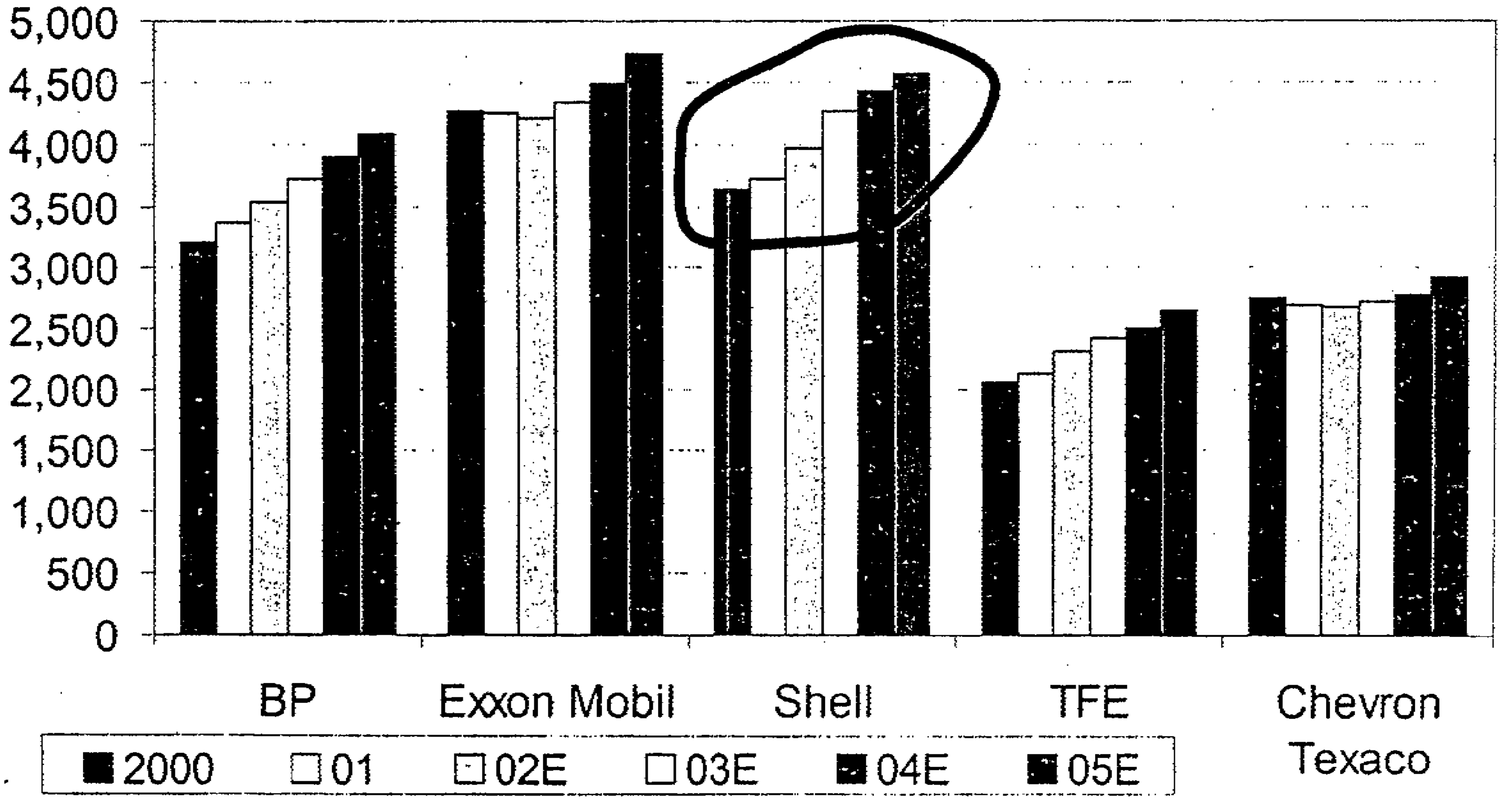
Production forecasts

The market still expects us to deliver!

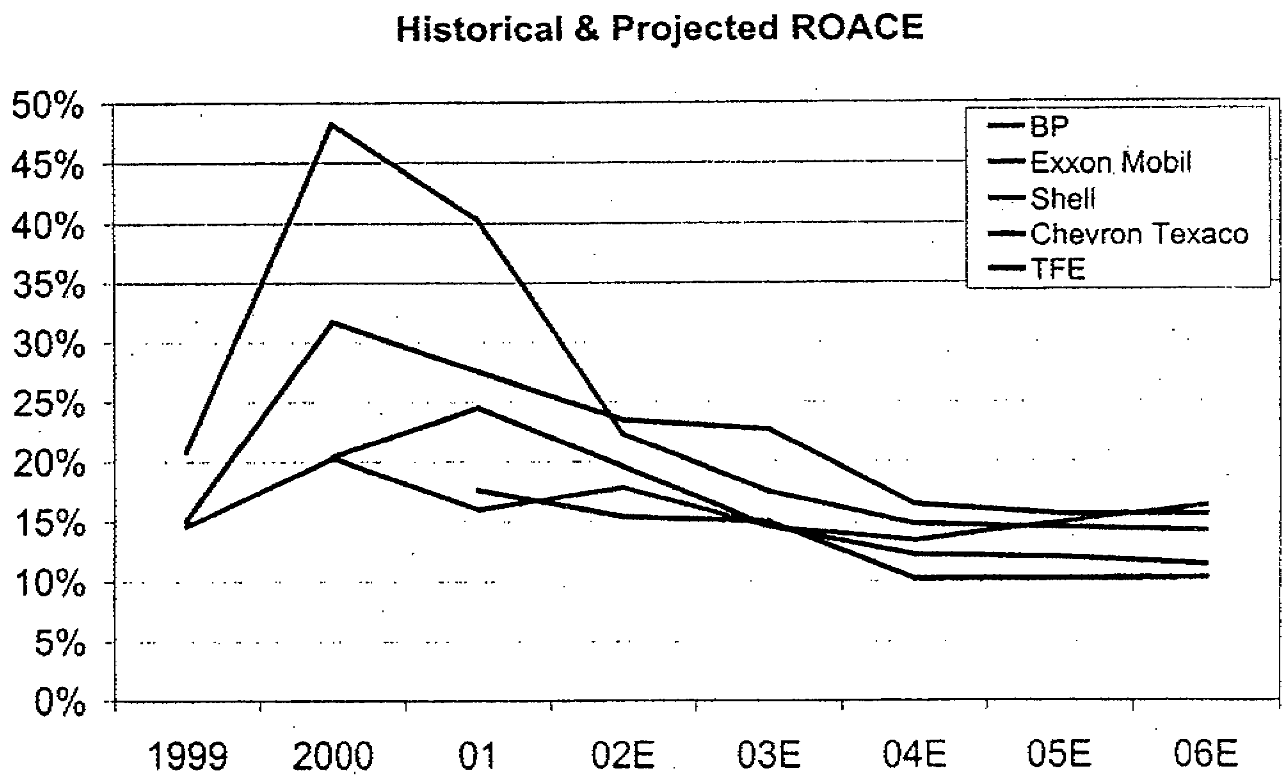


Source: Lehman Brothers September 2002

VIJVER 1039

ROACE forecasts

Shell loses historical advantage…



Lehman Brothers estimates	Brent	23.20	19.00	17.00	17.00	17.00	($/bbl)
	H Hub	2.93	3.00	3.00	3.00	3.00	($/mmbtu)

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

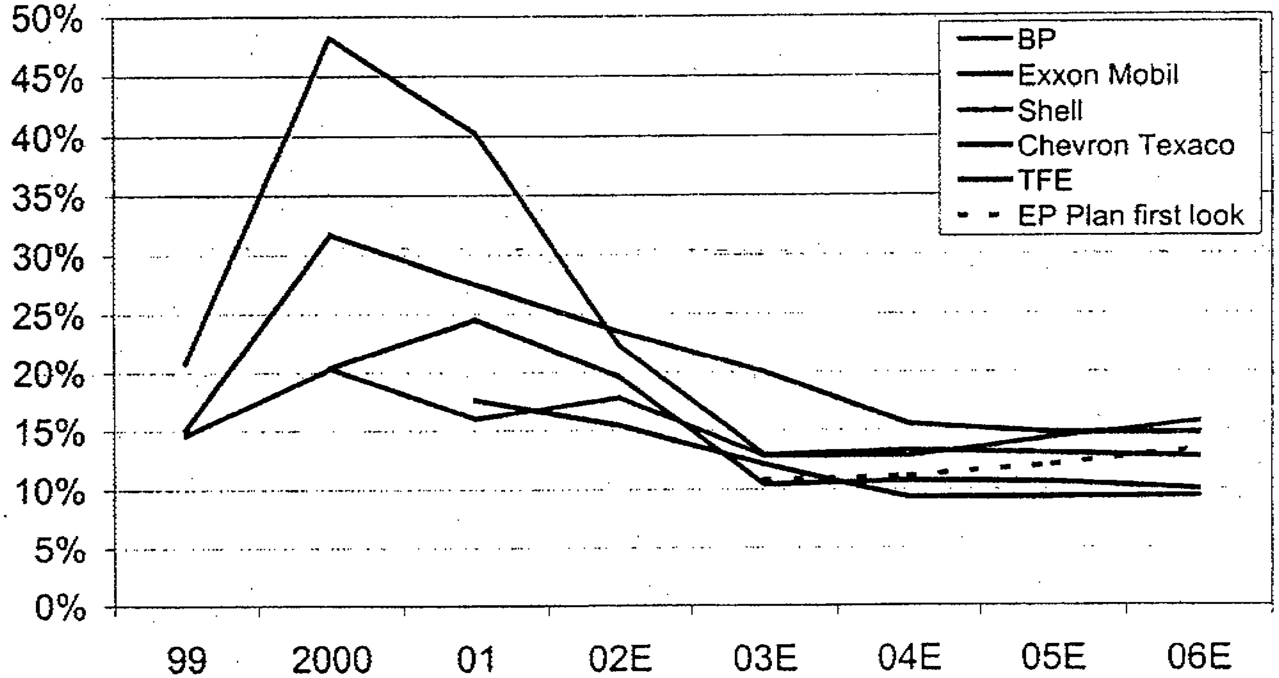
VIJVER 1040

V00231040

Normalised ROACE forecasts

… and "in the pack" when normalised

Historical & Projected Normalised ROACE



Lehman Brothers estimates							
	Brent	23.20	16.00	16.00	16.00	16.00	($/bbl)
	H Hub	2.93	3.00	3.00	3.00	3.00	($/mmbtu)

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

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Announcements from SuperMajors 1st half 2002

- Plutao discovery in Block-31 Angola
- Iron Horse discovery (1tcf)
- Sakhalin 5 exploration JV with Rosneft

Chevron

- Discovery in Liaodong Bay
- Discovery Gabela-1 in Block 14 (Angola)

TOTAL FINA ELF

- Akpo discovery, est. reserves 900mln bbl.
- $2bln investment on Vankorskoe field, (JV with Yukos)

ExxonMobil

- Deepwater Discovery OPL222 (5000 b/d)
- Agreement PNG- Queensland pipeline
- First oil from Larut field (Malaysia)

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

VIJVER 1043

Expected incremental Production Growth from Major Projects 2003

	bp	ExxonMobil	Chevron	TOTALFINAELF
6.1%	5.1%	4.4%	3.0%/4.4%	7.6%
Athabasca	Valhal	Syncrude	Hebron	Matterhorn
Penguins	Na Kika	Train 2	Cabinda Exp.	NC-137
EA	ALNG Train 3	Hebron	Doba Basin	Bonga
Bonga	In Salah	Grane	Madu	Amenam
Nowrooz		MikkelJotu	Anyala	EA
Bintulu		Bonga	Tengiz	Dorood
Groningen		Erha	Karachaganak	
Na Kika		Cepu	Huizhou 19-3	
Suape LNG		Sable Island		
K-fields		Fram West		
NWS Train 4		Groningen		
		RasGas (Trains 3 & 4)		

