as the reserves
coordinator and, therefore, in possession of
certain factual information that would be
required to complete this document.

Q. How long did it take you to draft
the document?

A. My recollection is that this
specific document was prepared over a period of
a couple of days.

Q. When Mr. Coopman had approached
you to assist him with the drafting of this
document did you agree with his assessment that
there should be a recategorization?

A. In light of the information that
had recently emerged from PDO and SPDC in
particular I agreed that it was an appropriate
course of action.
JOHN RICHARD PAY

Q. Did the discussions that you had with -- withdrawn.

Did the discussion that you had with Mr. Coopman when he approached you, did it include operating units other than PDO and SPDC?

A. Yes. I think some of those are actually specifically mentioned here or rather the Gorgon example is given.

Q. Did you and Mr. Coopman discuss or within the discussion contemplate a group-wide analysis of Shell's reserves position?

MR. TUTTLE: Are you still on the first discussion with Mr. Coopman?

MR. HABER: Yes. When he was approached, yes.

THE WITNESS: I don't recall if there was such a discussion upon his first approach to me.

BY MR. HABER:

Q. Was there subsequent discussions where the scope of a debooking expanded to a review of the group's reserves position?

MR. TUTTLE: Objection to form.

BY MR. HABER:
JOHN RICHARD PAY

Q. You can answer.

MR. TUTTLE: You can answer.

THE WITNESS: Yes. In the sense this note initiated a rapid succession of events in a short period of time, during which it was determined that if a recategorization were to be made it should ensure that no stone was left unturned.

BY MR. HABER:

Q. In your answer you said -- you say, yes, in the sense this note initiated a rapid succession of events in a short period of time. What events were you referring to?

A. The initiation of project Rockford and the events surrounding that.

Q. When was -- when was it decided that there would be this project Rockford analysis?

MR. TUTTLE: I'm just going to caution Mr. Pay that to the extent that as we move into project Rockford any of his answers involve communications with counsel, again, as I instructed you before, we should step outside, understand what those discussions were and
JOHN RICHARD PAY

ensure we don't inadvertently waive a privilege
by disclosing otherwise confidential
communications with counsel. So I realize it
may not be exactly applicable to the time period
question, but I just want to make sure you
understand that as we go forward into project
Rockford questions. So.

THE WITNESS: Understood.

And I'm afraid I'm going to have
to ask you to repeat the question.

BY MR. HABER:

Q. I knew you were going to say that.

I asked when was it decided that
there would be this project Rockford analysis?

A. And you're referring to -- when
you say project Rockford analysis you're
referring to an analysis of the group's
worldwide reserves position?

Q. That's correct.

A. I can't remember a specific time
that it was decided. I would suggest I was
perhaps not -- not involved directly in that
decision. However, I -- my recollection is that
a short period of time after this note was
JOHN RICHARD PAY

prepared I was asked to coordinate the
preparation of a larger dossier concerning the
entire gamut of the recategorization as we then
saw it, essentially addressing the 3.9 billion
BOE of reserves that originally fell into the
scope.

Q. Who asked you to prepare or
coordinate the, if you will, the portfolio of
assets to be reviewed?

A. I can't remember who gave me the
instruction.

Q. Do you know when the project
received its name, project Rockford?

A. I can't remember exactly when that
was.

Q. When you were first asked to
coordinate the materials was it presented to you
as project Rockford?

A. Not that I recall.

Q. Do you recall if the review got
its name, project Rockford, in December of 2003?

A. Well, certainly not before, to my
knowledge. My recollection is that it was
sometime in December 2003. I think you said '4,
JOHN RICHARD PAY

did you?

Q. '3. If I said '4 I meant '3.

Now, at the time -- let's step back again and look at the script for Walter.

At the time you prepared this script with Mr. Coopman had you communicated the content of this script with the external auditors?

A. No -- I don't recall having done so.

Q. Do you know if Mr. Coopman had communicated the content of this script to the external auditors?

A. I don't know whether or not he had.

Q. During the time that you were drafting this script with Mr. Coopman do you recall consulting with the external auditors, advising them of what you were writing in this document?

A. No. I don't recall any such discussion.

Q. With regard to your work on project Rockford did you have any interaction
JohRICHARD PAY

with the external auditors?

A. Yes. The reason I'm hesitating is

that I can't remember exactly when that

engagement started.

Obviously there was engagement

after the announcement of the 9th of January,

but --

Q. The first announcement of

recategorization?

A. Correct. Yes. I can't remember

if there was any engagement before then.

Q. When you had had the interaction

with the external auditors after the first

announcement in January of 2004 do you recall if

there was an expression of agreement by the

auditors with the recategorization?

MR. TUTTLE: Object to form.

THE WITNESS: No, I can't

remember.

BY MR. HABER:

Q. Which auditors, KPMG or PWC, do

you recall having the interaction with?

A. Well, certainly KPMG, since their

representatives were physically sitting in our
OFFICE AT THE TIME. I DON'T RECALL WHETHER OR NOT I WAS INVOLVED IN DISCUSSIONS WITH PWC.

Q. DID KPMG HAVE OFFICE SPACE IN THE CENTER THROUGHOUT THE YEAR?

A. NO, NOT TO MY KNOWLEDGE.

Q. WERE THEY GIVEN OFFICE SPACE IN CONNECTION WITH THE ARPR?

A. YES.

Q. CAN YOU THINK OF ANY OTHER TIME DURING THE YEAR IN WHICH THE EXTERNAL AUDITORS WERE GIVEN OFFICE SPACE IN THE CENTER?

A. NOT IN CONNECTION WITH MY JOB.

Q. NOW, WITH REGARD TO THE SCRIPT, AGAIN, DO YOU RECALL HAVING ANY DISCUSSIONS WITH MS. BOYNTON ABOUT THE CONTENT OF THE SCRIPT?

A. I'M PRETTY SURE I NEVER DISCUSSED THIS SCRIPT WITH MS. BOYNTON.

Q. DO YOU RECALL HAVING ANY CONVERSATIONS WITH MR. VAN DER VIJVER ABOUT THE SCRIPT?

A. AT WHAT TIME?

Q. AFTER IT WAS PRESENTED TO HIM?

A. OBVIOUSLY I HAD CONVERSATIONS WITH MR. VAN DER VIJVER AFTER THAT TIME. WHETHER