Production forecasts

The market still expects us to deliver!

Source: Lehman Brothers September 2002

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ROACE forecasts

Shell loses historical advantage...

Historical & Projected ROACE

Lehman Brothers estimates

- Brent
  - 1999: 23.20
  - 2000: 19.00
  - 2001: 17.00
  - 2002: 17.00
  - 2003: 17.00
  - 2004: 17.00

- H Hub
  - 1999: 2.93
  - 2000: 3.00
  - 2001: 3.00
  - 2002: 3.00

($/bbl)
($/mmbtu)

Source: 1999-2001 PX adjusted actuals; 2002 forward, Lehman Brothers September 2002
Normalised ROACE forecasts

... and "in the pack" when normalised

Historical & Projected Normalised ROACE

Lehman Brothers estimates

<table>
<thead>
<tr>
<th>Year</th>
<th>Brent</th>
<th>H Hub</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td></td>
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<tr>
<td>2000</td>
<td></td>
<td></td>
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<tr>
<td>2001</td>
<td>23.20</td>
<td>2.93</td>
</tr>
<tr>
<td>2002</td>
<td>16.00</td>
<td>3.00</td>
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<tr>
<td>2003</td>
<td>16.00</td>
<td>3.00</td>
</tr>
<tr>
<td>2004</td>
<td>16.00</td>
<td>3.00</td>
</tr>
<tr>
<td>2005</td>
<td>16.00</td>
<td>3.00</td>
</tr>
<tr>
<td>2006</td>
<td>16.00</td>
<td>3.00</td>
</tr>
</tbody>
</table>

($/bbl)

Source: 1999-2001 PX adjusted actuals; 2002 forward, Lehman Brothers September 2002
Announcements from SuperMajors 1st half 2002

- Plutao discovery in Block-31 Angola
- Iron Horse discovery (1tcf) in Block 14 (Angola)
- Discovery Gabela-1 in Block

TOTALFINELF

- Akpo discovery, est. reserves 900mbl
- $2bn investment on Vankorskoe field, (JV with Yukos)
- First oil from Larut field (Malaysia)

EXxonMobil

- Deepwater Discovery OPL222 (5000 b/d)
- Agreement PNG- Queensland pipeline
Announcement from SuperMajors 1st half 2002

- Kashagan Discovery Declared Commercial
- Agreement for West East China Gas Pipeline with PetroChina and Sinopec
- Selected to participate in LNG project with 30% in Mariscal Sucre
- Discovery exploration block BS-4, (68m of net oil pay in deepwater sands)
- Nigeria LNG Plus project unlocking $7.5 billion of new projects in Nigeria
- Discovery of oil 300m beneath the Kebabangan field offshore Malaysia
- Acquisition of Enterprise Oil

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### Expected Incremental Production Growth from Major Projects 2003

<table>
<thead>
<tr>
<th>Company</th>
<th>Project Details</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shell</td>
<td>Athabasca</td>
<td>6.1%</td>
</tr>
<tr>
<td></td>
<td>Penguins</td>
<td>5.1%</td>
</tr>
<tr>
<td></td>
<td>EA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bonga</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Groningen</td>
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<tr>
<td></td>
<td>Nowrooz</td>
<td></td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>Syncrude</td>
<td>4.4%</td>
</tr>
<tr>
<td></td>
<td>Valhal</td>
<td></td>
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<tr>
<td></td>
<td>Na Kika</td>
<td></td>
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<tr>
<td></td>
<td>ALNG Train 3</td>
<td></td>
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<tr>
<td></td>
<td>In Salah</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hebron</td>
<td>3.0%/4.4%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>Matterhorn</td>
<td>7.6%</td>
</tr>
<tr>
<td>FINAELF</td>
<td>NC-137</td>
<td></td>
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<td></td>
<td>Bonga</td>
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<td>EA</td>
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<tr>
<td></td>
<td>Dorood</td>
<td></td>
</tr>
</tbody>
</table>

Source: ABN Amro January 2002
Development of Exploration discoveries

Discoveries 1992-2001 - Resource Split @ 1.1.2002

Avg 17% SFR non-com

Avg 35% SFR com

Avg 34% Undeveloped

Percent Oil/NGL/Gas (boe)

Avg only 14% developed/produced

100% 90% 80% 70% 60% 50% 40% 30% 20% 10% 0%

excl. Government PSC Take

VIJVER 1047

V00231047

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Proved RRR: Effect of aligning to FID