Source: ABN Amro January 2002

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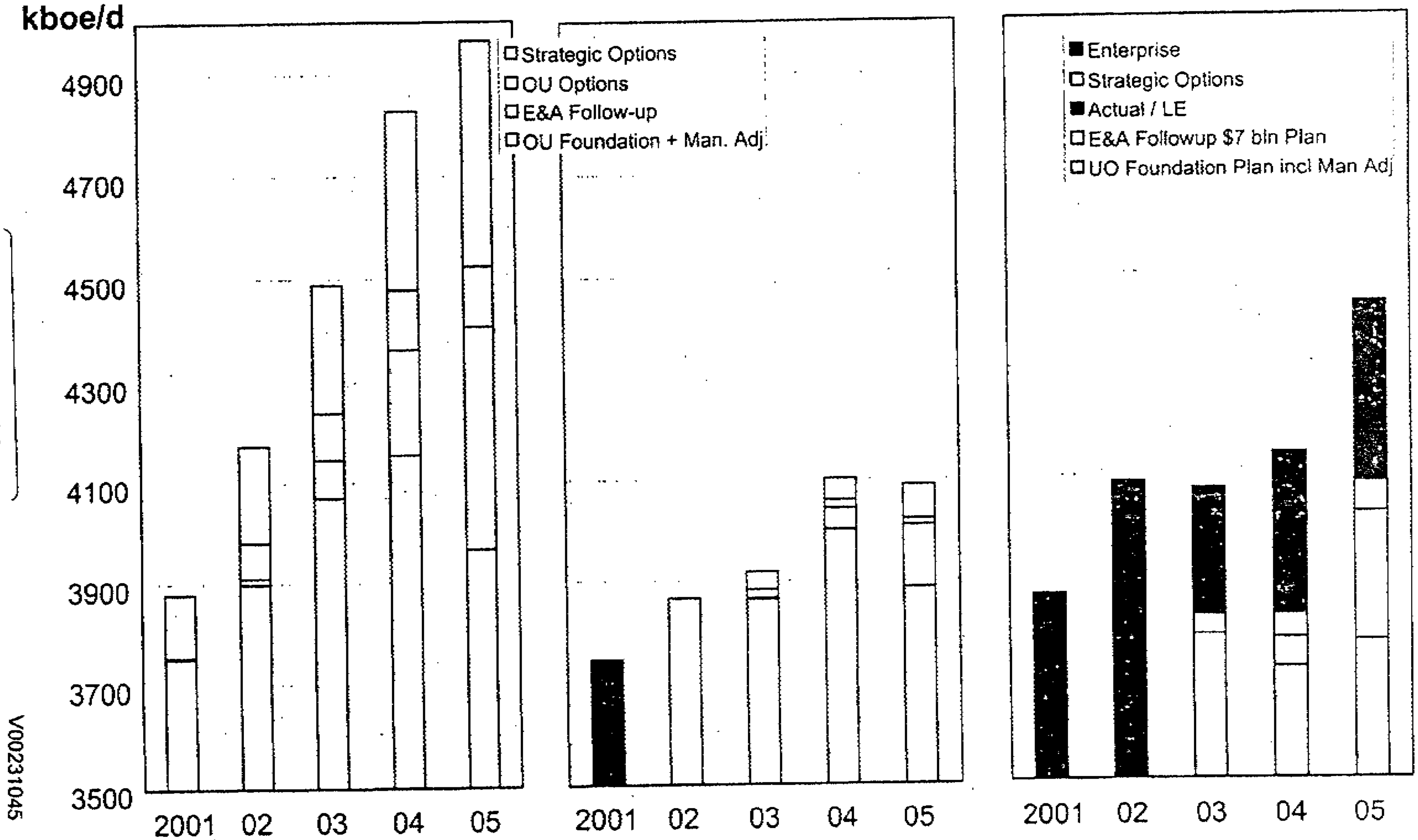
Internal Production forecasts

BP 2000 / BP 2001 / BP 2002 (first look)



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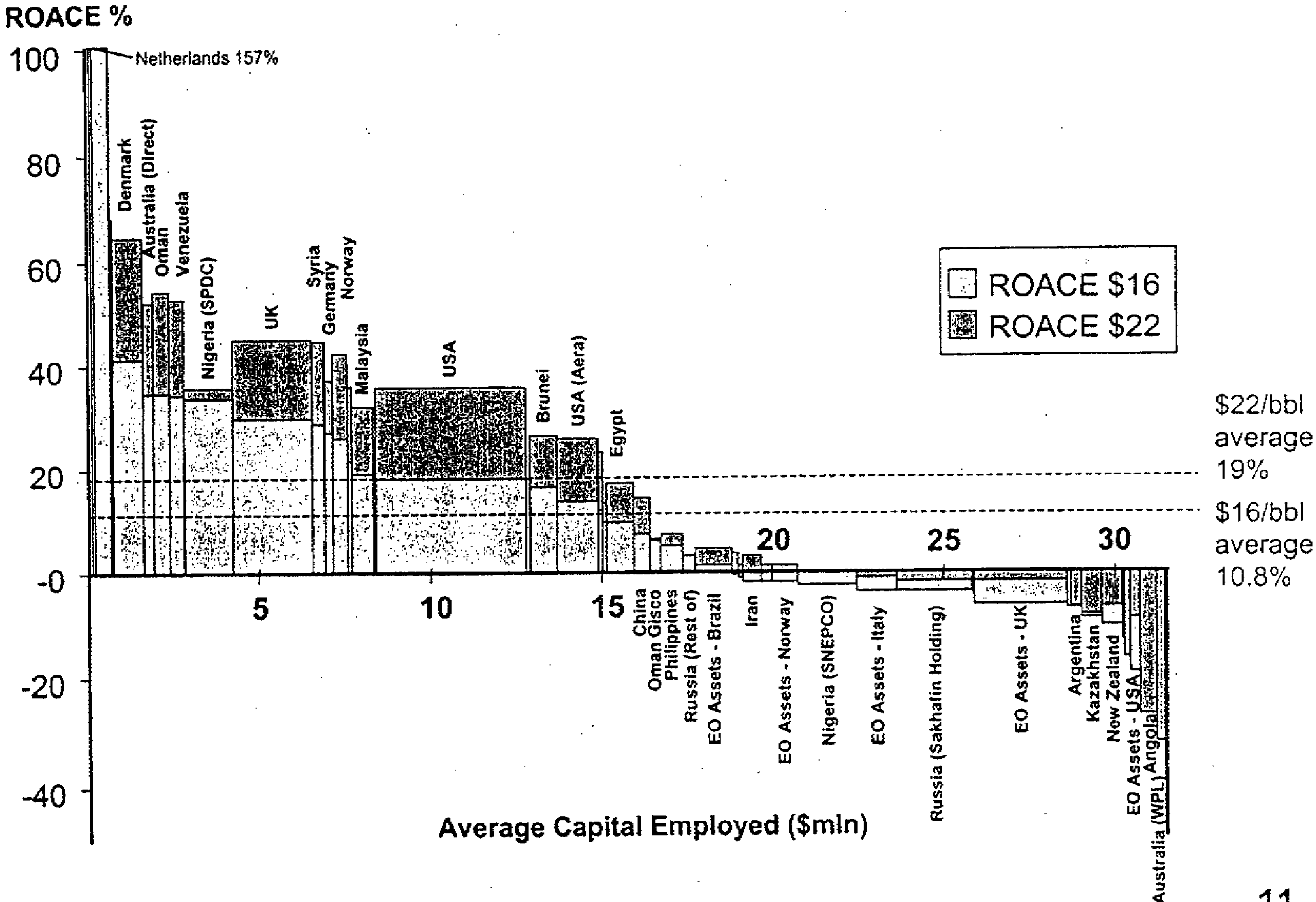
Breakdown of 2003 ROACE



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11

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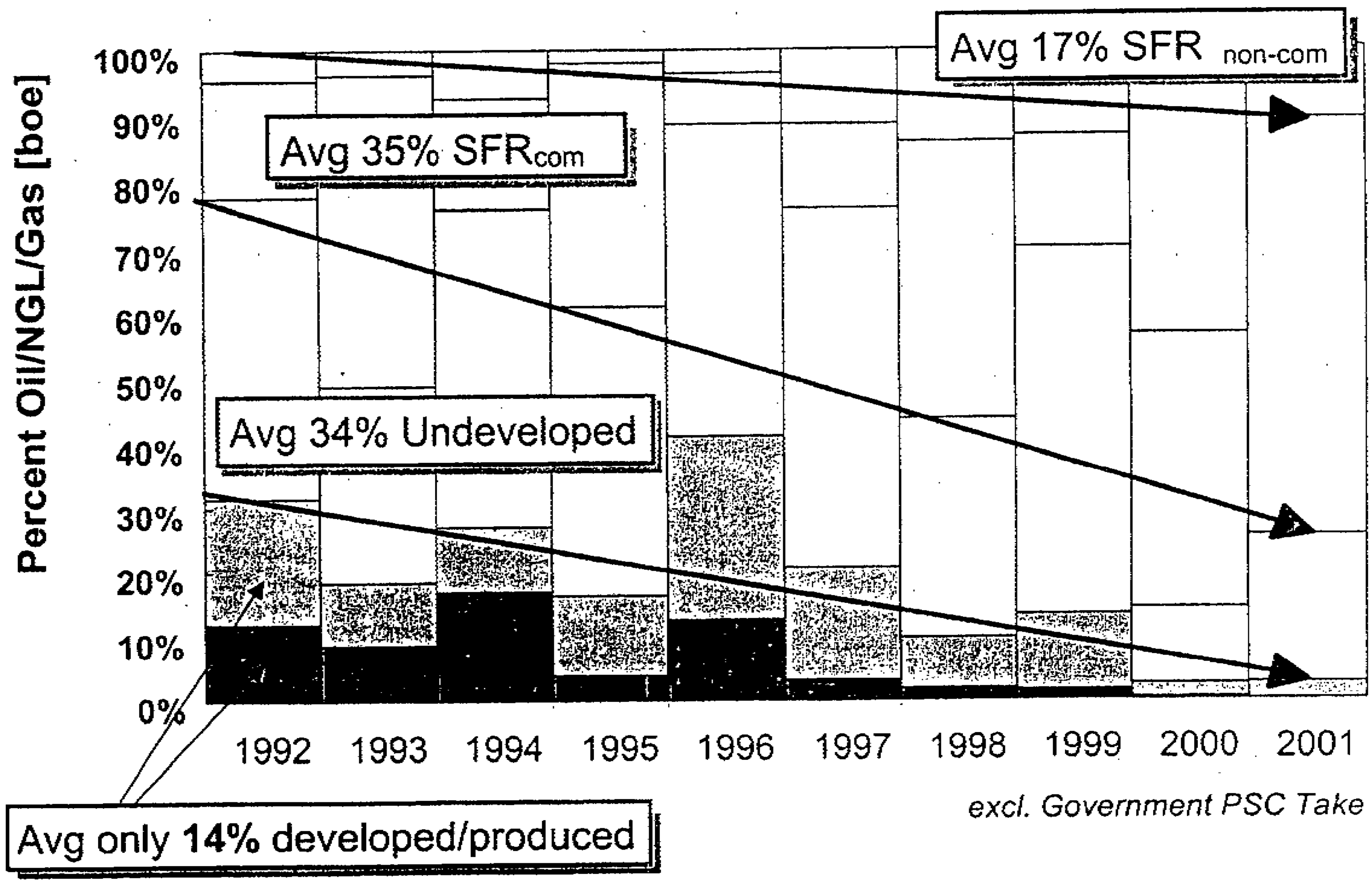
Development of Exploration discoveries

Discoveries 1992-2001 - Resource Split @1.1.2002



excl. Government PSC Take

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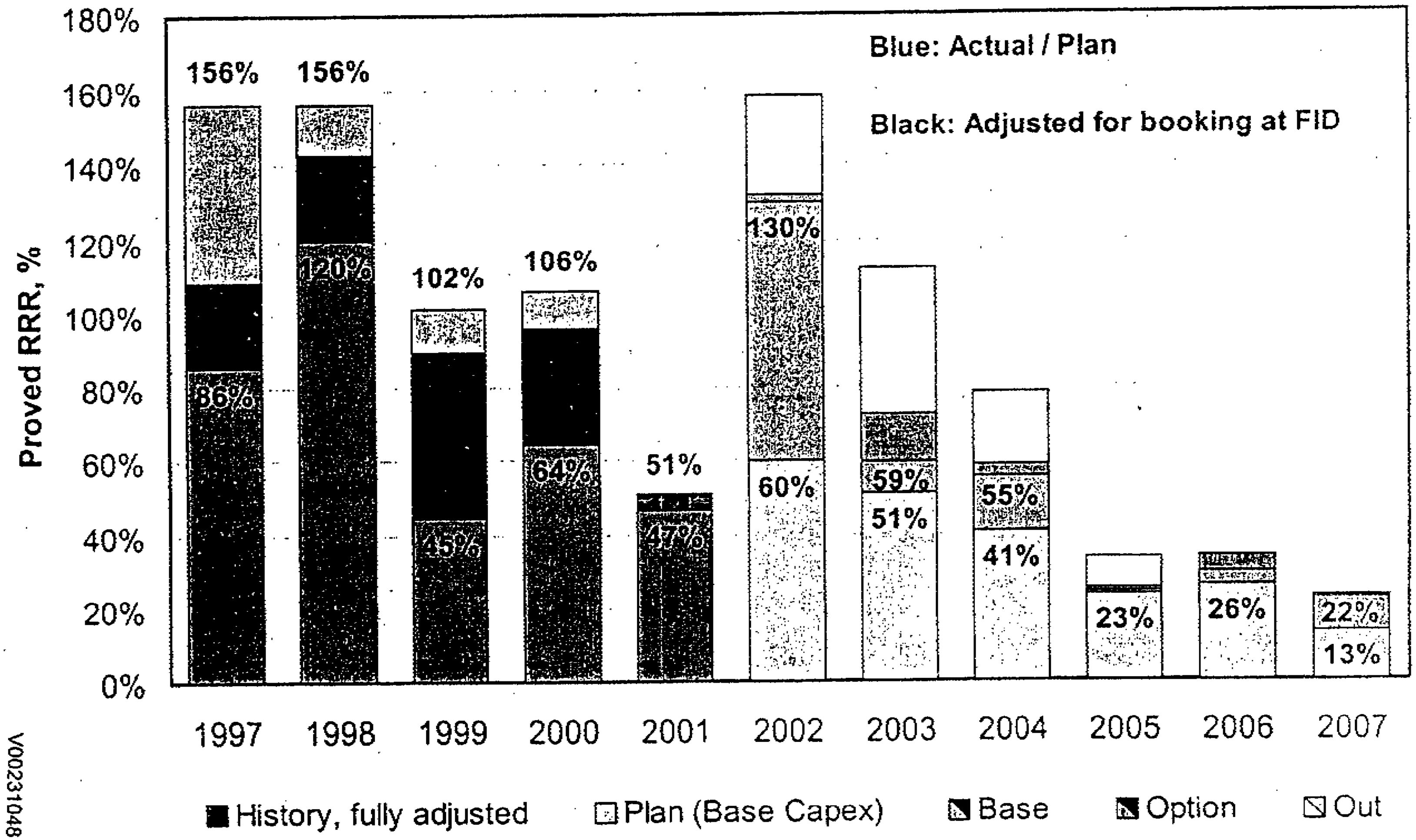
12

Proved RRR: Effect of aligning to FID



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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

VIJVER 1049

V00231049

How to raise the game: Key Strategic Actions

Achieving The "Quiet Revolution" will require further ctions ... lars of ...

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

VIJVER 1050

The Quiet Revolution: Key Strategic Actions

SUCCESSFUL ACTIONS TO DATE

Achieving The "Quiet Revolution" will require further ...tions ...llars of c...

Portfolio	Performance	People
Focussed acquisitions towards Aspired portfolio - Enterprise - Pinedale	Exploration Strengthening - Success in Heartlands - GoM/ Malaysia - Strong global EXPEX management	Global Leadership meetings – EPLF, CEO/ExCom
Winning Big Bets/ Big Tickets - China, Sakhalin, Qatar, Rockies	Operational Problems overcome (Brutus, Auger, Shearwater)	Global People Standards, Processes & Tools – on track for end 2002
Developing relations with key NOCs	Technical & Operational Excellence & Global Projects up and running	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	

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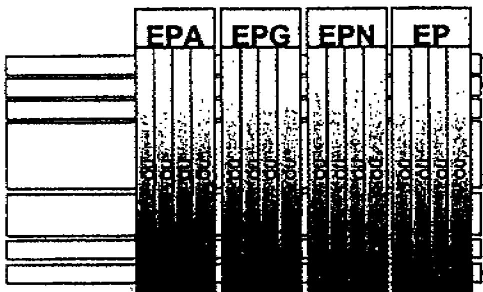
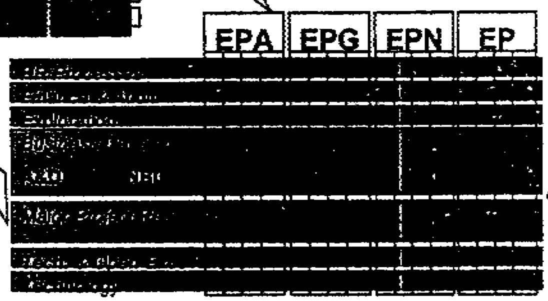
EP Globalisation

Local & Regional



Local & Global

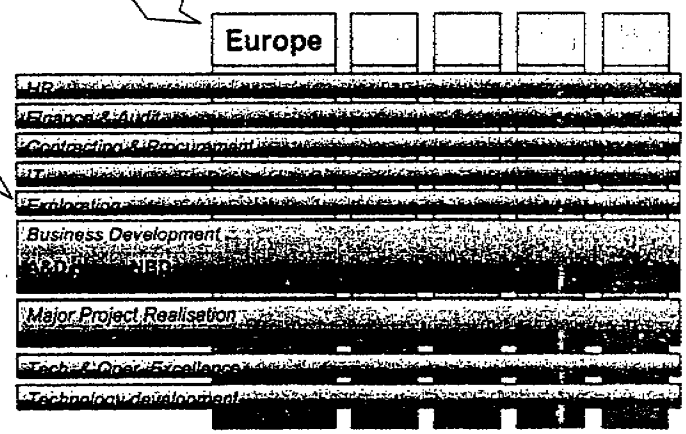


2003 & beyond

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.)

Regional & Global



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

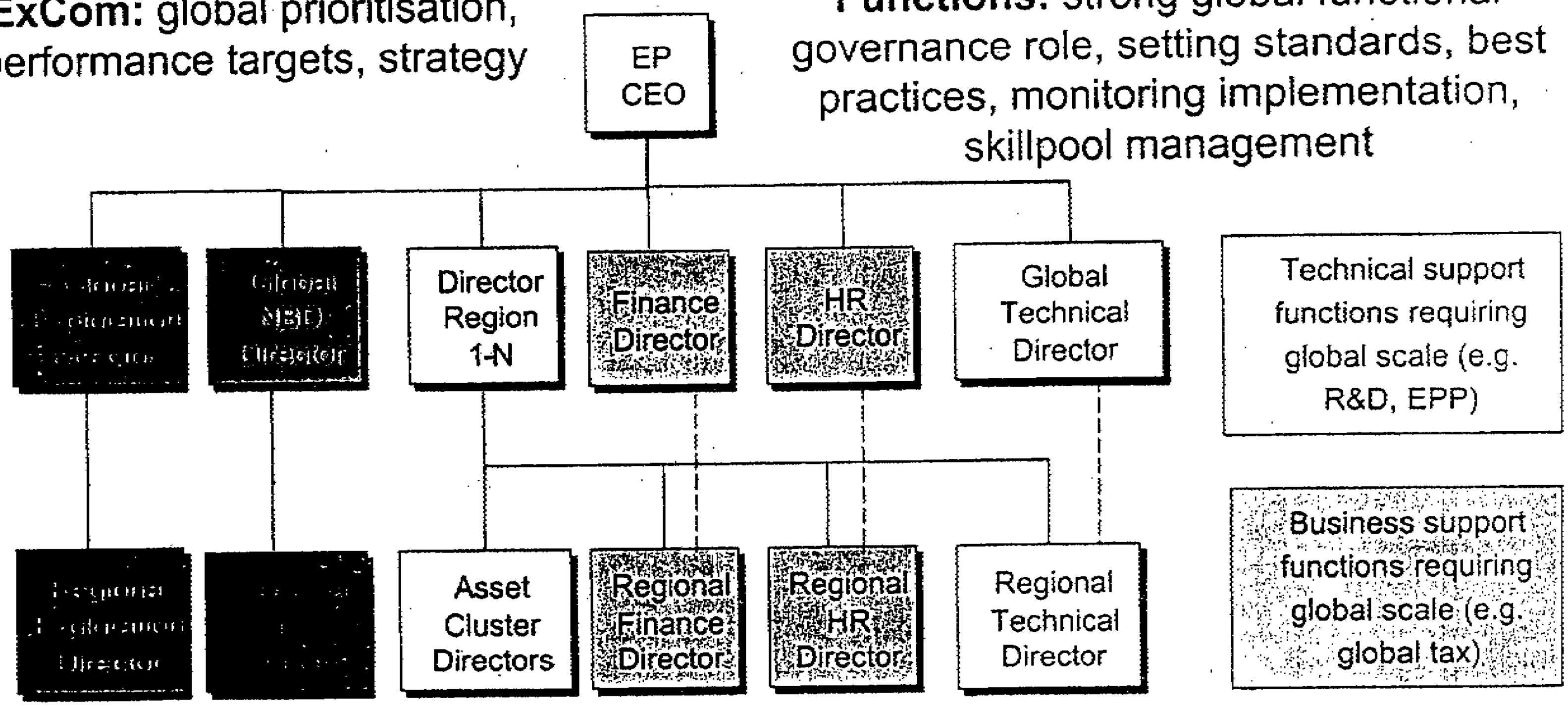
VIJVER 1052

V00231052

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.

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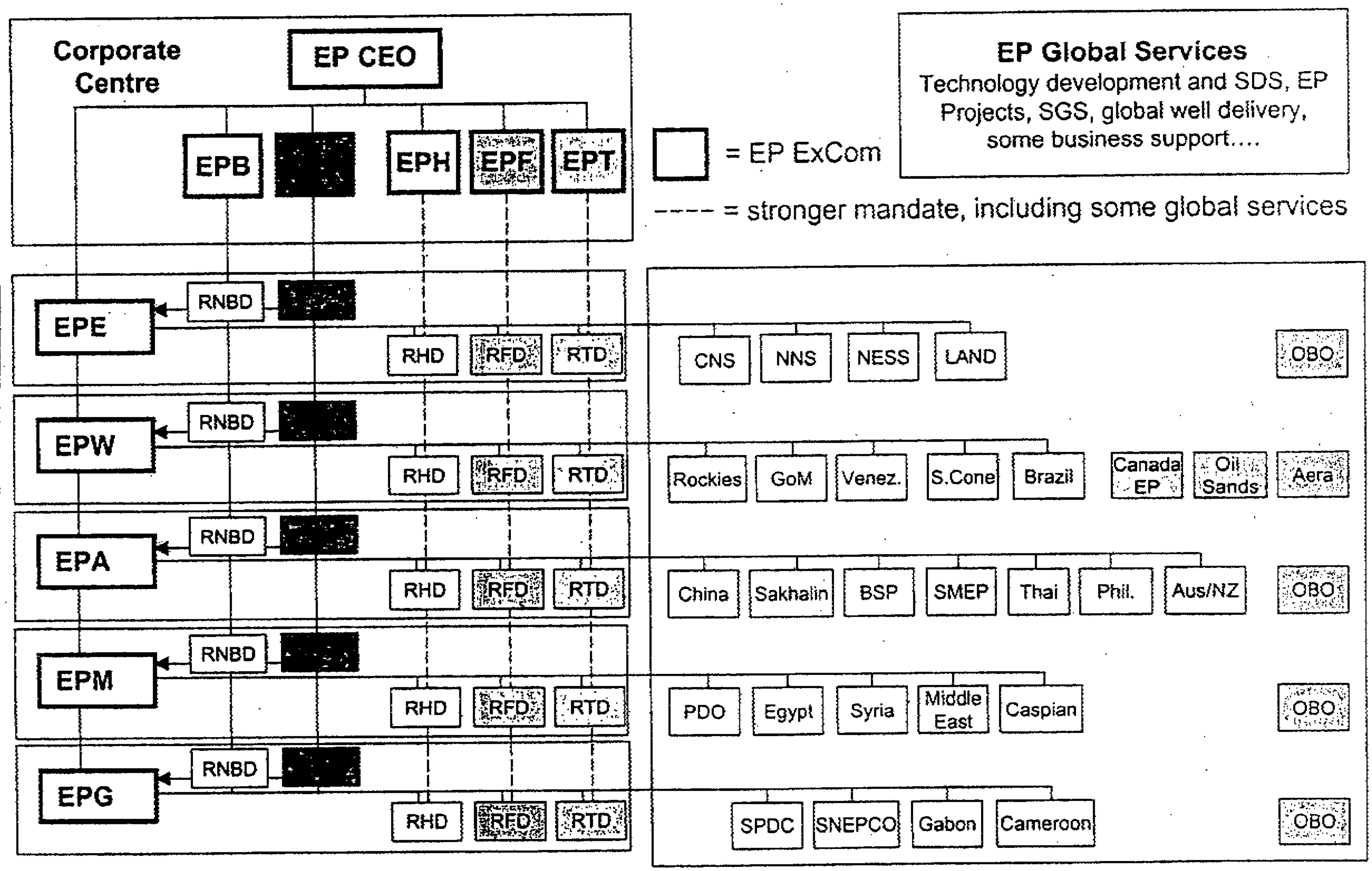
V00231053

New EP Operating Model



Regional Organisation (x5)

Local Operations/ Asset Clusters

19

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Aspirational targets by region/function

Corporate Centre

EP CEO — IT: $12mln, Other: $8mln

Portfolio changes $45mln

EPB	[redacted]	EPH	EPF	EPT
		$15mln	$8mln	$44mln

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)

EPE — RNBD — [redacted] — RHD $7mln, RFD $8mln, RTD $8mln
IT: $13mln, Other: $12mln

Europe Core Ops $59mln (incl. NESS)
CNS | NNS | NESS | LAND | OBO

EPW — RNBD — [redacted] — RHD $4mln, RFD $5mln, RTD $5mln
IT: $9mln, Other: $3mln

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

EPA — RNBD — [redacted] — RHD $3mln, RFD $3mln, RTD $5mln
IT: $3mln, Other: $1mln

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

EPM — RNBD — [redacted] — RHD $5mln, RFD $6mln, RTD $5mln
IT: $7mln, Other: $6mln

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

EPG — RNBD — [redacted] — RHD $3mln, RFD $3mln, RTD $3mln
IT: $4mln, Other: $1mln