Blue: Actual / Plan
Black: Adjusted for booking at FID

<table>
<thead>
<tr>
<th>Year</th>
<th>History, fully adjusted</th>
<th>Plan (Base Capex)</th>
<th>Base</th>
<th>Option</th>
<th>Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>35%</td>
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<td></td>
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</tr>
<tr>
<td>1998</td>
<td>120%</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>64%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2000</td>
<td>106%</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>51%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>130%</td>
<td></td>
<td>59%</td>
<td></td>
<td>23%</td>
</tr>
<tr>
<td>2003</td>
<td>60%</td>
<td></td>
<td>51%</td>
<td></td>
<td>26%</td>
</tr>
<tr>
<td>2004</td>
<td>55%</td>
<td></td>
<td>41%</td>
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</tr>
<tr>
<td>2005</td>
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<td></td>
<td>22%</td>
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<tr>
<td>2006</td>
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<tr>
<td>2007</td>
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</tr>
</tbody>
</table>
The EP Vision

How can we shape the future of energy?

Recognised as the World’s Best EP Company

Reputation for superior performance and admired for the way we deliver it

Unlocking tomorrow’s global portfolio and unleashing the value from today’s Technological and commercial innovation delivered by people that thrive on challenge

Belief in sustainable development – continually turning principles into reality.

Shell EP
How to raise the game: Key Strategic Actions

Achieving the “Quiet Revolution” will require further actions in the years ahead.

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Performance</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear Aspired portfolio and active upgrading</td>
<td>Project realisation to schedule &amp; within budget</td>
<td></td>
</tr>
<tr>
<td>Winning the Big Bets – through a global approach to NBD and M&amp;A</td>
<td>Technical &amp; Operational Excellence</td>
<td></td>
</tr>
<tr>
<td>Bringing the Big Tickets onstream</td>
<td>RRR action</td>
<td></td>
</tr>
<tr>
<td>Realising Nigeria</td>
<td>Global Operating Model</td>
<td></td>
</tr>
<tr>
<td>Innovative Technology &amp; Gas Solutions</td>
<td>Global Exploration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Global People Standards, Processes &amp; Tools</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enhanced People Products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Competence Based progression Managed Open Resourcing Leadership Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aligned Global Leadership</td>
<td></td>
</tr>
</tbody>
</table>

V00231090

V1JVER 1050
The Quiet Revolution: Key Strategic Actions

SUCCESSFUL ACTIONS TO DATE

Portfolio

- Focussed acquisitions towards Aspired portfolio
  - Enterprise
  - Pinedale

- Winning Big Bets/ Big Tickets
  - China, Sakhalin, Qatar, Rockies

- Developing relations with key NOCs

Performance

- Exploration Strengthening
  - Success in Heartlands
  - GoM/ Malaysia
  - Strong global EXPEX management

- Operational Problems overcome (Brutus, Auger, Shearwater)

- Technical & Operational Excellence & Global Projects up and running

People

- Global Leadership meetings – EPLF, CEO/ExCom

- Global People Standards, Processes & Tools – on track for end 2002

- Competence Based progression
- Managed Open Resourcing
- Leadership Development
  - all on track for end 2002

Realising Nigeria through global support activity

High performing Ous (SEPCo, Malaysia, Expro)

Global Cost FRD prize quantified

Leadership in competitive technologies demonstrated eg. Monodiameter wells

VIJVER 1051
EP Globalisation

1998-1999
Global capital discipline enforced

2000
Global Capital & Exploration Expenditure setting
Global understanding of portfolio @ asset level
Strategic Cost Leadership embedded in organisation

2002
Launch of Global Technical & Operational Excellence
Launch of Global Major Projects team
Accountable Head of Global Exploration
Global Human Resources and Global M&A
Effective global New Business Development

2003 & beyond
The New Operating Model
- From autonomous self sufficient OUs to 4-5 optimised regions
- Strong Global functional mandates and Governance
- Regional and local management and deployment of technical and business services
- Limited global services provision (R&D, EPP, etc.)
New EP Operating Model

**ExCom:** global prioritisation, performance targets, strategy

**Functions:** strong global functional governance role, setting standards, best practices, monitoring implementation, skillpool management

**Regions:** Accountable for business planning and delivery of the plan, application of best practices etc.
Aspirational targets by region/function

EP Global Services
Technology development and SDS, EP Projects, SGS, global well delivery, some business support....