Africa Core Ops $8mln
SPDC | SNEPCO | Gabon | Cameroon | OBO

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Benefits & Risks

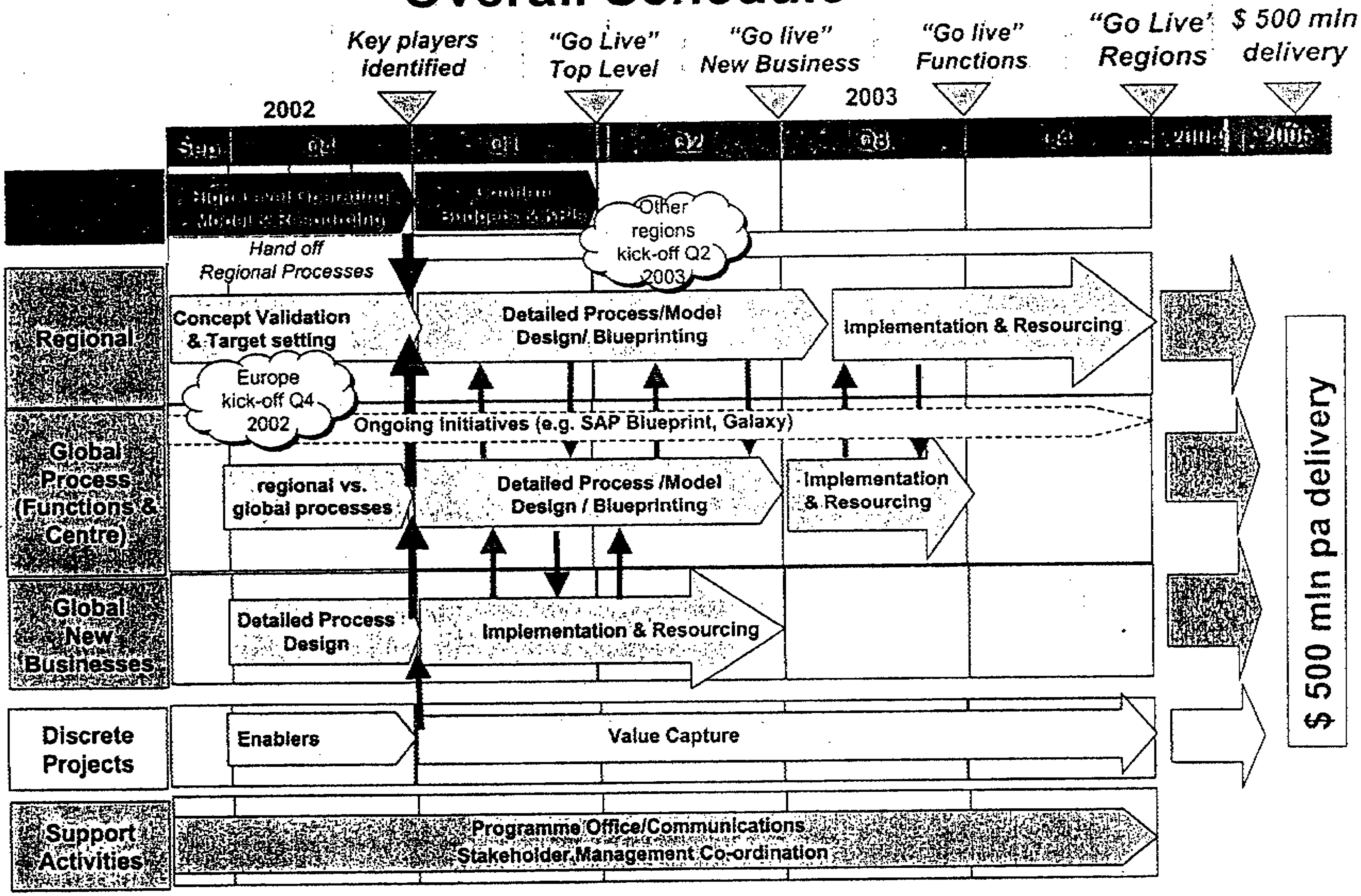
Benefits

- 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

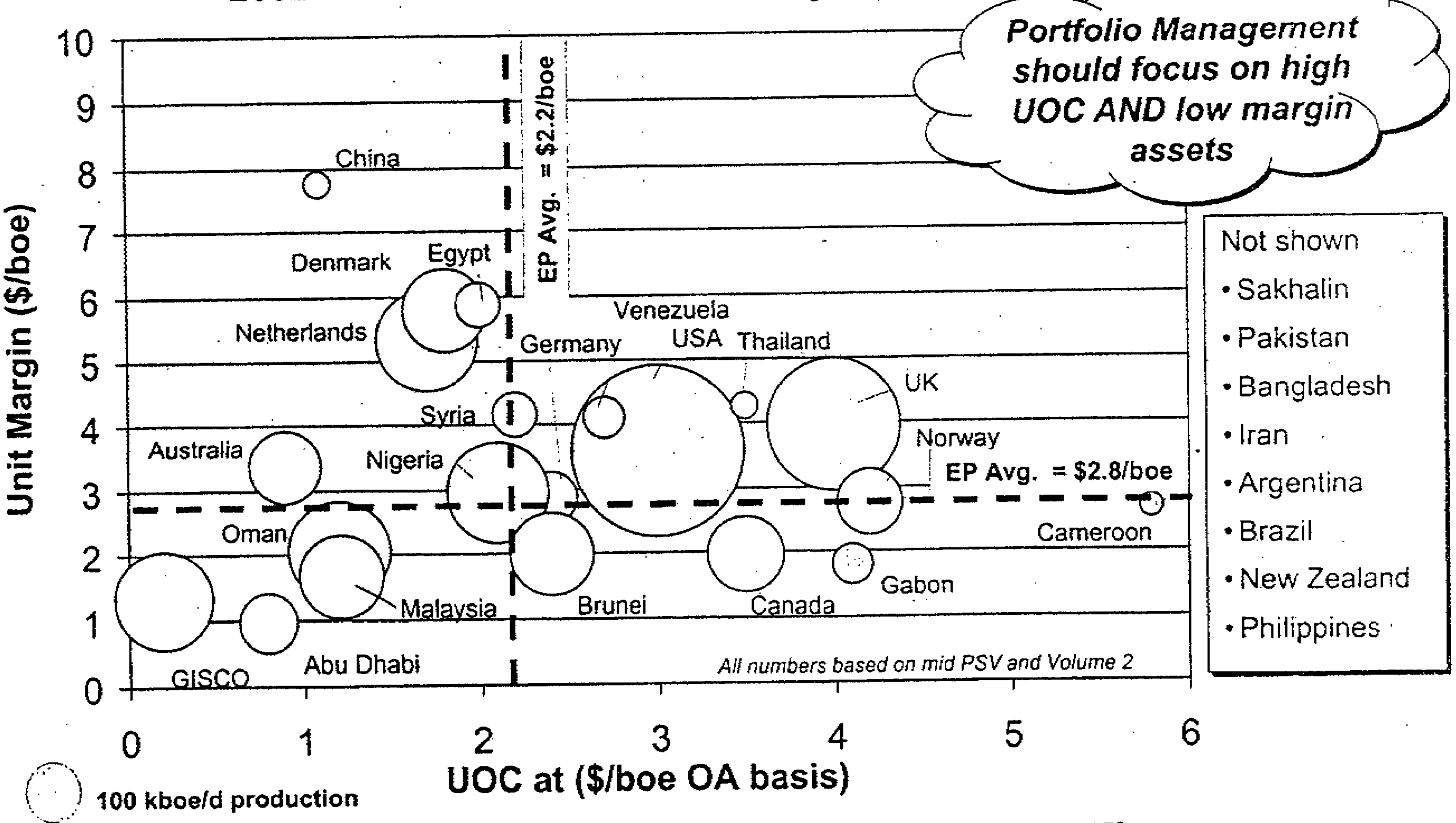
Overall Schedule



VIJVER 1057

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

2002 Forecast UOC and Unit Margin ($/boe)



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

VIJVER 1059

The EP Dilemma: Caught in the box?

Managing external impact

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

Normalised ROACE delivery

Radical Portfolio Actions

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

ACTION
- Continuous portfolio upgrade

Production Growth

PPP

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

ACTION
- T&OE drive and T&OE Projects
- "New Exploration"
- Realise Nigeria
- Technology drive
- Focused NBD

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

PPP

Unit Cost Reduction

ISSUES
- Diminishing scope at OU level

ACTION
- Maximise internal synergy

Cost FRD

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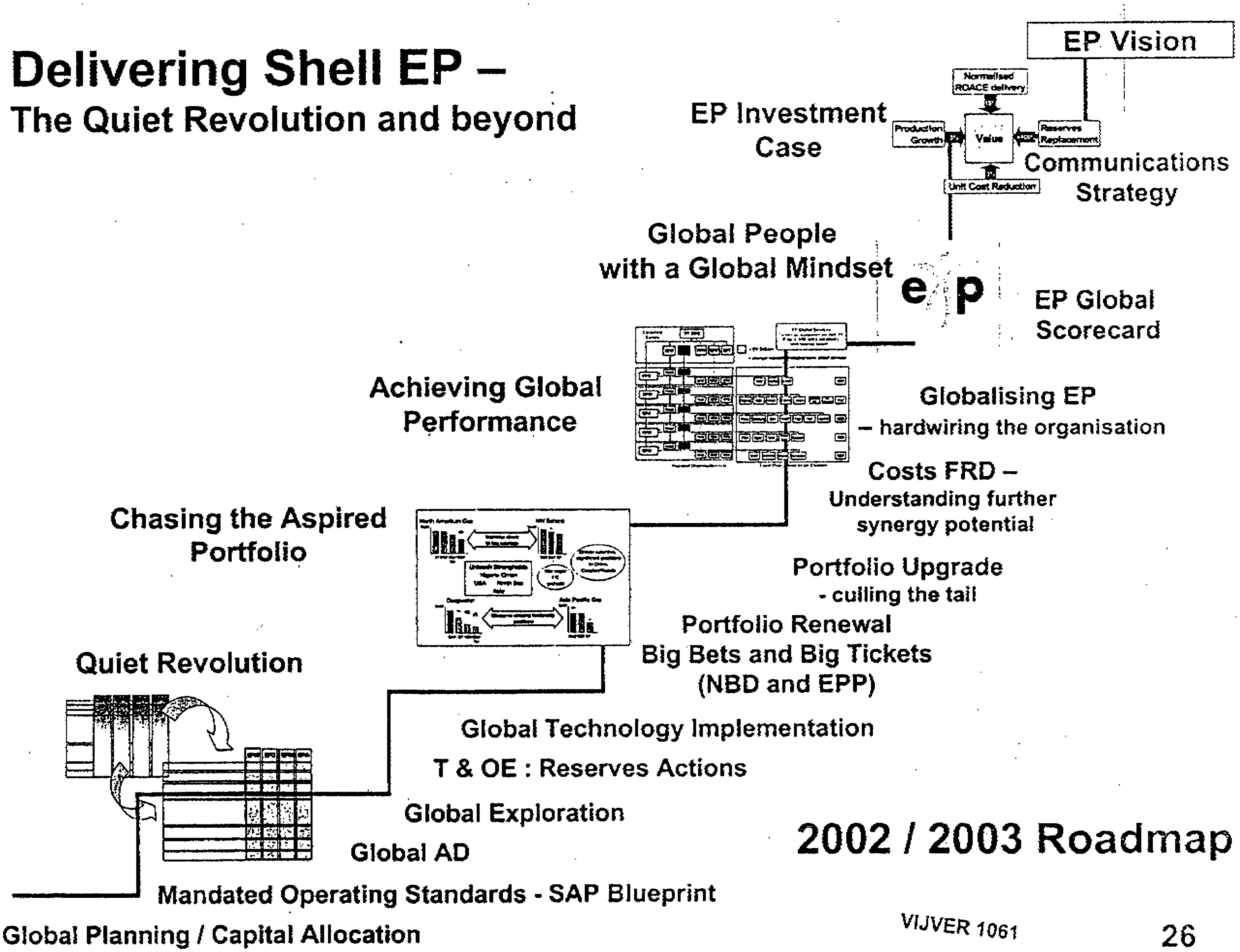
V00231060

Delivering Shell EP –
The Quiet Revolution and beyond



2002 / 2003 Roadmap

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Summary

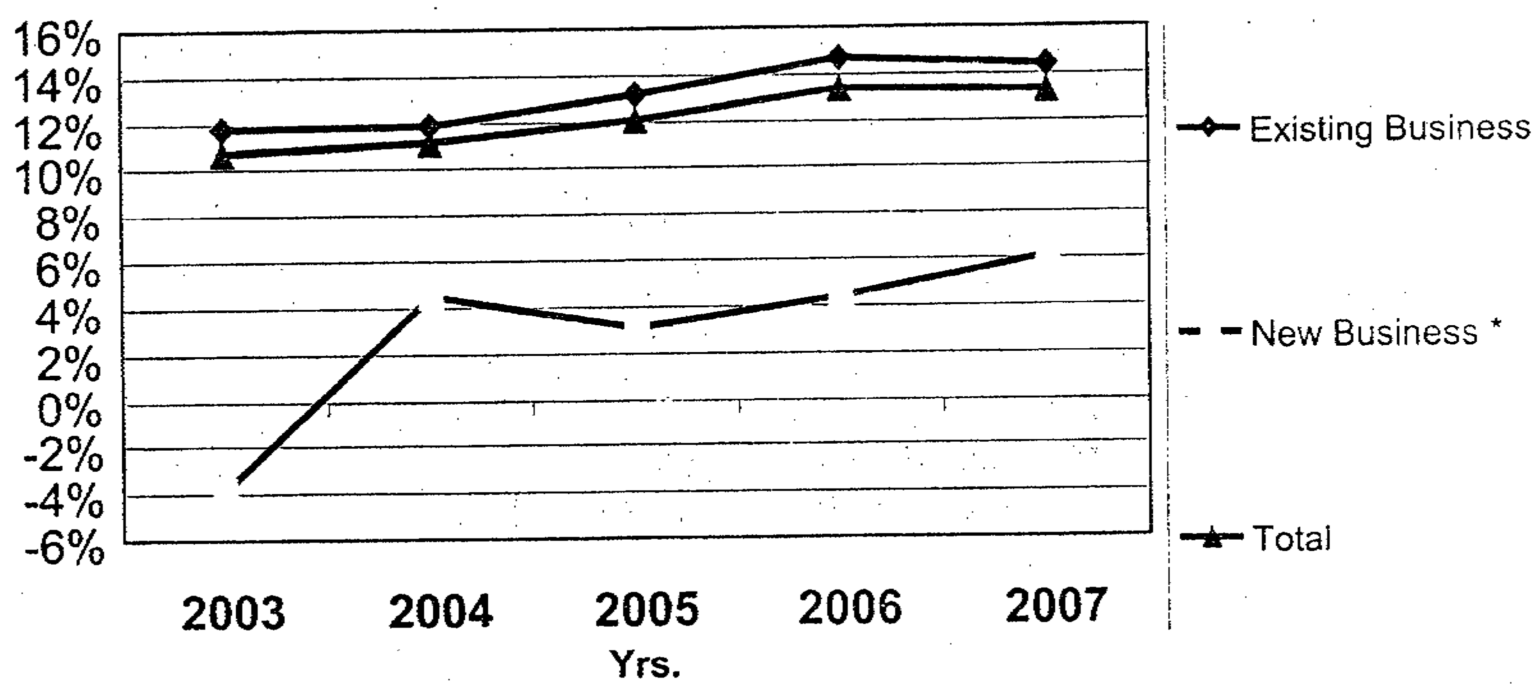
- External views shows Shell will struggle to be the best…
- …and internal data support the size of the challenge

- 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

BACK UPS

VIJVER 1063

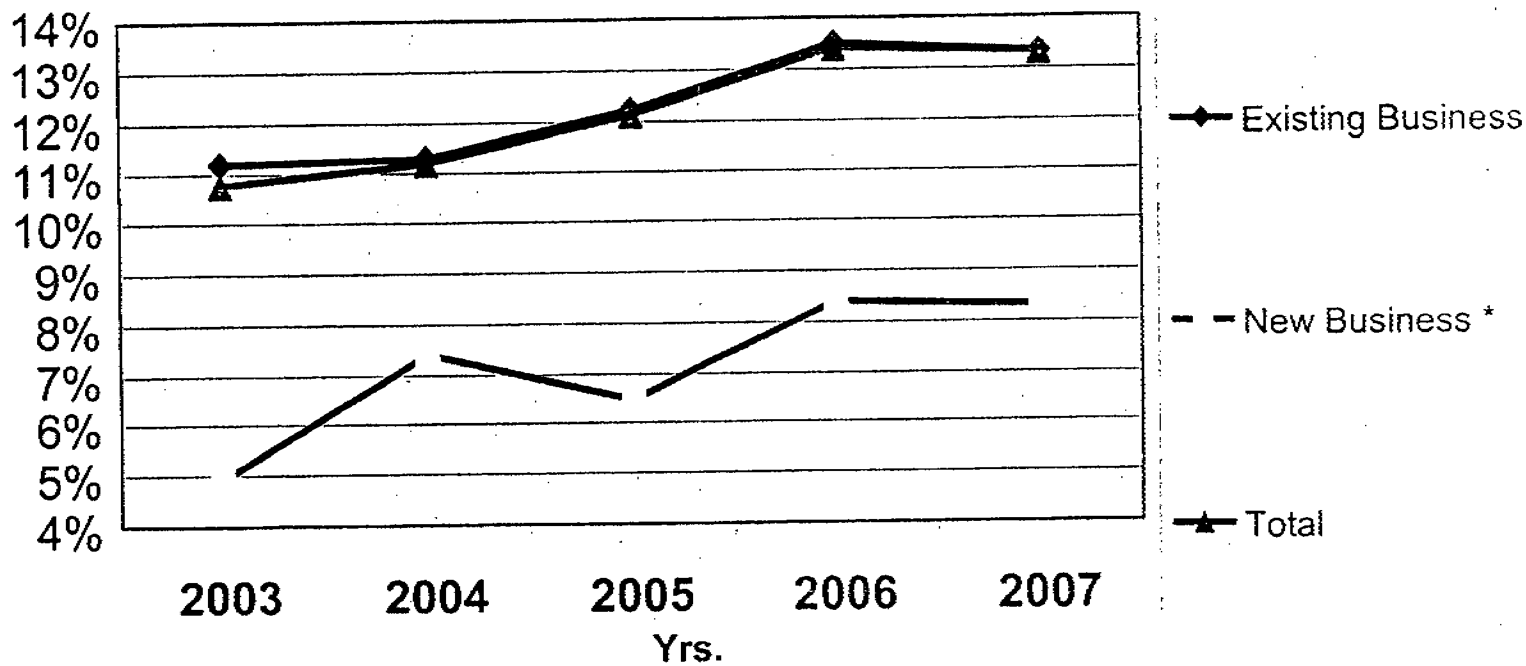
ROACE
(Existing Business vs. New Business)



* New Business : Canada (AOSP), Kazakhstan, Sakhalin, China

VIJVER 1064

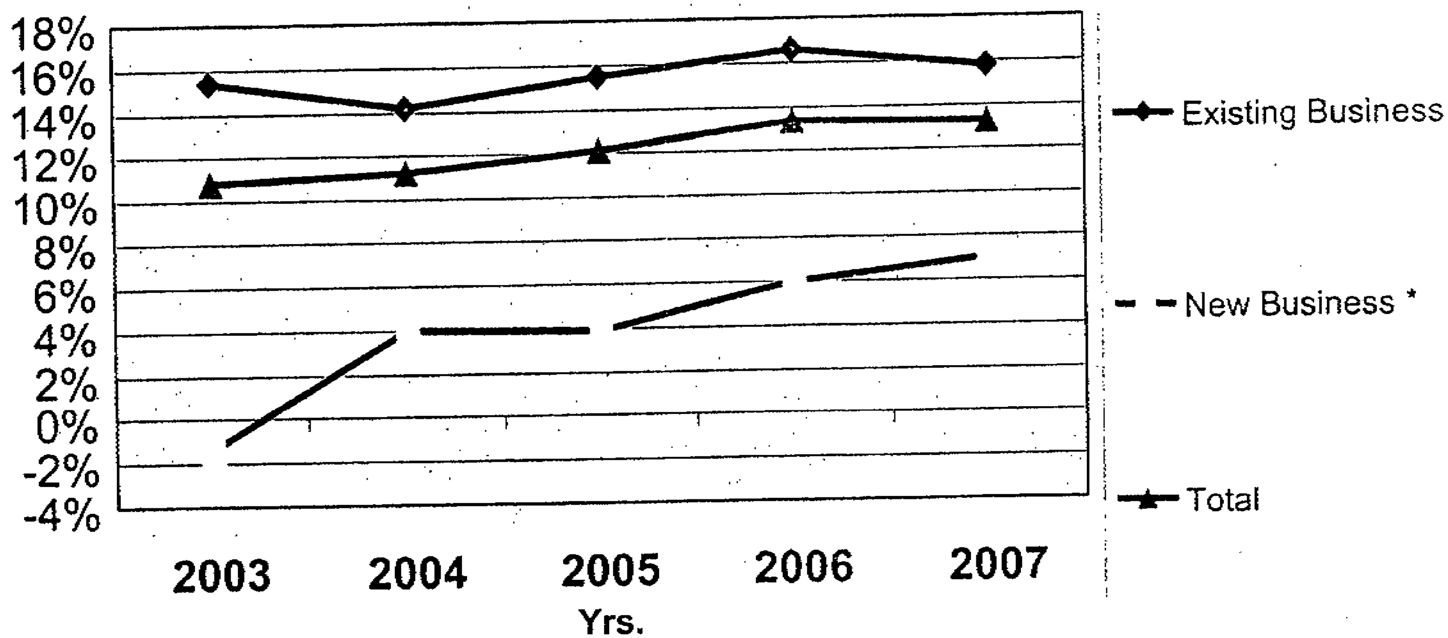
ROACE
(Existing Business vs. New Business)



* New Business : Canada(AOSP) only

VIJVER 1065

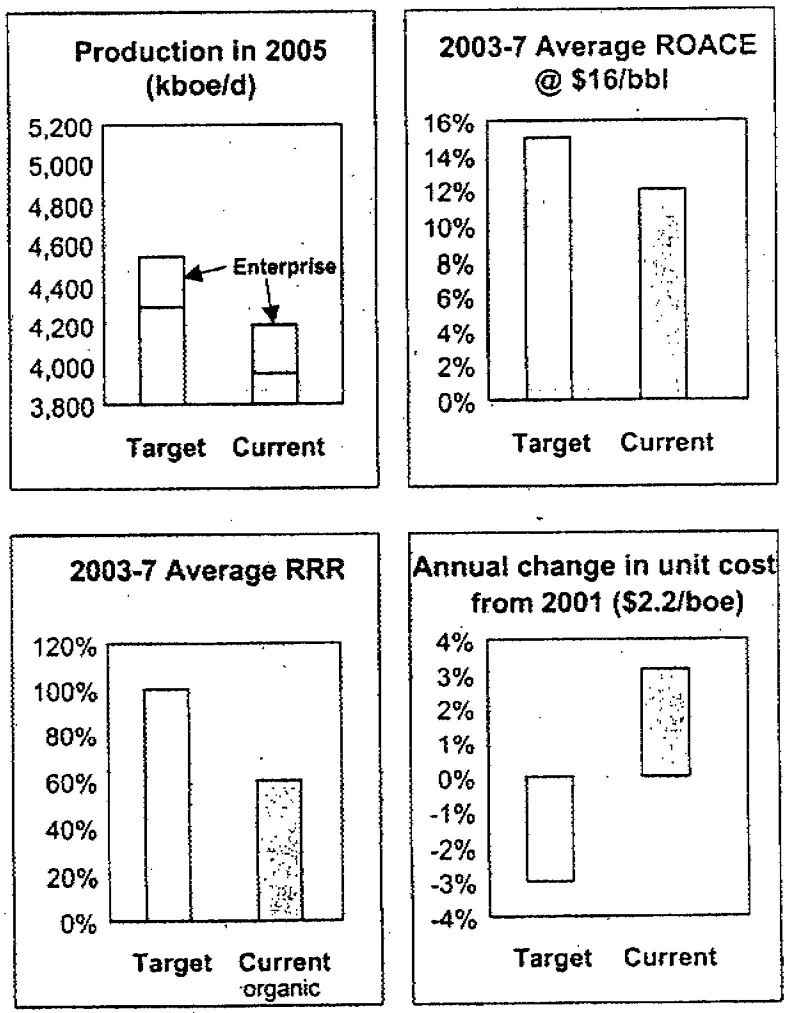
ROACE
(Existing Business vs. New Business)



* New Business : Angola, Brazil, China, Athabasca Oil Sands, Enterprise Brazil, Enterprise USA, Enterprise Italy, Kazakhstan, SNEPCO, Sakhalin