Global C&P $84mln (logistics, ISC in Core Ops)

Europe Core Ops $59mln (Incl. NESS)
CNS NNS NESS LAND

America Core Ops $13mln
Rockies GoM Venez. S.Cone Brazil Canada EP Oil Sands Aera

Asia-Pacific Core Ops $22mln
China Sakhalin BSP SMEP Thai Phil. Aus/NZ

Middle East Core Ops $38mln
PDO Egypt Syria Middle East Caspian

Africa Core Ops $8mln
SPDC SNEPCO Gabon Cameroon

Corporate Centre
EP CEO IT: $12mln Other: $8mln
$15mln $8mln $44mln
Portfolio changes $45mln

EPE RNBD $7mln $8mln $8mln
IT: $13mln, Other: $12mln RHD RFD RTD

EPW RNBD $4mln $5mln $5mln
IT: $9mln, Other: $3mln RHD RFD RTD

EPA RNBD $3mln $3mln $5mln
IT: $3mln, Other: $1mln RHD RFD RTD

EPM RNBD $5mln $6mln $5mln
IT: $7mln, Other: $6mln RHD RFD RTD

EPG RNBD $3mln $3mln $3mln
IT: $4mln, Other: $1mln RHD RFD RTD
Benefits & Risks

Benefits

- Strongly enforce standardised systems and processes
- Demonstrate T&OE in all aspects of EP business
- Economies of scale, de-duplication in provision of support
- Greater focus/alignment on Exploration and NBD
- Much reduced corporate centre, shorter lines of control, better information flow
- More effective, selective use of premium expatriate resource, ultimately reducing total expat numbers
- Attractive EVP for demographically changing EP workforce

Risks

- Potential for disruption of core business
- Managing external interfaces locally
- Concern amongst JV partners and governments on motives and bias towards optimising Shell interests
Overall Schedule

Key players identified

2002

"Go Live" Top Level

2003

"Go live" New Business

Other regions kick-off Q2 2003

2004

"Go live" Functions

Hand off Regional Processes

2005

"Go Live" Regions

$ 500 mln delivery

Regional Activities

Detailed Process/Model Design/Blueprinting

Implementation & Resourcing

Detailed Process/Model Design/Blueprinting

Implementation & Resourcing

Regional vs. global processes

Discrete Projects

Enablers

Value Capture

Support Activities

Programme/Office/Communications Stakeholder, Management, Co-ordination

VIIVER 1057

22
Asset swaps could generate synergies of $45-65m annual opex benefit

2002 Forecast UOC and Unit Margin ($/boe)

Portfolio Management should focus on high UOC AND low margin assets

Not shown:
- Sakhalin
- Pakistan
- Bangladesh
- Iran
- Argentina
- Brazil
- New Zealand
- Philippines

100 kboe/d production

All numbers based on mid PSV and Volume 2

Vijver 1058
Investor Relations improvements

• Longer Term View of the Existing Metrics
• Changing the Emphasis to "value-based" or total resource based metrics.
• Communicate Shell EP strengths – tailored to stakeholder
• Know where you’re No 1 – simple, verifiable leadership
• Watch like a Hawk – competitors and what they say about Shell
• Deflect the Bad News – proactively manage damaging competitor comparisons
• The “External Face” of EP
The EP Dilemma: Caught in the box?

Normalised ROACE delivery

Managing external impact

ACTION
- Distinguish “special” growth projects
- Realise Enterprise synergy
- EP Investment Case

Radical Portfolio

ISSUES
- Impact of acquisitions
- Project capex overruns
- UK tax increase

Actions
- Continuous portfolio upgrade

Evolution of Operating Model Value

Reserves Replacement

ISSUES
- Early reserve bookings
- Licence expiry “constraints”
- MRH entries slow to materialise
- Lack of new exploration hubs

ACTION
- Licence extensions
- NOC relationships
- Reserves Management

Production Growth

ISSUES
- Restatement of Enterprise
- Few NBD successes
- Severe mature field decline, absence of T&OE

PPP
- T&OE drive and T&OE Projects
- “New Exploration”
- Realise Nigeria
- Technology drive
- Focused NBD

Unit Cost Reduction

ISSUES
- Diminishing scope at OU level

ACTION
- Maximise internal synergy

Cost FRD

VJVER 1060 25
Delivering Shell EP –
The Quiet Revolution and beyond

Global People
with a Global Mindset

Achieving Global
Performance

Chasing the Aspired Portfolio

Quiet Revolution

Global Planning / Capital Allocation

Mandated Operating Standards - SAP Blueprint

Global Technology Implementation

T & OE: Reserves Actions

Global Exploration

Global AD

Globalisation of EP – hardwiring the organisation

Costs FRD – Understanding further synergy potential

Portfolio Upgrade - culling the tail

Portfolio Renewal

Big Bets and Big Tickets (NBD and EPP)