VIJVER 1066

Summary of First Look Plan



- Targets are not met by Current Plan

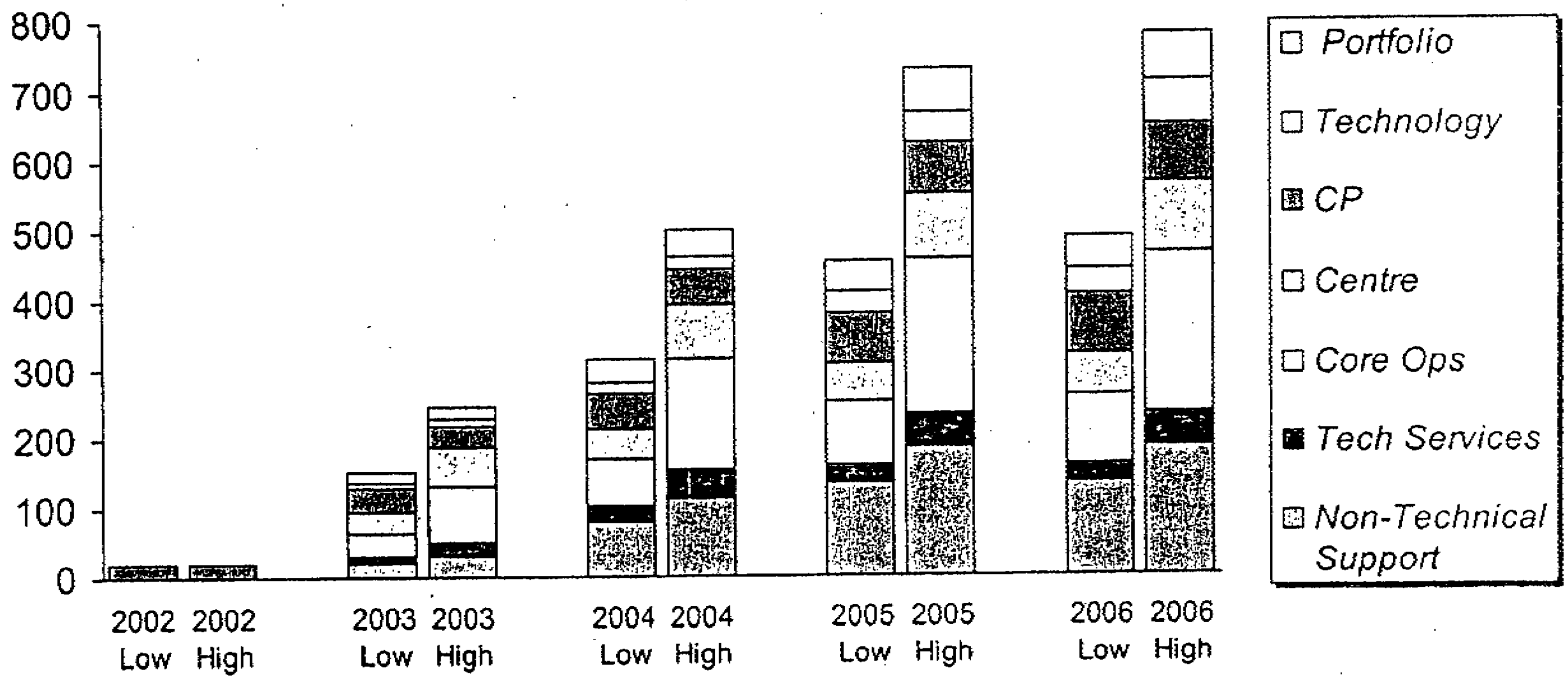
VIJVER 1067

Likely Impacts

Remedial Action	Unit Cost Reduction	ROACE delivery	Production Growth	Reserves Replacement	Value
Cut opex, expex, capex	↑	↑	↓	↓	↓ Probably
Portfolio Upgrade	↑	↑	↕	↕	↑
Implement Cost FRD	↑	↑	↕	↕	↑
Acquisitions	↕	↓	↑ Probably	↑	↕

...with delivery phased over the planning period

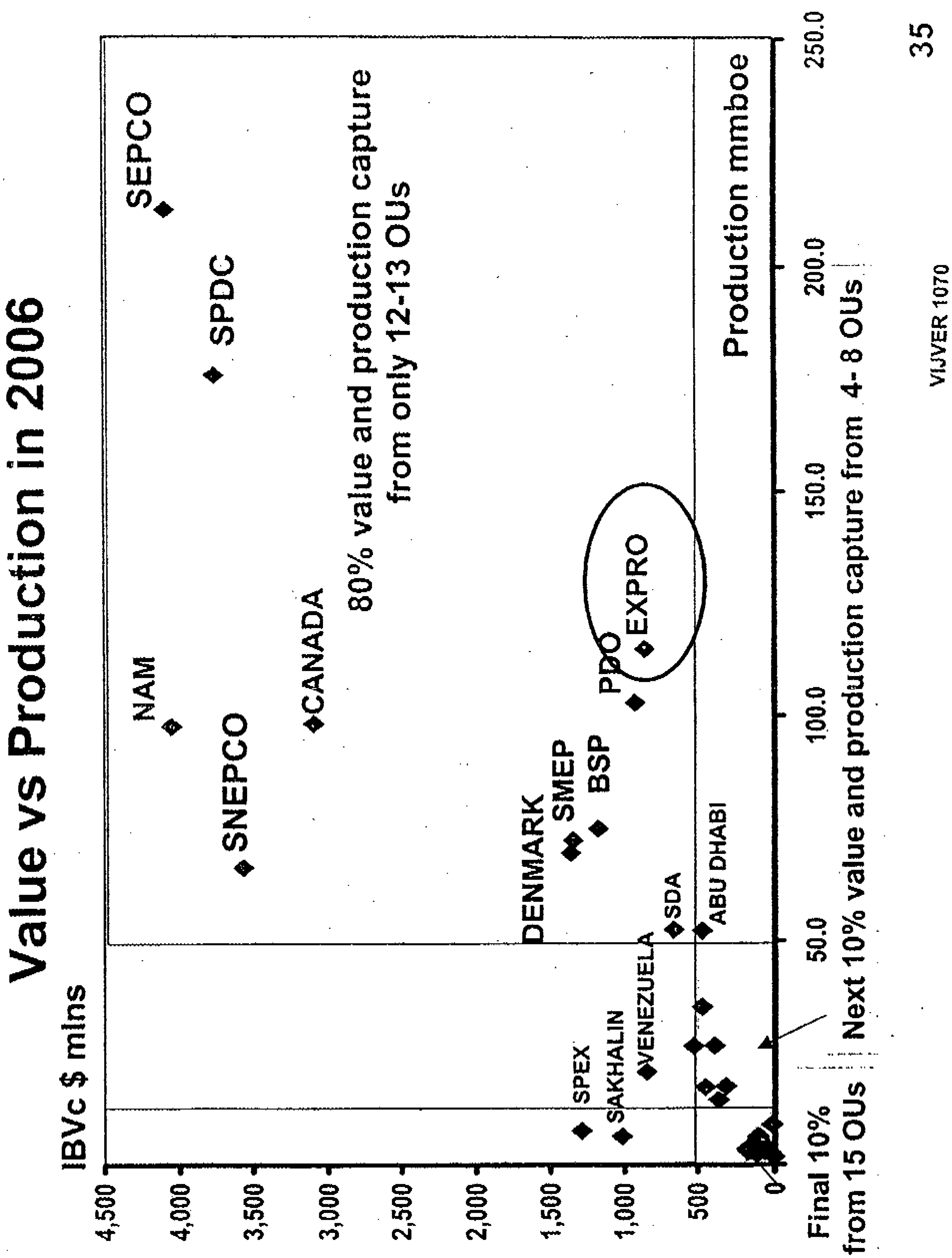
Phased Benefit by Opportunity Area ($mln)



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

VIJVER 1069

V00231069


Value vs Production in 2006
IBVc $ mlns
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
SEPCO
SPDC
NAM
SNEPCO
CANADA
80% value and production capture from only 12-13 OUs
EXPRO
PDO
DENMARK
SMEP
BSP
SDA
ABU DHABI
SPEX
SAKHALIN
VENEZUELA
Production mmboe
50.0
100.0
150.0
200.0
250.0
Final 10% from 15 OUs
Next 10% value and production capture from 4-8 OUs
35
VIJVER 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
- Brings Top 10 EP Technical Directors who collectively determine EP technical performance together in a single Technical Leadership Team
- 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

Technical Excellence

Development Planning

Wells Delivery

Projects Delivery

IT Services

Research & Developme nt

[illegible]

Europe	EPE 1030
Africa	EPG 970
America	EPW 640
Asia Pacific	EPA 590
Middle East	EPM 520

~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

[illegible]

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.

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V00231072

Technical Staff Deployment

	[redacted]	Regionally Employed Staff	Locally Employed Staff
Work scope	Can work on any field and asset challenge operated by Shell EP	Can work on any field and asset within Region	Can work on any field and asset within Country
Work location	Main Centres are Rijswijk and Houston, but staff can also be based (long and short term) in regional or country Centres	Main Centres are those in countries with Shell EP business, in some regions a regional Centre may be chosen or opened	Main Centre of that country's EP business

Mobility, Variety in Challenges, Career and Job Options

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

– **Programme Leader**	drawn from the CEO community ; someone with vision, credilbility, drive and energy for the change
– **Programme Office 5 people**	high CEP, SG 2 – B, mix of experience and energy, split 50/50 OU and Centre, plus 2 –3 consultants

Function/Business Director Consideration

– **Functional Teams**	ca. 5 per function (EPF/HR)* & ca. 10 (EPT)	SG 2-B, high CEP, some ex. OU
– **Global Business Teams**	ca. 5 per business (EPX/B)	SG 2-B, high CEP incl.from OU

* A number of these positions are already effectively resourced (e.g.EP-HR Regional Advisors, EPF SAP and BBB implementation teams)

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.

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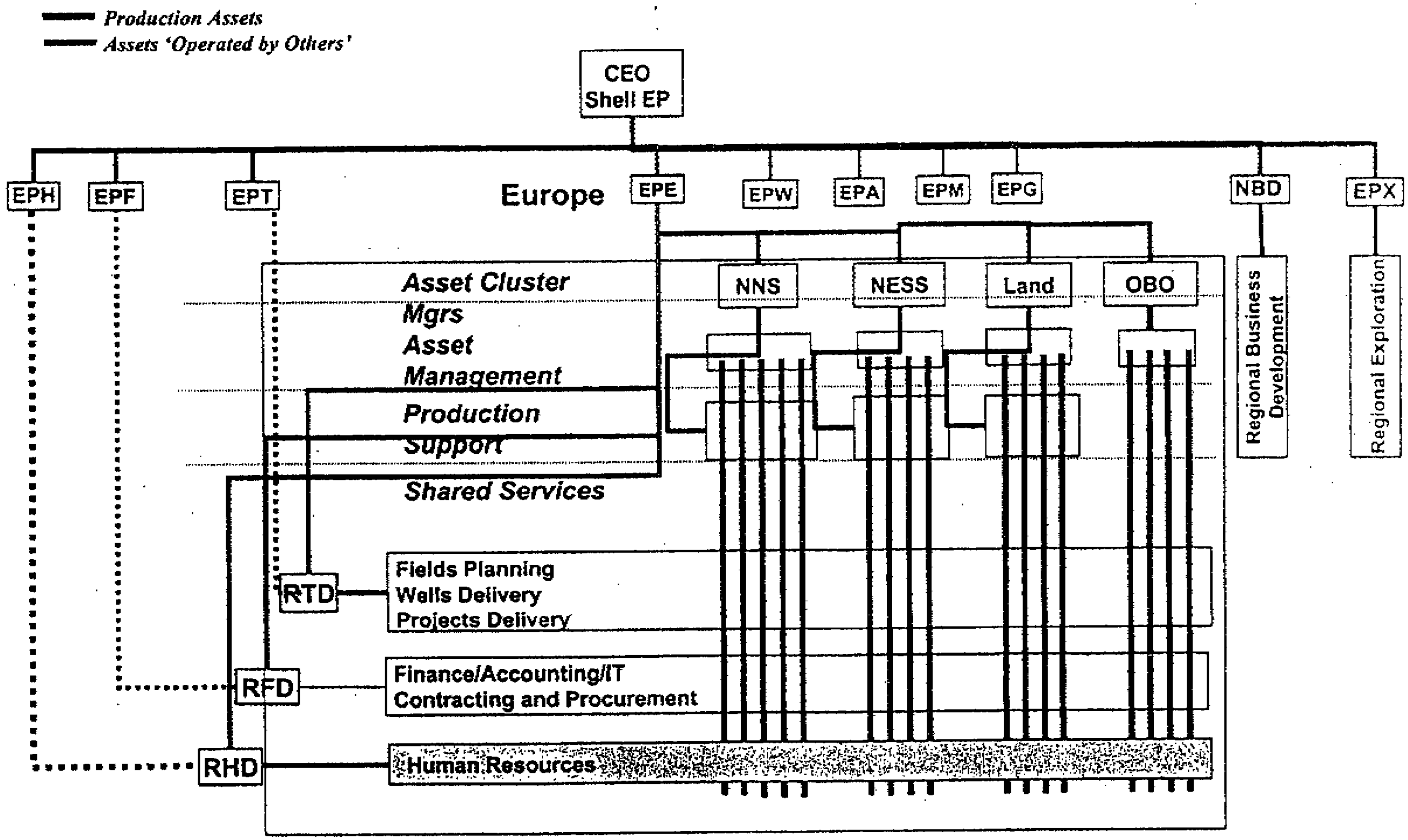
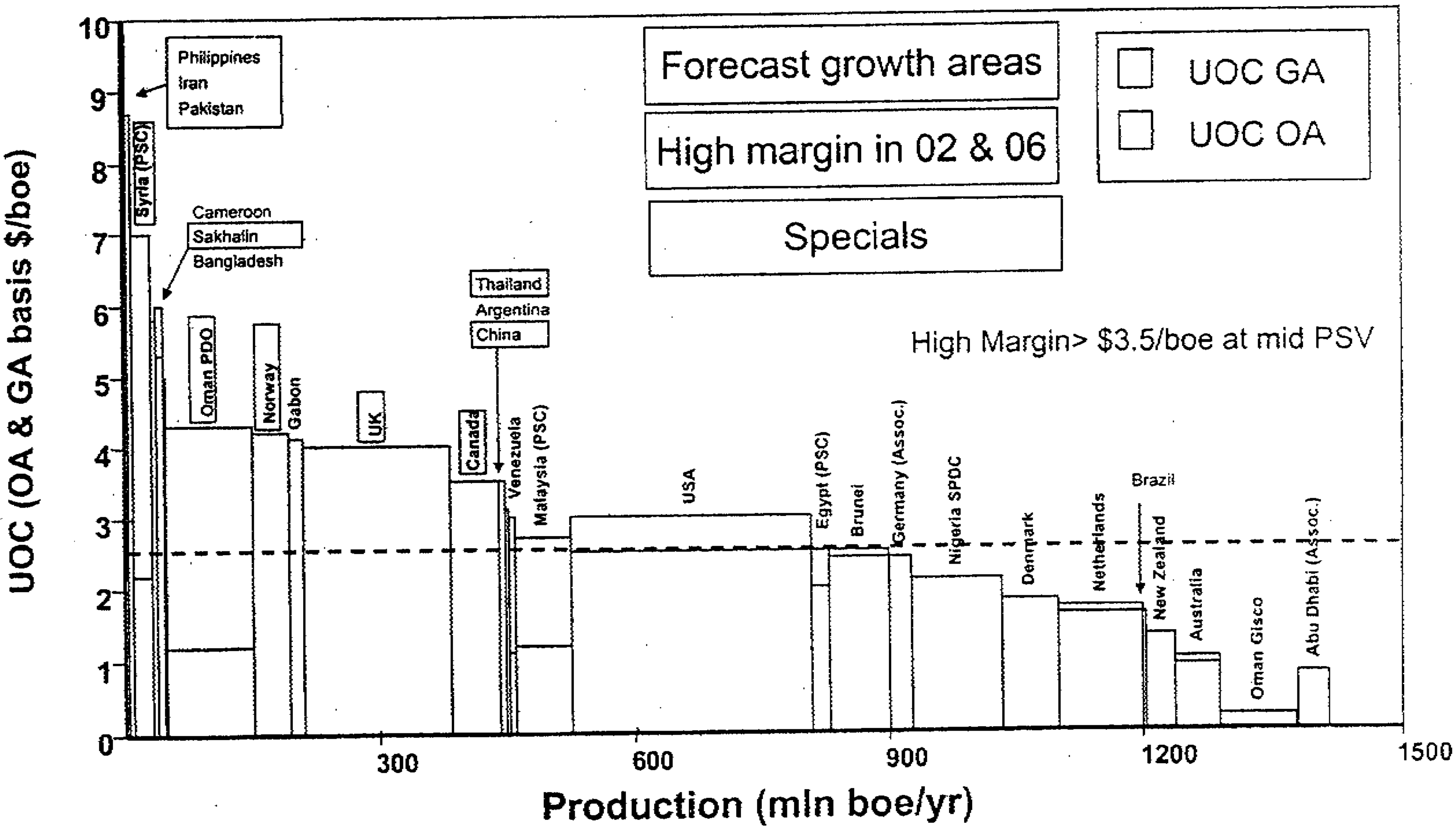
Potential EP Europe Organisation