EP Investment Case

EP Global Scorecard

2002 / 2003 Roadmap

V1JVER 1061
Summary

- External views shows Shell will struggle to be the best...
- ...and internal data support the size of the challenge

- Rapid follow-through on Cost FRD including Evolving Operating Model
- Full implementation of PPP actions already underway
- Actions to improve the quality of the global portfolio
- Focused EP Investment Case to improve external impact
ROACE
(Existing Business vs. New Business)

* New Business: Canada (AOSP), Kazakhstan, Sakhalin, China
ROACE
(Existing Business vs. New Business)

* New Business: Angola, Brazil, China, Athabasca Oil Sands, Enterprise Brazil, Enterprise USA, Enterprise Italy, Kazakhstan, SNEPCO, Sakhalin
Summary of First Look Plan

- Targets are not met by Current Plan
<table>
<thead>
<tr>
<th>Likely Impacts</th>
<th>Value</th>
<th>Remedial Action</th>
<th>Portfolio Upgrade</th>
<th>Implement Cost FRD</th>
<th>Acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves Replacement</td>
<td></td>
<td>Cut opex, expex, capex</td>
<td></td>
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</tr>
<tr>
<td>Production Growth</td>
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<tr>
<td>ROACE delivery</td>
<td></td>
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<tr>
<td>Unit Cost Reduction</td>
<td></td>
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</tr>
</tbody>
</table>
...with delivery phased over the planning period

Phased Benefit by Opportunity Area ($mn)

Note: IT as an enabler and Expat benefits are embedded in Support, Tech Services, Core Ops and the Centre
Value vs Production in 2006

80% value and production capture from only 12-13 OUs

Final 10% from 15 OUs
Next 10% value and production capture from 4-8 OUs

VJVER 1070
What will Change for EPT

- Creates a Single Excom point responsible for technical capabilities and for achieving the technical development programme of Shell EP in partnership with CEOs

- Puts the focus and responsibility of the Global Technical Director clearly on achieving reserves and production development for Shell EP


- Provides a coherent management structure for R&D, T&OE, Global Technical Services, the technical challenges and capabilities in the regions and operating companies

- Provides a mechanism to tune staff numbers and skills and their distribution over Global, Regional and Local Organisations (...in line with workloads, project challenges, mandates, staff mobility and cost targets)

- Give staff more clarity over technical challenges, job profiles, career options, and mobility demands (...differentiation in EVP)
Technical Staff (Initial) Deployment

~6000 technical staff (excluding IT) ranging from seismic interpreters to project managers for delivery of production facilities

Staff currently employed and deployed in OUs. Regional services/sharing to be accomplished through regional rationalisation

NB: current EP IT staff count is ~1800, but globalisation of services and restructuring of the organisation will reduce and transfer staff (e.g. to Shell IT International for Group-level services) out of Shell EP. An EP IT staff level of ~600 may ultimately arise.
<table>
<thead>
<tr>
<th>Locally Employed Staff</th>
<th>Can work on any field and asset within Country</th>
<th>Main Centre of that country's EP business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regionally Employed Staff</td>
<td>Can work on any field and asset within Region</td>
<td>Main Centres are Rijswijk and Houston, but staff can also be based (long and short term) in regional or country Centres</td>
</tr>
</tbody>
</table>

**Work scope**

- Can work on any field and asset challenge operated by Shell EP
- Main Centres are Rijswijk and Houston, but staff can also be based (long and short term) in regional or country Centres

**Work location**

- Can work on any field and asset within Country
- Can work on any field and asset within Region
Global Processes and Standards

T&OE will introduce Minimum Standards and common best processes that are critical for global performance and operational integrity:

- Exploration (Mandatory Processes and Practices)
- Reservoir Management (Integrated Field Reviews, Reservoir Surveillance Plans)
- Field Development Planning (Auditable FDP Process)
- Resource Maturation (5 Year Maturation Plans)
- Reservoir Modeling (Integrated Modeling Workflow)
- Production Forecasting (robust forecasting process)
- Production Optimisation (Optimisation process in place)
- Maintenance Management (robust system in place, compliance managed)
- Integrity Management (Auditable system in place, compliance mandatory)
- Engineering Standards (Update and align)
- Drilling and Completions standards (this will be expanded)
- Staff Development Planning (Plans all staff linked to EP competence framework)
- Competence Based Progression and Competence Assurance Process
Implementation Plan - Summary

- High-level organisation agreed by end 2002
- High-level organisation resourced by end Q12003 ("go live" date)
- New operating model effective end 2003.
- Global businesses should be in place by mid 2003.
- Overall Opex reduction programme targeting $500mln run rate end 2005
- Resource loading between now and end 2002 is primarily central (exception being work in EP Europe)
- The proposal for the first 4 months is as follows (and the estimated cost will be ca $ 2 mln);

**ExCom Consideration – ExCom Meeting 12/09/02**

<table>
<thead>
<tr>
<th>Role</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme Leader</td>
<td>drawn from the CEO community; someone with vision, credibility, drive and energy for the change</td>
</tr>
<tr>
<td>Programme Office 5 people</td>
<td>high CEP, SG 2 – B, mix of experience and energy, split 50/50 OU and Centre, plus 2 –3 consultants</td>
</tr>
</tbody>
</table>

**Function/Business Director Consideration**

<table>
<thead>
<tr>
<th>Teams</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional Teams</td>
<td>ca. 5 per function (EPF/HR)* &amp; ca. 10 (EPT)SG 2-B, high CEP, some ex. OU</td>
</tr>
<tr>
<td>Global Business Teams</td>
<td>ca. 5 per business (EPX/B) SG 2-B, high CEP incl.from OU</td>
</tr>
<tr>
<td>* A number of these positions are already effectively resourced (e.g. EP- HR Regional Advisors, EPF SAP and BBB implementation teams)</td>
<td></td>
</tr>
</tbody>
</table>

**Regional Director Consideration**

| Regions                      | only EP Europe until end year – already resourced                           |

- There would be an expectation of significant ExCom involvement – ca. ½ day per week.
- Additional discrete projects can be executed outwith the changes to the operating model. It is assumed that respective directors will resource these projects directly.
Portfolio - EP assets have a wide range of unit operating cost

UOC vs. Production – 2002 Plan

Forecast growth areas

High margin in 02 & 06

Specials

High Margin > $3.5/boe at mid PSV

Source: Volume 2 (2001)
From: Van der Laan, Marian M SI-MGDWV/DIRMB on behalf of Van De Vijver, Walter SI-MGDWV
Sent: 01 October 2002 13:33
To: Watts, Philip B SI-MGDFW; Van der Veer, Jeroen J SI-MGDJV; Skinner, Paul PD SI-MGDPS; Brinded, Malcolm A SI-MGDMB; Boynton, Judith G SI-FN
Subject: EP PLAN

An early warning on our struggle to get the EP Plan to look right. Attached provides the underlying challenge. We are reviewing the Plan again on 7/10/2002 but no new miracles are expected.

Plan_CMD_1001.ZI

Walter

Marian v.d. Laan
Secretary to Mr. v.d. Vijver MGDWV
Shell International B.V.
Postbus 162, 2501 AN Den Haag, Nederland

Tel: +3170377 1675 Fax: +3170-377 2555
Email: marian.m.vanderlaan@si.shell.com
Internet: http://www.shell.com

Incoming mail is certified Virus Free.
Checked by AVG anti-virus system (http://www.grisoft.com),
The EP Dilemma: Caught in the box?

- Normalised ROACE delivery
- Production Growth
- Value
- Reserves Replacement
- Unit Cost Reduction

V00231079

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2003 Production – BP’02 vs BP’01

USA: -51 kboe/d
UK: -41
Oman: -43
New Zealand: -22
Others: -56

BP '01
Options not realised
Options Awarded 2002
Options to be awarded
Reduced MA
OU Reductions
OPEC (Nigeria)
Enterprise
BP’02

Vrijver 1081
BP 2002 – Assumptions included in Plan

- Portfolio action realising +1% ROACE gain (2003)
- Tax savings realising +0.5% ROACE gain (2003)
- $100m opex reduction per year from T&OE / feasibility studies
- $25/bbl through to end-2002
- $800m capex management adjustment (2003)

- - 83 kboe/d production management adjustment (2003)
- OPEC constraint (Nigeria –30 kb/d, 2003)
Plan-to-Plan $16 ROACE Comparison

Due to Increased Capex

Operational Changes

*Using corrected ROACE calculation*