VIJVER 1076

Portfolio - EP assets have a wide range of unit operating cost

UOC vs. Production – 2002 Plan



Source: Volume 2 (2001)

VIJVER 1077

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V00231077

Unknown

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-MGDPW; 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.ZIP

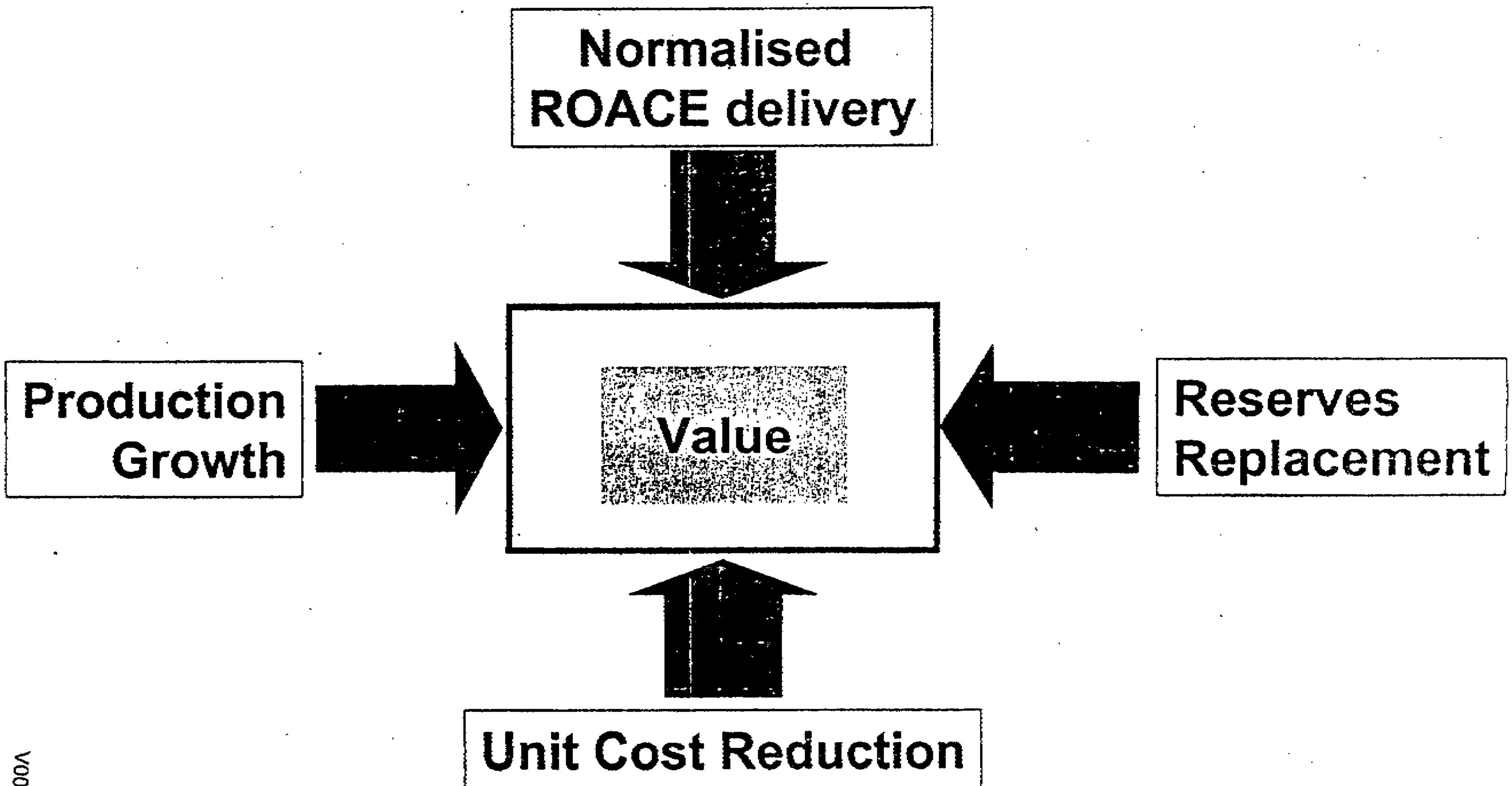
Walter

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

VIJVER 1078

The EP Dilemma: Caught in the box?



VIJVER 1079

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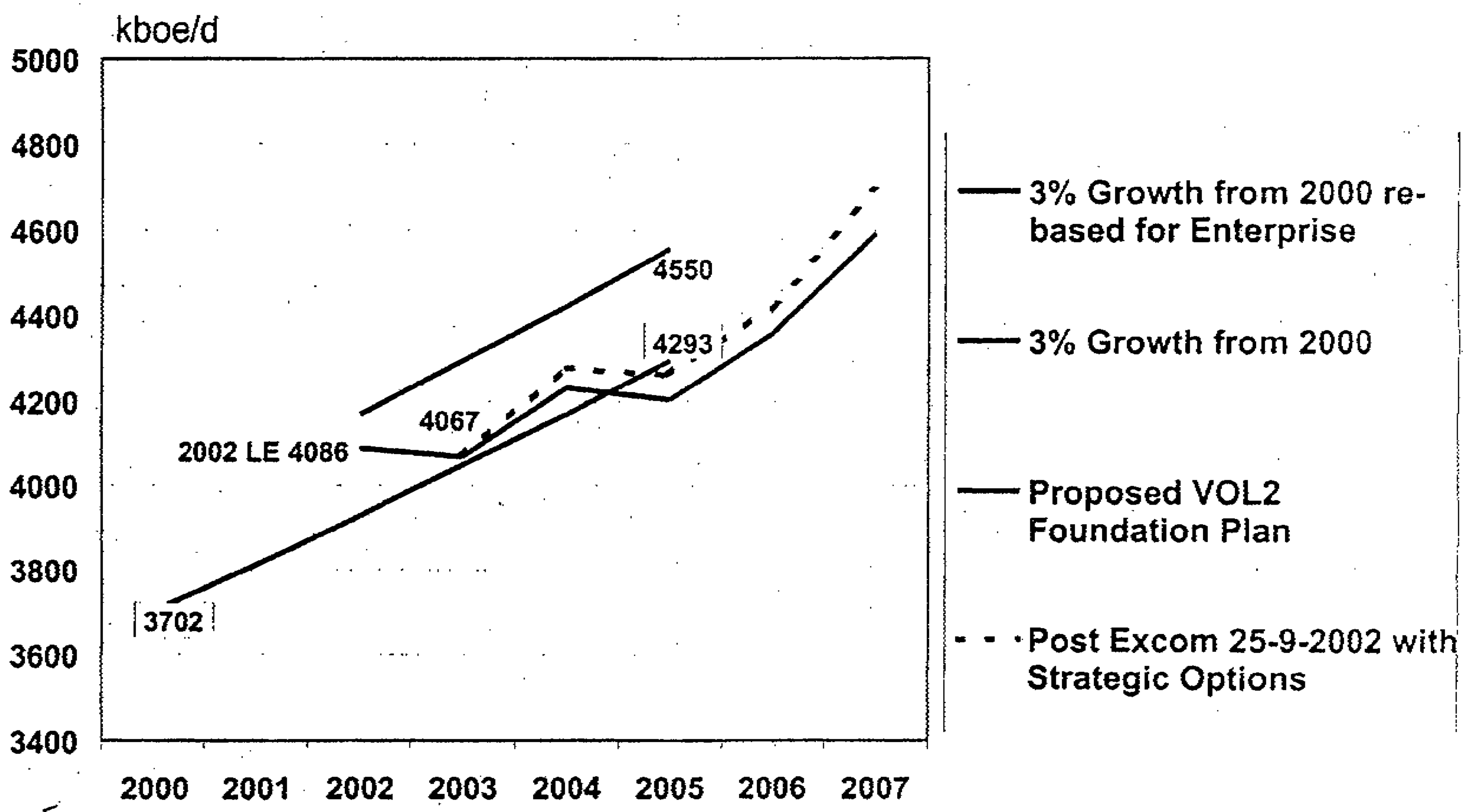
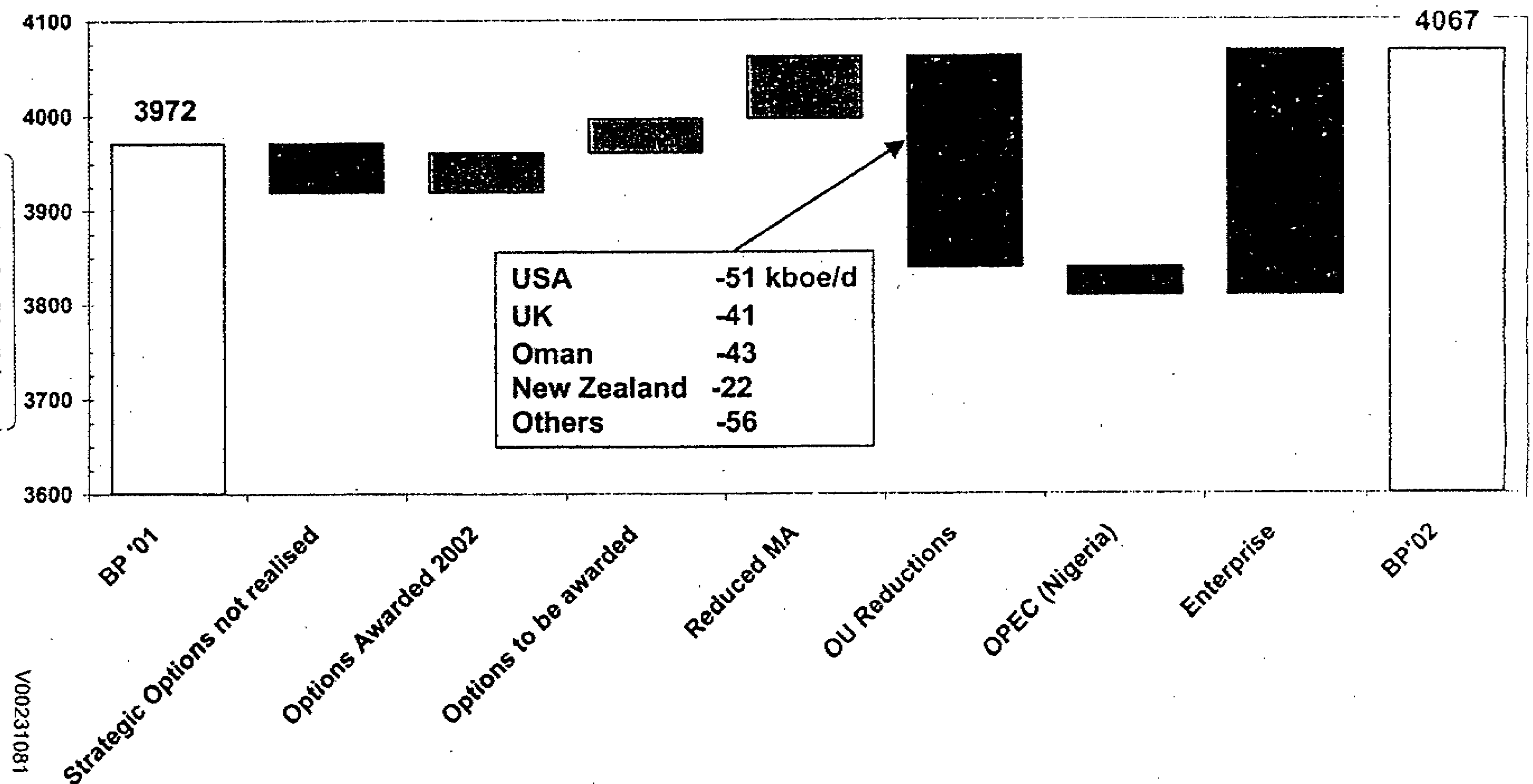
BP 2002 - Production



VIJVER 1080

V00231080

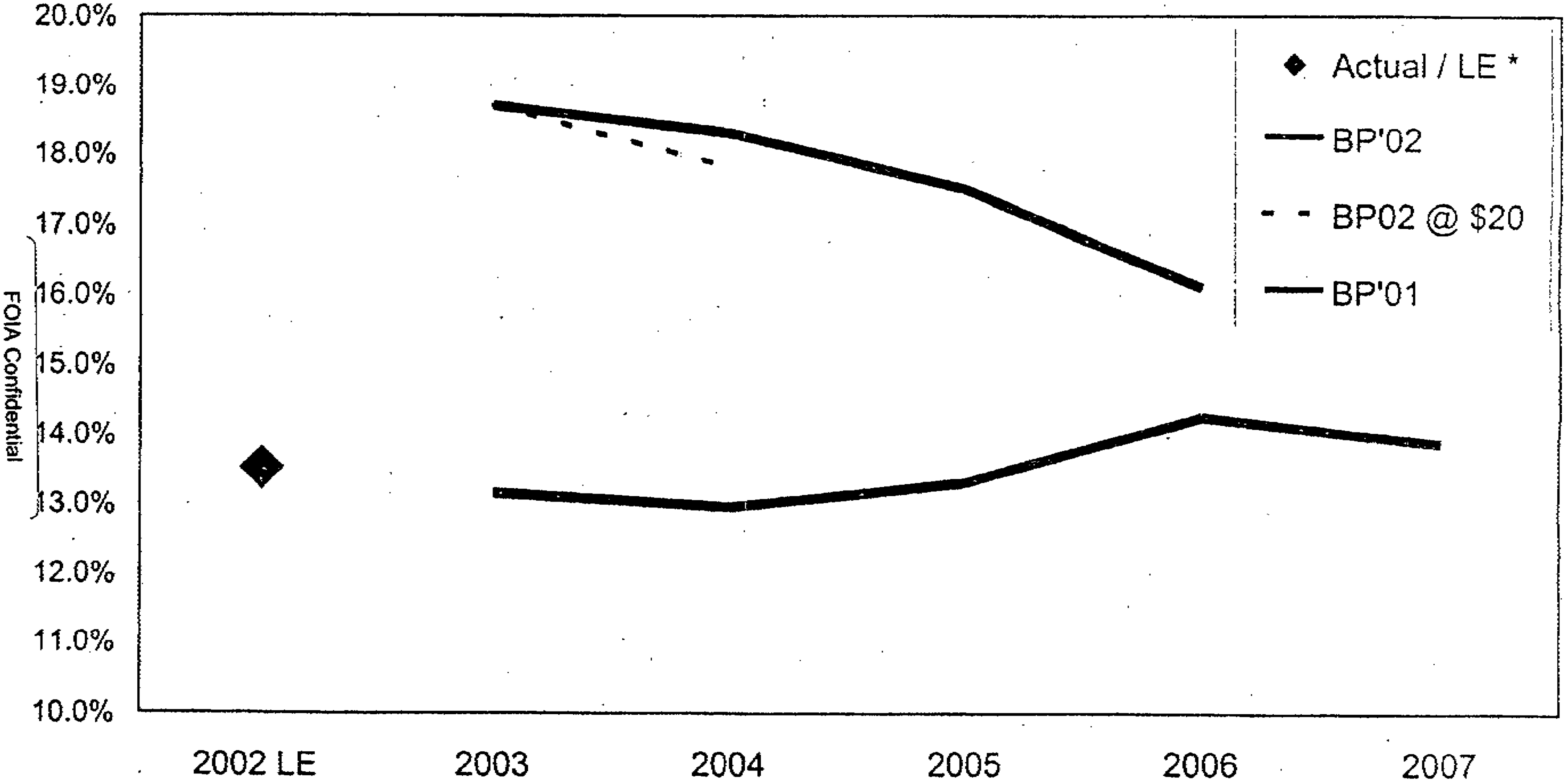
2003 Production – BP'02 vs BP'01



V00231081

VIJVER 1081

BP 2002 - ROACE @ $16/bbl

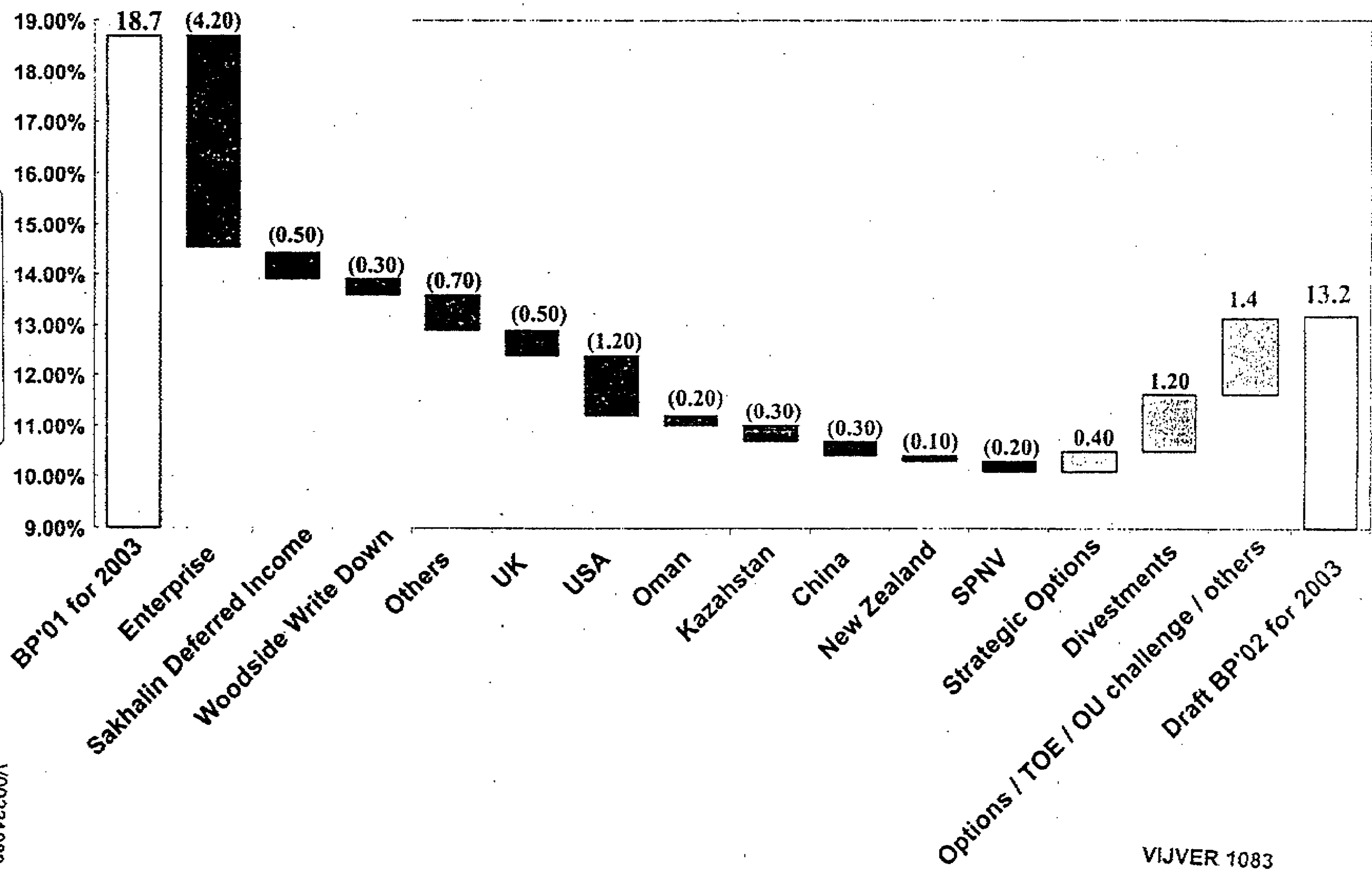


FOIA Confidential Treatment Requested

VIJVER 1082

V00231082

2003 ROACE - BP'01 vs BP'02



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V00231083

VIJVER 1083

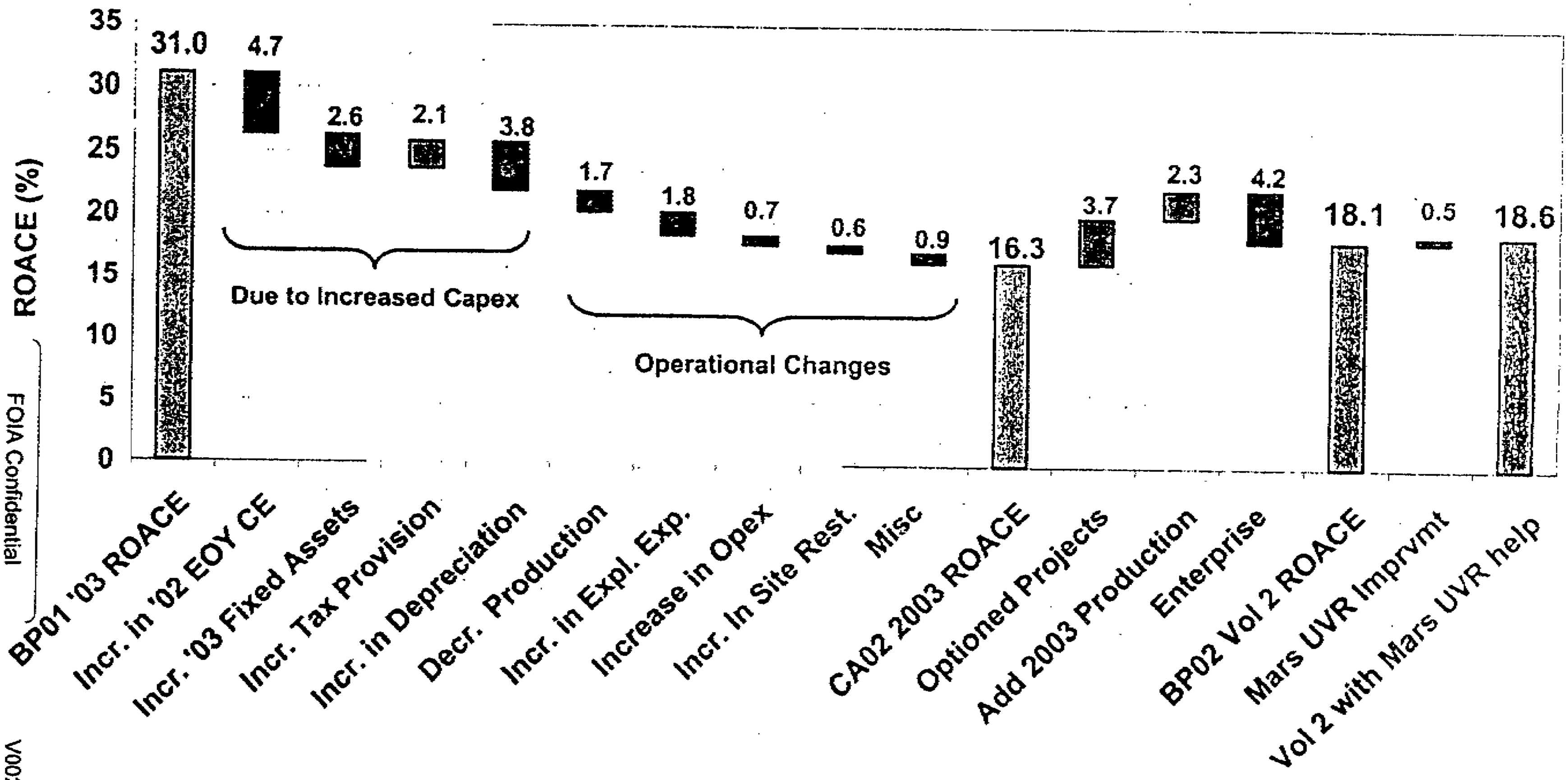
BP 2002 – Assumptions included in Plan

- 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)

VIJVER 1084

SEPCo - 2003 ROACE - BP'01 vs BP'02

Plan-to-Plan $16 ROACE Comparison



* *Using corrected ROACE calculation*

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V00231085

VIJVER 1085